Monthly Economic Brief

May 2021

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Monthly Economic Brief

Office of the Chief Economic Adviser

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Data up to end of May 2021

Overview

This edition of the Monthly Economic Brief provides an update on the latest economic data for Scotland, up to the end of May, covering a challenging start to 2021 in which the Scottish and UK economy as a whole has been in lockdown restrictions since the end of December. However, the significant progress that has been made on the public health front resulting in the recent easing of restrictions in April and May, alongside the ongoing delivery of the vaccination programme, means optimism regarding the economic outlook has improved in recent months.

Our latest GDP data show that Scottish GDP fell 2.1% over the first quarter of 2021. The fall was expected given the restrictions in place over the period, however is notably less than many independent and official forecasts had expected. This is partly due to schools resuming in-person learning during the quarter, but also due to growth in other sectors of the economy as businesses and consumers have adapted to operating and living under restrictions. This is reflected in the monthly data with the contraction confined to January and output strengthening over February and March as the economy restarted its progress back to pre-pandemic levels. Overall, Scotland's GDP in March remained 5.4% below its pre-pandemic level (having been 22.6% below in April last year), however, significant regional and sector risks remain.

The recent increase in coronavirus cases across Scotland, and the ongoing concern around the spread of new variants, highlight the risks that remain around the easing of restrictions. The easing of restrictions has followed the Strategic Framework levels approach and tighter regional restrictions have been necessary in a few areas which affect the pace at which business and consumer activity in these areas can pick up. Furthermore at a sector level, the scale of the recovery challenge facing consumer facing services sectors remains substantial compared to sectors which have not been so directly impacted by restrictions over the past year and while both domestic and international tourism remains uncertain, the recovery for those sectors will continue to be more fragile.

Building on the growth over February and March, business and consumer surveys have signalled further strengthening of activity for April and May, supported by higher proportions of businesses returning to trading and indications that consumers are returning to retail and recreation spaces. This has also been reflected in the labour market in which the reopening of businesses have been accompanied by a decrease in the number of employments on the furlough scheme coupled with signs of increased recruitment activity. However, 327,100 employments remained on the furlough scheme at the end of March, although survey data suggest that this is continuing to decline. The extension of the scheme until the end of September will continue to protect productive capacity in the economy as businesses navigate the resumption of trading activity, with the return of staff from furlough in an uncertain environment continuing to depend on the evolution of the pandemic.

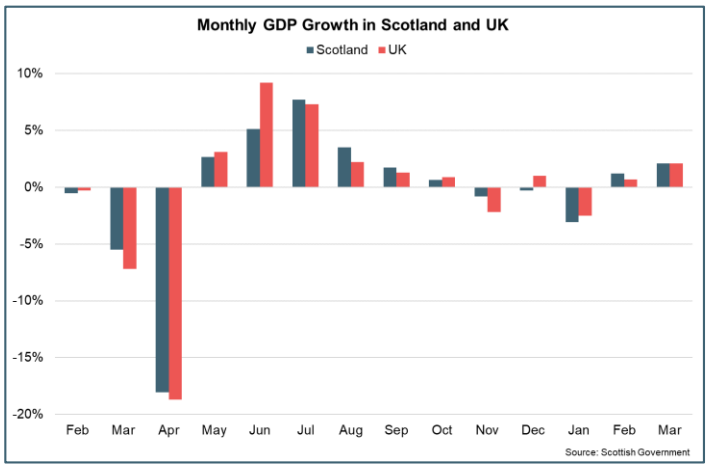
In that regard, as restrictions continue to ease, it will take time for supply and demand imbalances to resolve as firms establish the capacity they will operate at; both in the labour market and in respect to wider supply chains in which bottlenecks have developed due to a combination of Covid and EU Exit factors. The pace at which household demand and consumption rebounds across the year and the extent to which aggregate savings are unwound will play a key part in this rebalancing.

Overall, optimism regarding the outlook has improved in recent months, both domestically and internationally and the coming months have the potential to see improved optimism translate into stronger activity. However, significant downside risks from the pandemic remain in place while the longer term implications of economic scarring from the pandemic are yet to fully emerge.

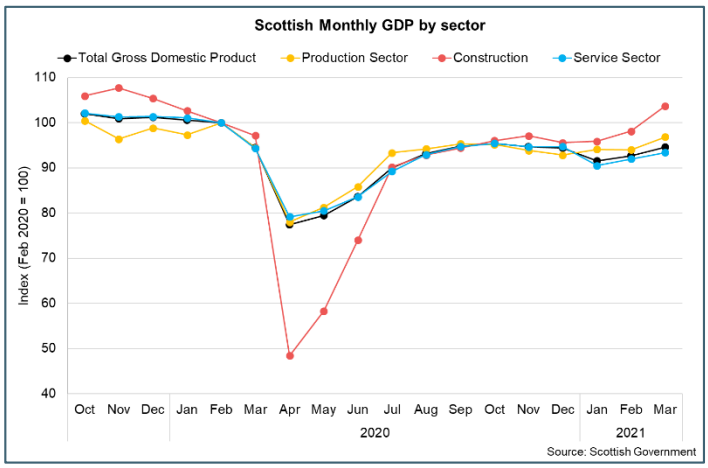
Output[1]

Scotland's GDP fell 2.1% in the first quarter of 2020 during lockdown, however on a monthly basis output returned to growth in February and strengthened into March.

- Scotland's GDP fell by 2.1% in Q1 2021 during the recent lockdown restrictions (UK: -1.5%). This is significantly less than the 18.5% fall in Q2 2020 during the national lockdown last year reflecting the differences in lockdown restrictions in place, the reduced capacity at which some parts of the economy were already operating at and growth in other sectors of the economy as businesses and consumers have adapted to operating under restrictions.
- The fall in GDP during Q1 2021 was primarily due to reduced output in parts of the services sector most impacted by the lockdown restrictions, with the largest reductions in accommodation and food services, other personal services (such as hair dressers) and in education due to schools conducting remote learning for most of the quarter. Overall, services sector output fell by 3.1% compared to Q4 2020, while construction sector output increased by 3.1%, and production sector output by 1.1%.
- The monthly GDP data suggests that the fall in output in the first quarter of 2021 was confined to January (-3.1%) with output growing over February (1.2%) and March (2.1%). In March, lockdown restrictions continued for consumer-facing services such as hospitality and non-food retail, while there was a boost to output from all primary school year groups returning to school and there was growth across the production and construction sectors.



