
Scotland's Economic and Fiscal Forecasts – visual summary pages

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Published by the Scottish Fiscal Commission, January 2026.

Published	Version
11 February 2026	1.1

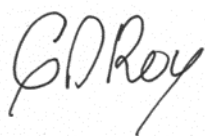
Foreword

The Scottish Fiscal Commission (SFC) is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenues, and devolved social security spending to inform the Scottish Budget. Our forecasts represent the collective view of the four Commissioners, who take full responsibility for the judgements that underpin them.


Our forecasts have been used to inform the Scottish Government's Budget for 2026-27, also published today. Our protocol for engagement with the Scottish Government guides our interactions with the Government during the forecasting process.

We would like to thank the hard-working staff of the SFC for their support in the production of our forecasts and underpinning analysis. Our forecasts rely on data from a range of providers, and we are grateful for their support. We would also like to thank officials from the Scottish Government, Revenue Scotland, the DWP, HM Treasury, HMRC, and the OBR for their constructive challenge of our judgments and for ensuring that we considered all the available evidence.

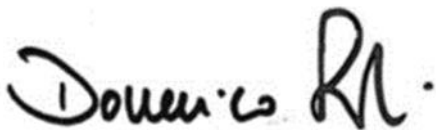
This is the last set of forecasts that Professor Lombardi will contribute to as a Commissioner before he stands down in February. We would like to thank him for his contribution to the Commission's work since June 2022.



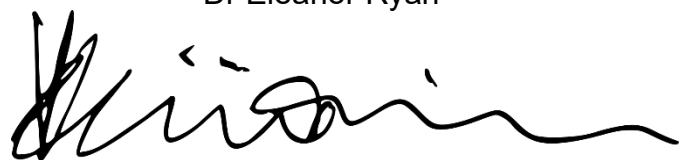
Professor Graeme Roy



Dr Eleanor Ryan



Professor Domenico Lombardi



Justine Riccomini

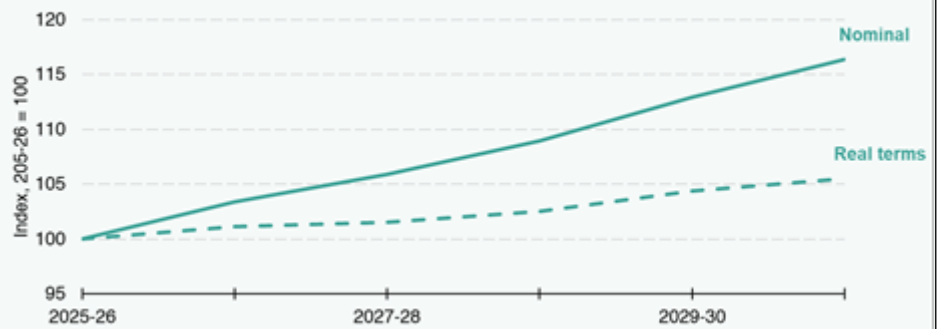
13 January 2026

Fiscal overview

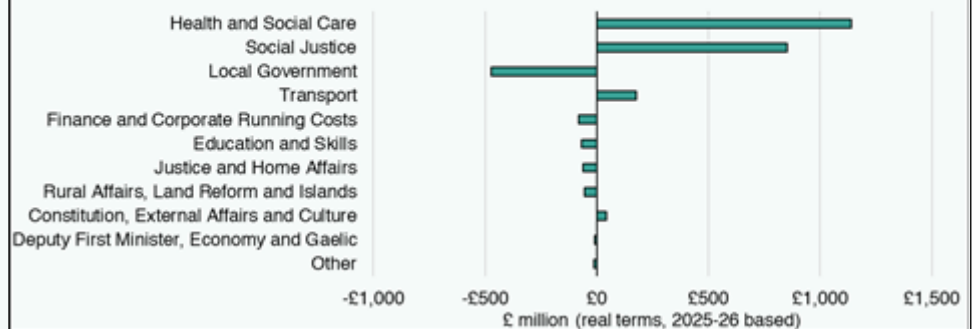
Day-to-day funding is almost 90 per cent of the Scottish Budget and covers running costs such as grants to local government and staff pay. After accounting for inflation, resource funding is expected to grow by 5.5 per cent by 2030-31.

The resource Spending Review plans to 2028-29 show large increases in spending, in the Health and Social Care and Social Justice portfolios and decreases in Local Government portfolio after adjusting for inflation.

