

Daniel Johnson MSP
Convener
Economy and Fair Work Committee

The Scottish Parliament
Edinburgh
EH99 1SP

13 January 2026

Dear Convener,

Today the Scottish Fiscal Commission published [Scotland's Economic and Fiscal Forecasts – January 2026](#), presenting our latest forecasts for the economy, tax revenues and social security. We also published our assessment of the Government's funding plans and some commentary on the spending plans announced in the Budget and Spending Review commentary on the funding implications of these forecasts.

In our report, we set out our view that economic conditions remain largely unchanged compared with our expectations in December 2024. We continue to see a picture of global instability and uncertainty weighing on household and business confidence, alongside a slowing labour market in the UK.

Since our December 2024 forecast, we have updated our projections of long-run economic growth. This includes a revised judgement on productivity growth and updates for the latest population and labour force participation data. Overall, these updates have led to small changes to our GDP and labour market forecasts.

The Scottish Government's Medium-Term Financial Strategy published in June 2025 identified significant gaps between spending and funding over the next four years. Since then, there has been a modest increase in funding because of decisions by the Scottish and UK Governments, as well as forecast changes.

With limited growth in funding, the Scottish Government is using the flexibilities at its disposal to smooth funding over the next four years of the Spending Review as well as seeking ambitious savings, including through public service reforms, efficiencies, and cuts to the public sector workforce.

The publication of portfolio efficiency plans is welcome and builds on commitments made last June. But delivering on these plans will be key to managing future spending pressures.

In addition, the Government still faces the potential for continuing pressures on public sector pay and further growth in demand-led social security payments, as well as the longer-term pressures associated with an ageing population and net zero targets.

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

Yours sincerely,



Professor Graeme Roy