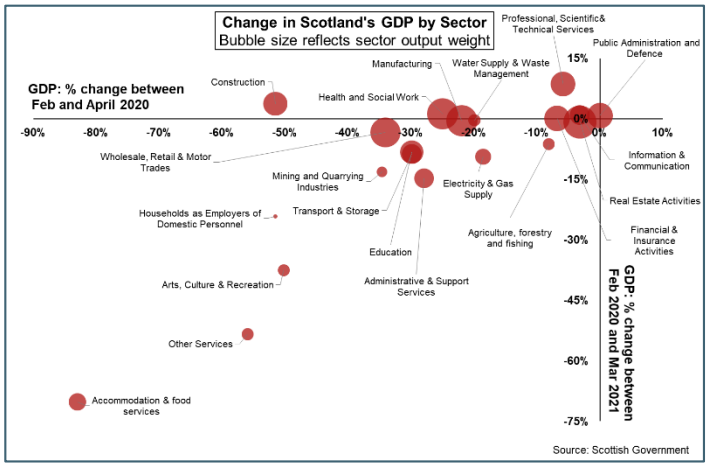
- Overall, growth was broad based in March across the services (1.6%), production (3.0%) and construction (5.7%) sectors, as progress back to pre-pandemic levels strengthened for a second month following the period of falling output between November and January as restrictions tightened.



[1] Scotland: https://www.gov.scot/collections/economy-statistics/; UK: https://www.ons.gov.uk/economy/grossdomesticproductgdp; Eurozone: Home - Eurostat (europa.eu); US: https://www.bea.gov/data/gdp/gross-domestic-product

- At its lowest point in April 2020, Scotland's GDP fell to 22.6% below its pre-pandemic level in February 2020 and at March 2021, GDP is partly recovered back to 5.4% below its pre-pandemic level (UK: -5.9%).

- However there remain significant differences across sectors in the scale of the initial fall in output in March and April 2020 during national lockdown and in the pace of recovery across sectors since then, which has largely reflected the nature of restrictions over the course of the year.

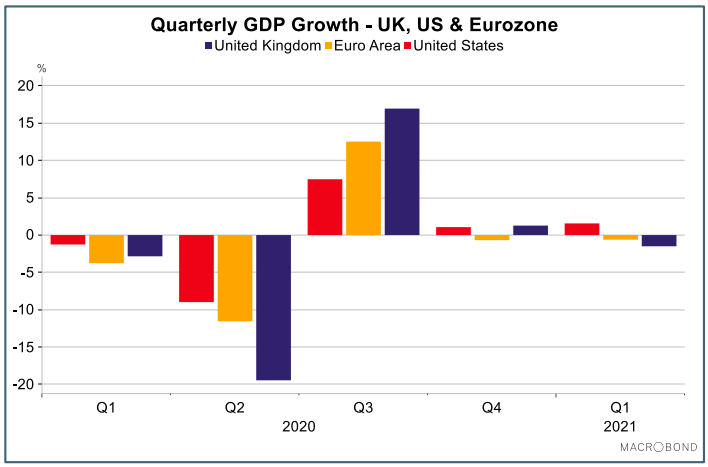


- Manufacturing output fell 22% between February and April 2020, however in March, manufacturing output had recovered to 0.5% below its pre-pandemic level in February, while construction output fell 51.6% initially and in March had recovered to 3.7% above its pre-pandemic level.

- Consumer facing parts of the services sector however have been more directly impacted by restrictions on activity over the course of the year, and particularly during the recent restrictions over the winter months. For example, accommodation and food services output fell 83% between February and April 2020 and following some recovery over summer 2020, sector output fell 62% between September 2020 and February 2021, and in March, remained 70% below its pre-pandemic level. Similarly arts, culture and recreation output in March remained 38% below its pre-pandemic level, having fallen 50% initially between February and April 2020.

- The overall pattern of Scottish GDP during the pandemic has broadly been in line with the UK as a whole. Differences between months and across countries largely reflect differences in the structure of economies and the stringency and timing of restrictions, while differences in how components of GDP are calculated across countries make international comparisons complex.

- Overall global growth slowed in the first quarter of 2021 reflecting the restrictions implemented in the face of the second wave of the virus, however differences were evident across countries and regions. For example, US GDP continued to recover in the first quarter of 2021, growing 1.6% and is back to 0.9% below its pre-pandemic level



(Q4 2019), while Euro Area GDP contracted for a second consecutive quarter (-0.6%) and is 5.5% below its pre-pandemic level.

Business Activity

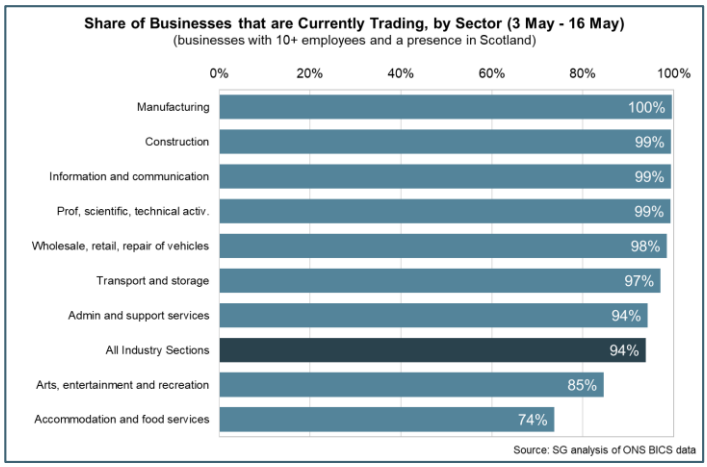
Business activity fell sharply at the start of 2021 during lockdown restrictions, however it has started to pick-up as restrictions have eased.

Proportion of business trading[2]

- The introduction of lockdown restrictions in December resulted in a sharp fall in business trading from over 90% in December to around 82% in January 2021. The proportion of businesses trading remained broadly stable during lockdown and the subsequent easing of restrictions has seen the proportion rise to 94% in the first half of May.