Day-to-day funding forecast to rise over the next five years



Largest resource changes in Health and Social Care, Social Justice and Local Government

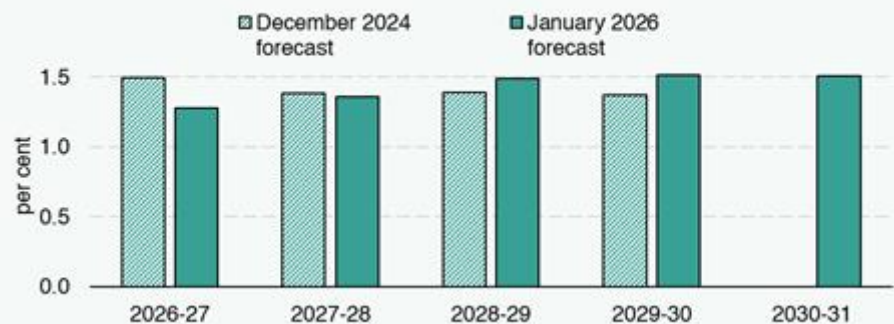


Economy

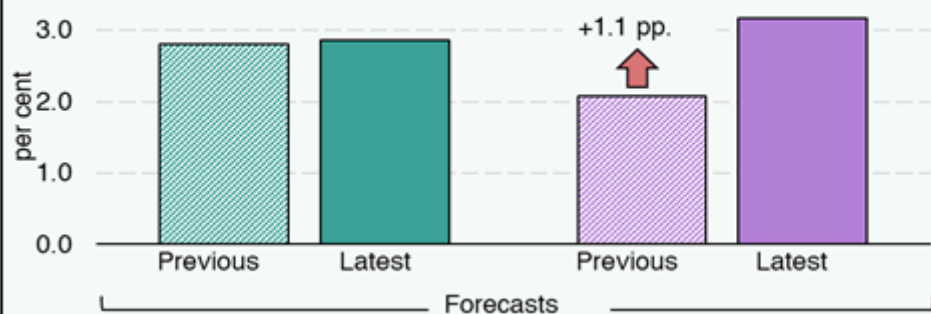
Since our December 2024 forecast, we have made small adjustments to our five-year economic outlook. We have reduced our forecast of productivity growth but overall, when combined with other updates, our GDP growth forecast is largely unchanged.

Compared to each of our respective forecasts a year ago, we expect slightly higher nominal earnings growth in 2026-27 while the OBR has revised up its outlook for the UK by a relatively larger amount. The OBR's forecast is now more similar to ours.

GDP growth forecast remains stable



2026-27 **Scottish** earnings stable, **UK** forecast revised up

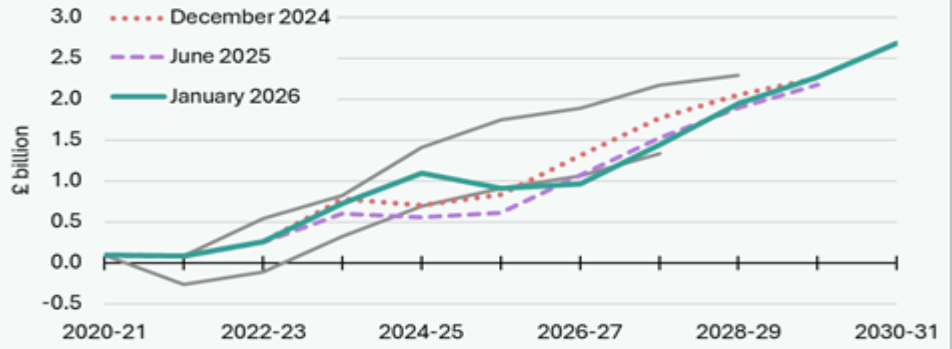


Tax

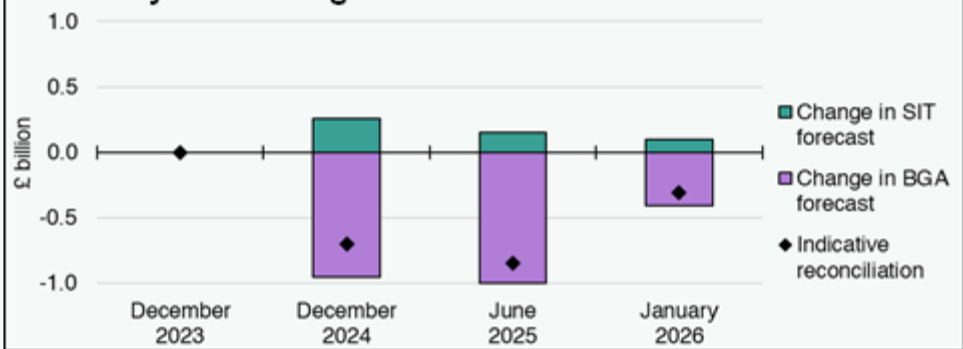
The Income Tax net position (net funding available from Income Tax) remains positive and is expected to rise over time. However, there can be revisions as projections are determined by comparing two large forecasts.

