



Convener
Economy and Fair Work Committee

The Scottish Parliament
Edinburgh
EH99 1SP

26 August 2025

Dear Convener,

Today the Scottish Fiscal Commission has published two reports. Our [Fiscal Update](#) has been prepared to assist the Parliament and its Committees with its pre-Budget scrutiny and examination of the upcoming Autumn Budget Revision. We discuss the economic and fiscal developments since our last report in June 2025 and how these will affect the Scottish Budget for the remainder of 2025-26 and the upcoming 2026-27 Budget and the Spending Review.

Since June, the UK Government has also made a number of policy changes on social security and defence that will affect the Scottish Government's funding. The UK Budget in the autumn should provide more clarity on the exact implications for the Scottish Government.

The Scottish Budget, accompanied by the first full and comprehensive Scottish Spending Review since 2011, will come at a time of economic and fiscal challenge. The Scottish and UK economies have faced a volatile environment since the start of the year and UK borrowing has remained elevated in the first few months of this financial year. We will provide our updated forecast of the Scottish economy alongside the 2026-27 Scottish Budget.

In our [Forecast Evaluation Report](#), we evaluate our December 2023 forecasts for the economy, fully devolved taxes, and social security expenditure in 2024-25, and our December 2022 forecast for Scottish Income Tax revenue in 2023-24.

We under-forecast Scottish Gross Domestic Product growth for 2024-25 by 0.5 percentage points, which we judge to be a reasonable forecast error. At the time we produced the forecast, the Scottish and UK economies were experiencing challenging conditions. However, falling inflation and growing real earnings were delivering some improvement in living standards and economic activity. Taken together these factors led us to forecast slow but positive growth in GDP for the year ahead. Outturn data shows our outlook was largely correct.

Our forecast of employment growth for 2024-25 was also reasonably accurate. However, we under-forecast earnings growth, with the majority of our overall earnings forecast error being accounted for by higher-than-expected pay growth in the public sector.

I am happy to discuss any aspect of these reports and anything the Commission can do to aid the work of the Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to read "G Roy".

Professor Graeme Roy