- Most sectors have seen an increase in businesses trading as restrictions have started to ease, however, some sectors are starting from very different places based on the extent to which they were impacted by restrictions.

- Consumer facing sectors such as accommodation and food services (74%) and arts, culture and recreation (85%) continue to have the lowest shares of businesses trading due to the direct impacts of restrictions. However, they had the largest proportion of businesses that resumed trading during the previous fortnight (32% and 18% respectively) as restrictions eased.



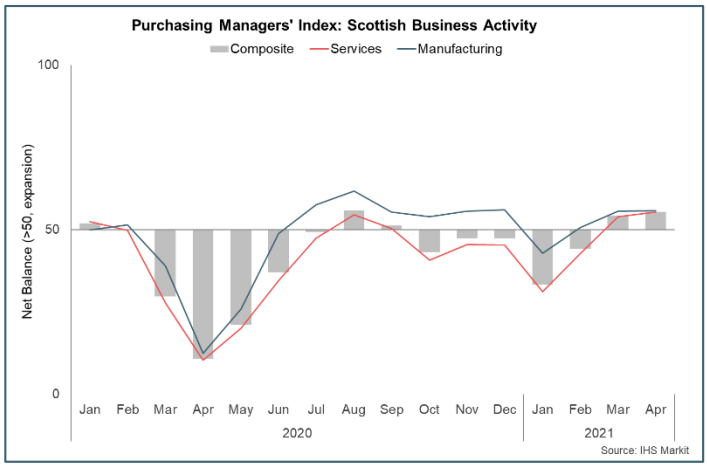
- In sectors such as information and communication, manufacturing, and construction, on average over 95% of businesses have continued trading since January reflecting the ability to continue operations through home working and/or adapting operations to restrictions in place.

[2] BICS weighted Scotland estimates: data to wave 30. https://www.gov.scot/collections/business-and-innovation-statistics/#businessimpactofcoronavirus(covid-19)survey(bics)

Business output

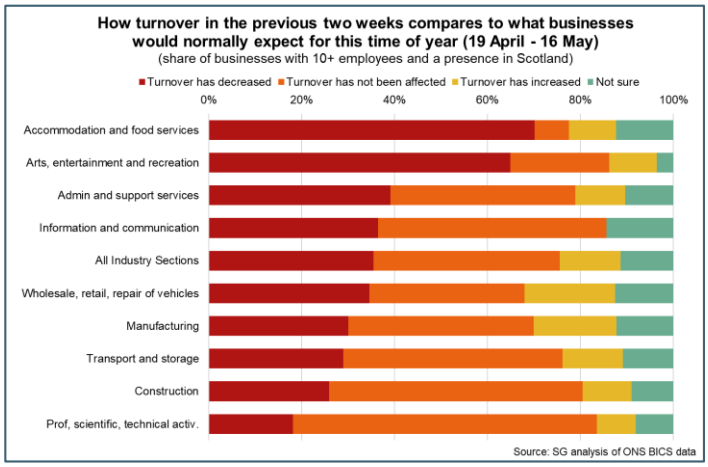
- The latest Purchasing Managers Index (PMI)[3] business survey data has also started to reflect the loosening of lockdown restrictions on businesses, with the business activity index growing over March and April for the first time since September 2020, before restrictions started to tighten.

- Growth in business activity has been broad based across the services and manufacturing sectors, with the rebound in activity from recent months sharper in services reflecting the greater impact that lockdown restrictions have had in the sector, the reopening of businesses and a pick-up in client demand.



- The latest Business Insights and Conditions Survey data shows ongoing differences in turnover circumstances across sectors into the first half of May.[4]

- Overall, 36% of businesses reported having lower turnover than normal for the time of year, while 40% reported that turnover was not affected. The Accommodation and Food services sector has the highest proportion of firms (70%) reporting that business turnover is lower followed by Arts, Entertainment and Recreation (65%).



- However, the proportion of business overall reporting lower turnover has gradually fallen over March and April from over 45% in February reflecting the strengthening of activity.

- Looking to the year ahead, the PMI data sets out that business optimism remains elevated having strengthened significantly in recent months, reflecting the expectations of restrictions starting to ease and improved optimism for economic recovery.

[3] IHS Markit, RBS Purchasing Managers Index, May 2021. 4c7934f29cbc4c88963eadc5094859d7 (markiteconomics.com)
[4] BICS weighted Scotland estimates: data to wave 30. https://www.gov.scot/collections/business-and-innovation-statistics/#businessimpactofcoronavirus(covid-19)survey(bics)

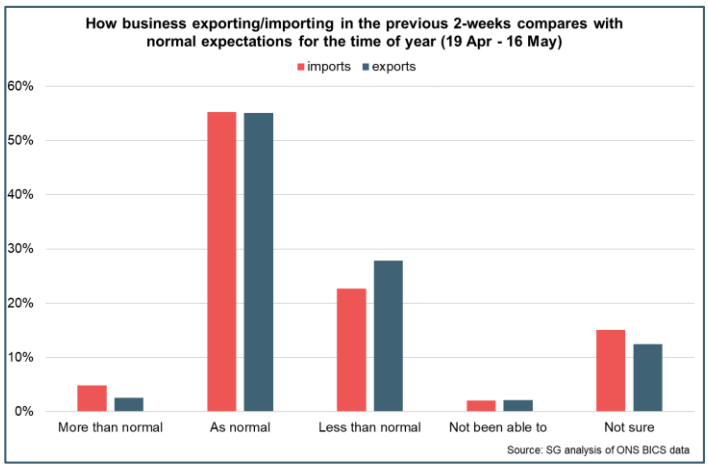
Trade

- The pandemic and restrictions on activity had significant impacts on international demand and supply chains in 2020, which coupled with the end of the EU Exit transition period, resulted in extremely challenging trade conditions.

- In 2020, the value of Scotland's annual international goods exports was £26.6 billion, down 21.3% compared to 2019, with falls across a range of commodity groups, including oil and gas exports (-40.8%), beverages (-19.8%) and food (-6.9%).[5] In terms of export destination, Scotland's goods exports to the EU fell 18.1% to £13.7 billion while exports to non-EU countries fell 24.4% to £12.9 billion.