The latest indicative reconciliation for 2024-25 is negative £310 m. This is much smaller than previous estimates. Changes in the forecast BGA are the main reason for this. This final reconciliation is due in summer 2026 and be applied in the 2027-28 Scottish Budget.

All recent projections show Scottish Income Tax net position expected to rise over time



Changes to indicative reconciliations estimates largely driven by BGA changes

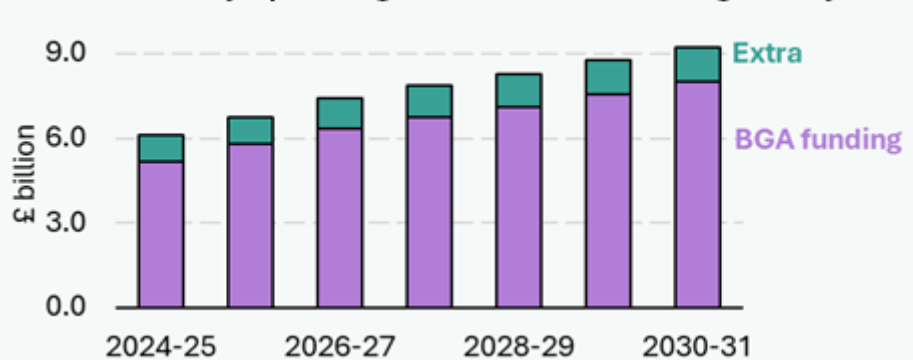


Social security

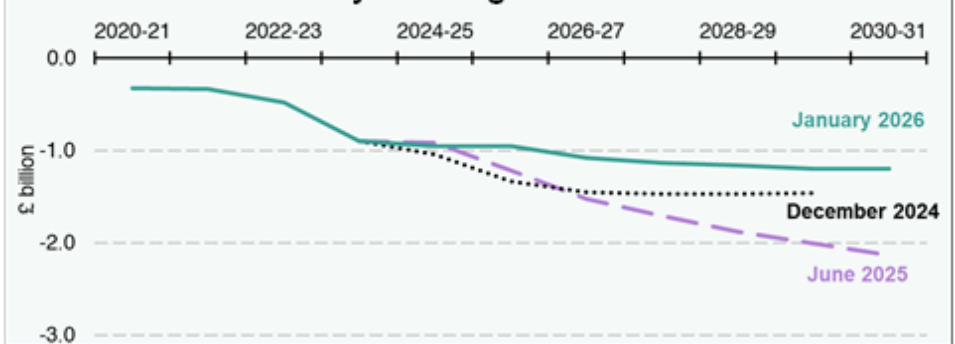
Social security spending is forecast to increase from £7.4 bn in 2026-27 to £9.2 bn in 2030-31, driven by uprating of payments and rising caseloads. Spending exceeds BGA funding by £1.1 bn in 2026-27, with this difference rising to £1.2 bn in 2030-31.

Since June 2025, the effect of social security on the Budget has narrowed by £0.8 bn in 2029-30, £0.5 bn is from the UK Government reversing plans for PIP, increasing funding, and £0.15 bn is from removing the Two Child Limit Payment from Scottish spending.

Social security spending exceeds BGA funding in all years



Higher funding and lower spending forecast narrow the effect of social security on Budget



Scotland's Economic and Fiscal Forecasts January 2026

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
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Budget funding, £ million

Total funding (nominal)	59,536	61,677	62,968	64,583	66,731	68,420
Resource funding (nominal)	52,340	54,109	55,420	57,018	59,120	60,909
Capital funding (nominal)	7,196	7,568	7,548	7,565	7,611	7,511

Economy, per cent growth

Real GDP	1.2	1.3	1.4	1.5	1.5	1.5
Consumer Price Index	3.5	2.2	2.0	2.1	2.0	2.0
Average real earnings	1.9	0.6	0.7	0.7	0.7	0.8
Employment	-0.3	0.1	0.4	0.5	0.5	0.5

Tax, £ million (nominal)

Income Tax	20,280	21,508	22,828	24,051	25,398	26,769
NDR	3,097	3,387	3,396	3,464	3,867	3,811
LBTT	1,014	1,049	1,090	1,141	1,195	1,251
SLfT	50	27	21	23	24	26
SAT		42	43	45	46	48

Tax policy announcements, £ million (nominal)

Income tax	Blank	-50	72	194	205	216
NDR		-153	-101	-68	0	0
SLfT		4	5	6	7	9

Social security, £ million (nominal)

Total spending	6,759	7,405	7,888	8,300	8,758	9,226
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Social security policy announcements, £ million (nominal)

SCP child under one premium			3	7	7	7
Additional funding for SWF and DHP	8					

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