- More recent UK trade data[6] for the first quarter of 2021 show that following a sharp fall in UK exports in January (-29%), in which exports to the EU fell 46%, UK goods exports rebounded in February (21%) and March (21%) as some of the impacts of stockpiling at the end of 2020 faded and new trade regulations and requirements at the end of the EU transition period continued to bed in. However, despite the rebound in February and March, total exports of goods in the first quarter of 2021 remained 14% lower when compared to the first quarter of 2018, when trade was more stable and not being impacted by the pandemic or stockpiling associated with the EU transition period.

- Key exporting sectors for Scotland followed this pattern. Relative to February, monthly exports of Scotch Whisky were up 15% in March (up 20% to the EU and up 12% to non-EU), but the total for Q1 2021 was 3% lower than in Q1 2018, while total exports of fish were up 55% in March (up 67% to the EU and up 28% to non-EU), however the total for the quarter was down 34% compared to Q1 2018.



- Latest Business Insights and Conditions Survey data for the first half of May also show some further stabilisation in trade activity. 55% of respondents in Scotland were exporting as normal (up from 45% in April), while 28% were exporting less than

[5] https://www.gov.uk/government/collections/uk-overseas-trade-statistics-and-regional-trade-statistics#current-releases
[6] https://www.gov.uk/government/statistics/uk-overseas-trade-in-goods-statistics-march-2021

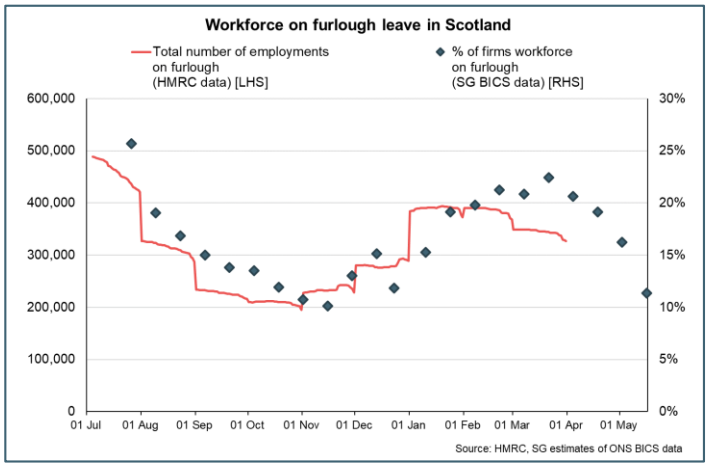
normal (down from 34%). Importers shared a similar pattern with 55% importing as normal, while 23% had imported less than normal.[7]

Labour Market

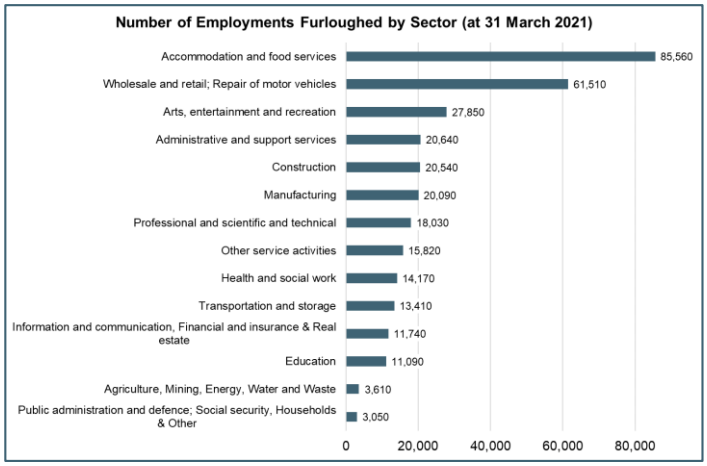
The furlough scheme continues to provide significant support to the labour market however there are signs of improved recruitment activity as lockdown restrictions start to ease.

Coronavirus Jobs Retention Scheme (CJRS)[8]

- The CJRS has been supporting the retention of jobs and incomes since March 2020 and is currently set to remain in place until the end of September 2021.
- The number of jobs supported by the furlough scheme gradually increased from October 2020 as restriction started to tighten over the winter with 373,000 jobs (15%) on furlough at the end of January during the lockdown.



- In March, 327,100 employments (14%) in Scotland were furloughed, down 41,000 since the end of February as businesses started to prepare for the easing of restrictions and is likely to decline further.
- This remains significantly higher than the low of 195,200 (8%) furloughed jobs at the end of October, however more recent Scottish Government ONS BICS data indicates that the proportion of staff on furlough continued to fall across April and into the start of May.

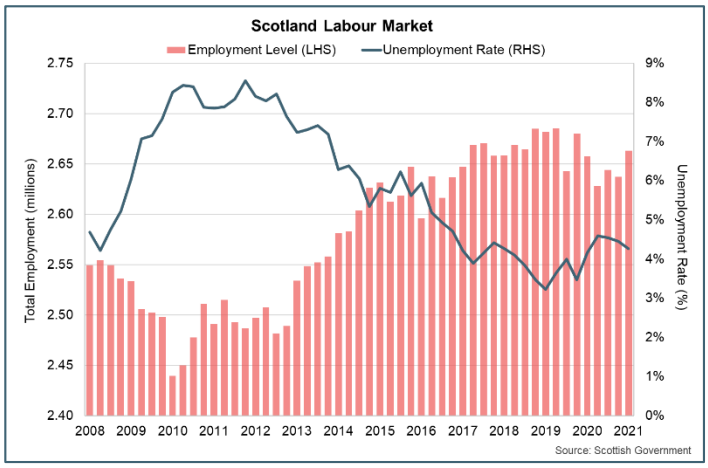


- The sectors with the highest number of employments furloughed across Scotland were accommodation and food services (85,560, 26% of all employments furloughed in Scotland), wholesale and retail (61,510, 19%) and arts, entertainment and recreation (27,850, 9%).

[7] BICS weighted Scotland estimates: data to wave 30. https://www.gov.scot/collections/business-and-innovation-statistics/#businessimpactofcoronavirus(covid-19)survey(bics)
[8] https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-6-may-2021

Official labour market statistics

- The latest labour market statistics for the first quarter of 2021 (January to March, during lockdown) show Scotland's employment rate was 74.4% (unchanged over the year),[9] the unemployment rate was 4.3% (up 0.1 percentage point of the year) and the inactivity rate was 22.2% (unchanged over the year). The young person's (16 – 24 years) unemployment rate[10] was 8.0%, down 3.9 percentage points over the year.

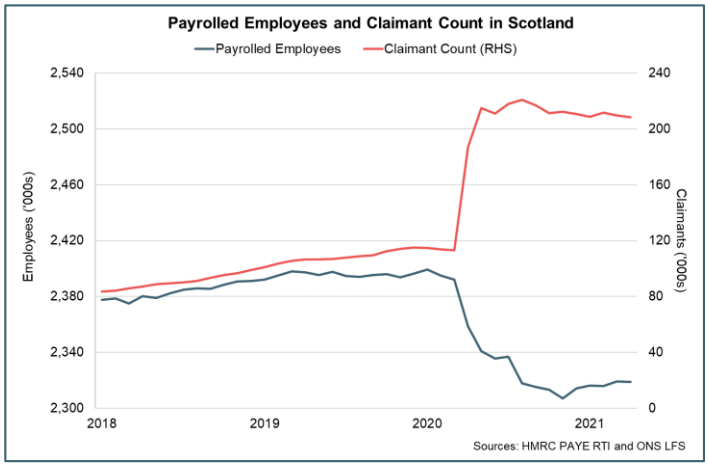


- The headline labour market indicators continue to compare well against historical trends, however only show a partial picture of the labour market as people on furlough are considered employed. Wider labour market indicators have remained relatively stable in recent months, however continue to signal challenges that have emerged in the labour market during the pandemic.

PAYE payrolled employment and Claimant Count

- The more timely Pay As You Earn (PAYE) Real Time Information data show that the number of payrolled employees in Scotland (2.32 million) and the UK as a whole (28.3 million) has fallen sharply since the start of the pandemic.

- In April, payrolled employees remained broadly stable over the month, increasing by 13,134 on a non-seasonally adjusted basis, but falling by 384 after seasonal adjustments. Overall payrolled employees have increased by 11,724 (0.5%) since November. However, compared to February 2020, the number of payrolled employees has fallen 76,358 (-3.2%) in Scotland (UK: -2.7%).[11]

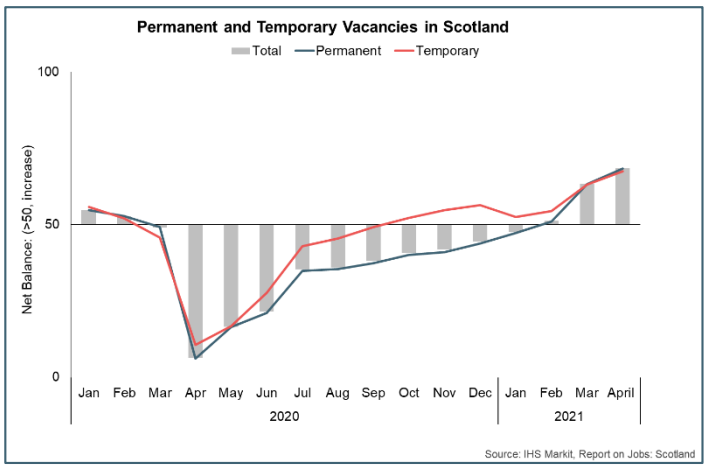


[9] https://www.gov.scot/collections/labour-market-statistics/
[10] Based on ONS Labour Force Survey, Jan-Mar 2021 however, the ONS Annual Population Survey is a more robust but less timely measure and shows 13.5% 16-24 unemployment rate for Jan – Dec 2020, up 5.2 percentage points over the year.
[11] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/earningsandemploymentfrompayasyouearnrealtimeinformationuk/may2021

- Scotland's Claimant Count (the number of claimants of Job Seekers Allowance and claimants of Universal Credit claiming principally for the reason of being unemployed) was 208,400 in April and decreased by 0.7% to 6.5% over the month.
- However, while the claimant count has been relatively stable since October, it remains 94,700 (83%) higher than in February 2020, signalling that the number of people that are unemployed or employed with low income and/or low hours has increased significantly during the pandemic and has remained broadly stable at this higher level since May 2020.[12]

Demand for staff in Scotland

- While the furlough scheme continues to provide significant support to the labour market, the IHS Markit RBS Report on Jobs survey for April has signalled further strengthening in recruitment activity as lockdown restrictions have started to ease and business plan for reopening.[13]



- The initial stabilisation in the labour market at the end of 2020 was driven by strengthening demand for temporary staff, however this has been accompanied by increased demand for permanent staff since February which has seen permanent staff placements increase sharply in April.
- This corresponds with ONS vacancy data for February to April 2021 which showed that UK job vacancies grew 8% over the quarter, though remained significantly lower than pre-pandemic levels. At a sector level, stronger growth in vacancies over the quarter was relatively broad based across sectors, however was most notable in accommodation and food service activities which was up 99.6% as the sector started to prepare for easing of lockdown restrictions. However vacancies in the sector remained 46.9% below pre-pandemic levels.[14]

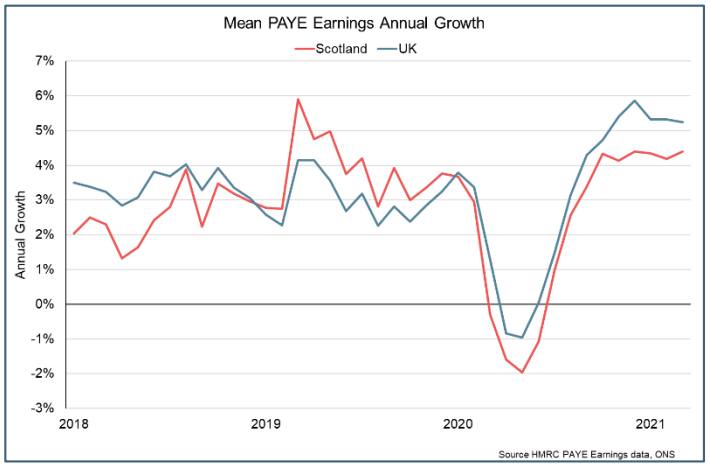
Earnings

- Despite the protection offered to the labour market through the furlough scheme, earnings fell at the beginning of the pandemic. Between March and June, PAYE mean monthly pay fell for four consecutive months compared to the previous year. It returned to growth in July, and strengthened through the third quarter. However, earnings in Scotland have been persistently

[12] https://www.gov.scot/collections/labour-market-statistics/
[13] https://www.markiteconomics.com/Public/Home/PressRelease/48baf773cd9d47f6a4b7b33164ca1c77
[14] Vacancies and jobs in the UK - Office for National Statistics (ons.gov.uk)

weaker than the UK during the pandemic, driven by particularly weak performance in the North East of Scotland.

- Latest data for March, suggests the rate of growth has remained broadly stable through the final quarter of 2020 and the first quarter of 2021. Mean monthly pay in March was £2,447, a 4.4% increase from March 2020, while UK annual earnings growth has eased back slightly over the first quarter to 5.2% in March.[15]



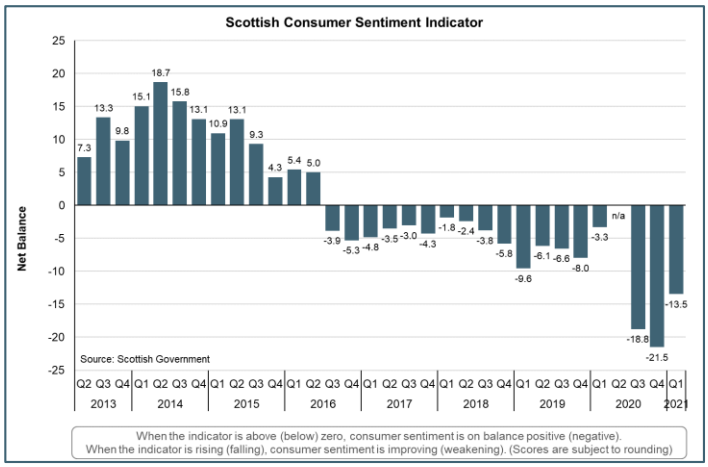
- While the mean annual earnings growth rate has rebounded in the second half of 2020, the picture is complex and caution needs to be used in interpreting the figures, particularly in light of the fall in the number of payrolled employees. There are compositional effects (e.g. by sector and across income levels) underlying the data which suggest that not all parts of the labour market have experienced the same rebound as the mean rate implies.

Consumption

Consumer sentiment and consumption activity have been significantly impacted by the coronavirus pandemic and restrictions on activity, however sentiment has strengthened at the start of 2021.

Consumer sentiment

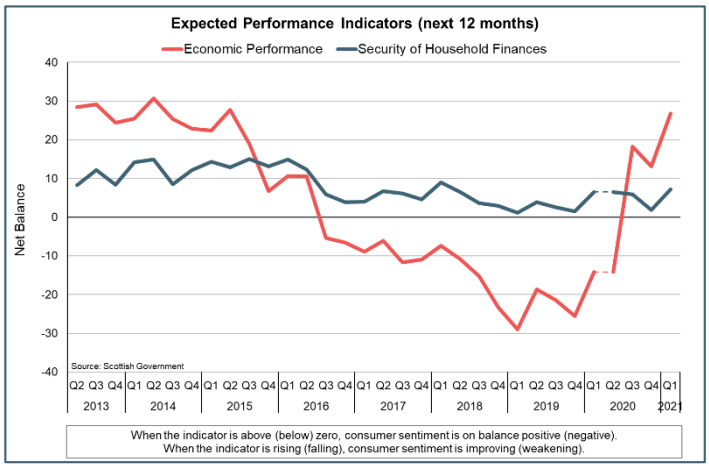
- In Q1 2021, the Scottish Consumer Sentiment Indicator was -13.5, an increase of 8.1 points compared to Q4 2020, indicating that consumer sentiment strengthened over the quarter.



- Underlying the composite indicator, all current and expectation indicators increased over the quarter. The current indicators for the economy, household financial security and attitude to spending all remained negative (reflecting the significant economic impacts of the pandemic over the past year), however, strengthened from their lowest levels in the times series.

15 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/earningsandemploymentfrompayasyouearnrealtimeinformationuk/may2021

- Looking ahead, households continued to expect the economy and their household financial security to improve over the year (relative to the current situation). The largest increase over the quarter was in the economy expectation indicator for the next 12 months, likley reflecting optimisim for the easing of restrictions supported by the vaccination programme and the potential for economic recovery.



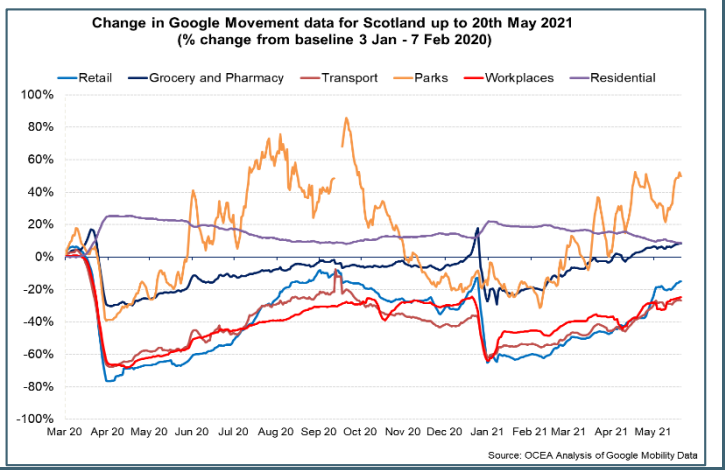
- Early data for the first two months of Q2 2021 suggests further strengthening in consumer sentiment with the overall monthly indicator rising to -6.1 in April and -0.2 in May, supported by improved sentiment for current and expected economic and household finance circumstances.[16]

- Sentiment indicators have been highly sensitive to rapidly moving developments on the pandemic over the past year and will be a key factor influencing the pace at which consumption recovers as restrictions are lifted.

Early indications of the impacts of restrictions easing on mobility

Google's COVID-19 Community Mobility Reports use anonymised information from users to show how mobility has changed compared with a pre-pandemic baseline. The data provides insights into the levels of movement across a range of location categories: retail; grocery and pharmacy; transport; parks; workplaces; and residential.

The impact of the COVID-19 restrictions is clearly visible in the data, with movement around transport, retail and workplaces significantly below pre-pandemic baseline levels, with changes reflecting the tightening and easing of restrictions across the year.[17] To the extent that the consumer facing services sector has been impacted by COVID-



[16] https://www.gov.scot/collections/economy-statistics/#scottishconsumersentimentindicator(scsi) Due to the coronavirus pandemic, data was not collected in the last two weeks of March and in April and May. Therefore there are no results for Q2 2020.

[17] Mobility data is provided for the UK as a whole and for each separate local authority in Scotland, Wales, Northern Ireland and England. The data is first transformed into a 7 day rolling average and to then create aggregate estimates for each of the 4 nations, a population weighted summation is calculated across the respective local authorities. At times, or for certain indicators, some local authorities will have no data. This is usually to do with sample size, especially for more rural areas, and Google consequently do not publish any data to ensure anonymity is maintained. When this occurs that local authority is not included in the estimates and the population weights are re-calculated using the local authorities for which data is available. Due to the overall lower number of Local Authorities in Scotland, Wales and Northern Ireland, this means that the exact difference in estimated levels between nations is not strictly comparable and consequently a degree of caution should be taken when doing so. However, it is still useful to see how the overall trend in each nation changes over time or on key dates when restrictions change.

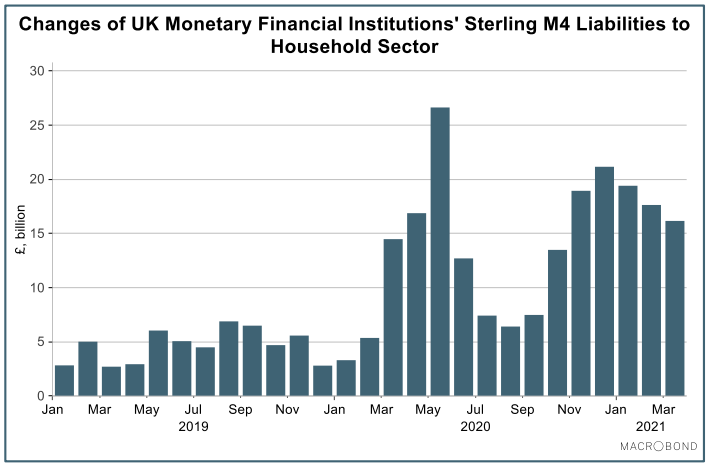
19 restrictions, assessing the level of movement around those locations as lockdown restrictions ease across April and May can provide an early indicator of recovery in economic activity in that sector of the economy.

Each nation in the UK has seen a pick-up in the pace of recovery for visits to retail and recreation hubs as restrictions loosened. On the 26th April, mainland Scotland moved to level 3 permitting the opening of non-essential retail and a partial reopening of the hospitality and services sector. This saw a strong recovery in movement and by the end of April visits to Retail and Recreation hubs were estimated to have gone from being around 40% below the pre-pandemic baseline to around 20% below. Further easing of restrictions on 17th May (level 2) across most areas in Scotland further improved the level of visits which recovered to 15% below the baseline.

With respect to the broader economic recovery, it will be important for the strengthening of mobility in retail and recreation hubs to translate into strengthening consumption and broader economic activity. The latest SRC-KPMG Scottish Retail Sales Monitor suggested that retail sales had picked up at the end of April as non-essential stores reopened, however, sales remained a sixth lower than their pre-pandemic levels.[18] Further ahead, mobility in these areas will likely be linked to the further opening of the wider retail/hospitality/tourism sectors for consumers alongside the return of office workers back to city and town centres.

Household Savings and Consumer Credit

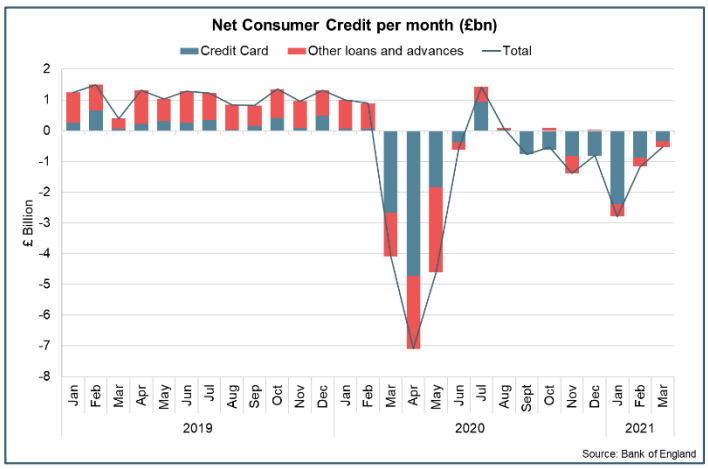
- At an aggregate level, household savings have increased significantly during the pandemic, as restrictions have caused expenditure to fall while support schemes have helped protect household incomes.
- It is important to note that this has not been the case across the whole economy. In particular, lower income households have faced more significant financial challenges.
- Bank of England data show the net flows from households into deposit-like accounts was £16.2 billion in March, continuing the trend of slightly lower savings since December, although it remains notably higher than the monthly average of £4.7 billion in the six months to February 2020.[19] Between March 2020 and March



[18] https://brc.org.uk/retail-insight/content/retail-sales/scottish-retail-sales-monitor/reports/202104_scottish_rsm/
[19] https://www.bankofengland.co.uk/statistics/money-and-credit/2021/march-2021

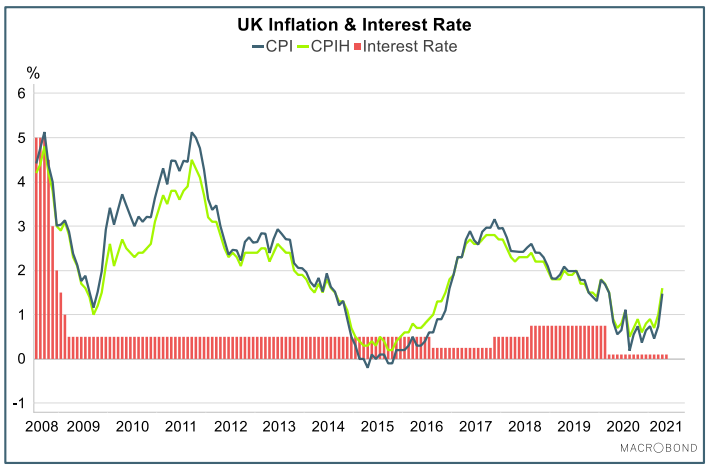
2021, net inflows have totalled £199 billion. In the previous twelve months (February 2019 – February 2020), net inflows had totalled £61 billion.

- Alongside this, between March and June 2020 and between September 2020 and March 2021 households on aggregate repaid more consumer credit than they took on in new borrowing.



- Latest data for March 2021, show households made net repayments of £0.5 billion on consumer credit, which was less than in recent months and less than the monthly average over the past year (£1.9 billion).
- Overall, the extent to which households subsequently spend accumulated savings as restrictions ease remains uncertain, however Bank of England and OBR forecasts assume that around 10% of the additional savings will ultimately be spent over the next 3 years.

Interest rate and inflation



- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate increased to 1.6% in April, up from 1.0% in March, its highest rate since February 2020.[20] However, inflation continues to be suppressed by the reduction in VAT for the hospitality industry in July 2020.
- The increase over the month was driven by increased contributions from housing and household services and transport, principally from increased gas, electricity and motor fuel prices, alongside an increase in clothing and footwear prices.
- The Bank of England maintained the Bank Rate at 0.1% in May 2021 and their current programme of Quantitative Easing, and in their current central scenario analysis project inflation to temporarily rise to 2.5% in 2021 before easing back towards the 2% target.[21]

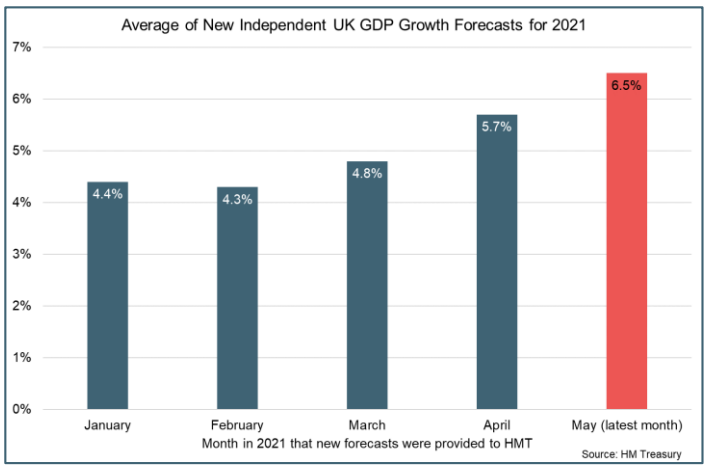
[20] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/april2021
[21] https://www.bankofengland.co.uk/monetary-policy-report/2021/may-2021

- The increase in inflation projected over the year in part reflects the fading out of previous energy price falls while more recent rises in energy prices feed through. On the supply side, business surveys have signalled increasing input cost pressures in recent months (e.g. raw materials) which are expected to start passing through to consumers as restrictions ease and demand strengthens.
- The pace and strength of rebound in consumer demand as restrictions ease and the extent to which aggregate savings are unwound across the economy remains an area of uncertainty for growth and inflationary pressure, particularly in the short term as restrictions potentially continue to ease at different rates across regions reflecting the ongoing public health risks that remain.

GDP growth outlook

Optimism for the economic outlook has improved in recent months reflecting stronger than expected activity at the start of 2021 and progress towards easing lockdown restrictions.

- At a global level, world GDP is estimated to have fallen around 3.5% in 2020 and on aggregate has returned to pre-pandemic activity levels with the OECD forecasting growth of 5.8% in 2021 and 4.4% in 2022.[22] However the OECD set out that the global economy will remain below pre-pandemic expectations at the end of 2022, and alongside the latest IMF forecasts, highlight that the strength and pace of recovery is expected to vary significantly across countries. [23]
- At a UK level, the Bank of England[24] forecast UK GDP to grow 7.25% in 2021, returning to pre-pandemic levels in Q4 2021, while unemployment is expected to peak at 5.5% and inflation to rise temporarily above its 2% target.
- The Bank's outlook for growth was revised up from its previous forecast reflecting that the fall in output in Q1 2021 during lockdown was not as steep as previously anticipated while expectations for a robust pickup in demand strengthened, supported by the progress of the vaccination programme and easing of restrictions. This contributed to a downward revision to the projection for unemployment, which is now expected to peak at 5.5% in 2021, further supported by the extension of the Job Retention Scheme to September 2021.
- The latest average of new independent UK forecasts[25] published by HM Treasury in May reports that UK GDP is expected to grow



[22] OECD Economic Outlook
[23] https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021
[24] https://www.bankofengland.co.uk/monetary-policy-report/2021/may-2021
[25] https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-may-2021

6.5% in 2021. Reflecting the general improvement in optimism for the outlook, the average new forecast for 2021 has risen each month since February and is up 0.8 percentage points from the average new forecast in April.

- In January, the Scottish Fiscal Commission[26] forecast Scotland's GDP to fall 5% over the first quarter of 2021 during lockdown and to grow 1.8% over 2021 before returning to pre-pandemic levels at the start of 2024. As in the UK as a whole, the latest outturn data for Q1 2021 show that economic output fell by less than many independent and official forecasts had expected in the first quarter, with Scotland's GDP falling by 2.1%. The Commission will publish their next set of forecasts on 26th August.
- In their latest growth scenario analysis published in March, the Fraser of Allander Institute's central scenario projected Scotland's GDP to grow 3.6% in 2021 and 5.6% in 2022, with GDP returning to pre-crisis levels in October 2022.[27] However, the level of ongoing uncertainty is reflected in their more pessimistic scenario of 2.4% growth in 2021 (GDP recovers to pre-crisis levels later in July 2023) and their more optimistic scenario of 4.2% growth in 2021 (GDP recovers to pre-crisis levels earlier in June 2022).

[26] https://www.fiscalcommission.scot/forecast/scotlands-economic-and-fiscal-forecasts-january-2021/
[27] https://fraserofallander.org/publications/fai-economic-commentary-2021-q1/

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