Monthly Economic Brief

Office of the Chief Economic Adviser

August 2021

Scottish Government
Riaghaltas na h-Alba
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Office of the Chief Economic Adviser

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Data up to 31 August 2021

Overview

This month's economic brief provides an update on data up to the end of August. The impacts of the easing of restrictions, and the move to level zero that came into effect in Scotland on 19 July, are beginning to be seen in the leading indicators, although it is still too soon for the impact to be seen in GDP.

The latest GDP data for June show further growth in Scotland, for a fifth consecutive month, with overall GDP growth of 0.9% over the month. For the third month in a row, the strongest contribution to growth was from accommodation and food services while there was further growth from non-food retail which continued to benefit from the easing of restrictions.

Overall, Scotland's GDP is now 2.1% below its pre-pandemic level in February 2020 and is at its highest level since the start of the pandemic. The recent strong growth in consumer facing sectors has supported this recovery, although sectors such as accommodation and food and arts, culture and recreation remain furthest below their pre-pandemic levels of output.

Business surveys for July and into the start of August continue to signal recovery continuing, though at a more stable and moderate pace than the sharp pick up we saw at the end of the first quarter of 2021 as the Stay at Home order was lifted. Despite the continuing recovery, businesses are increasingly reporting specific challenges including supply chain and staff shortages, and this is reflected in upward price pressure for both goods and staff. The Bank of England and other forecasters have increased their forecast for inflation, which is now expected to reach 4% at the end of this year. This increase is still expected to be temporary, as demand increases stabilize and supply chains recover as restrictions ease. However, the upward revisions to inflation forecasts highlight the risk that inflation could be more persistent, particularly if pressure on wages and input costs begin to be passed further down the supply chain, or if supply constraints, such as those seen in the transportation industry, persist.

As the economy has reopened, there has been a fall in retail sales, particularly in food stores, as activity has returned to hospitality industry as restrictions have eased. Despite the fall in retail sales in July, they remain higher than pre-pandemic levels, but this continues to be driven by higher online sales, with visits to retail and recreation still on average 6% below pre-pandemic levels. Household savings remain elevated, suggesting that consumers remain cautious about spending.

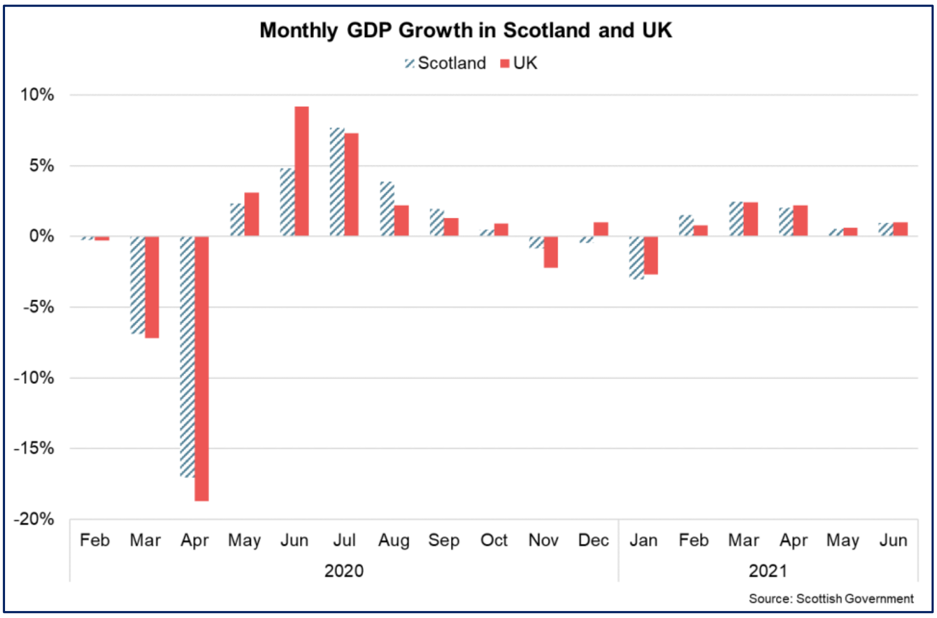
As we enter the final month of the furlough scheme, labour market indicators continue to improve, with the number of jobs on furlough falling at its fastest rate since May. In July, while both indicators remained weaker than their pre-pandemic levels, the number of payrolled employees in Scotland rose to its highest level since March 2020 while the claimant count has continued to fall to its lowest level over the same period. The latest UK data also show increased growth in payrolled employees aged 18-24 in July, as employment in accommodation and food services increased.

Looking ahead, the outlook remains uncertain, as Covid-19 cases have increased again following the further easing of restrictions in August. There continue to be risks to recovery, particularly as fiscal support comes to an end, with the ending of the furlough scheme, the temporary changes to Universal Credit, and the 5% VAT rate for hospitality at the end of September. Overall, however, business and consumer sentiment remains positive about the outlook for the economy.

Output

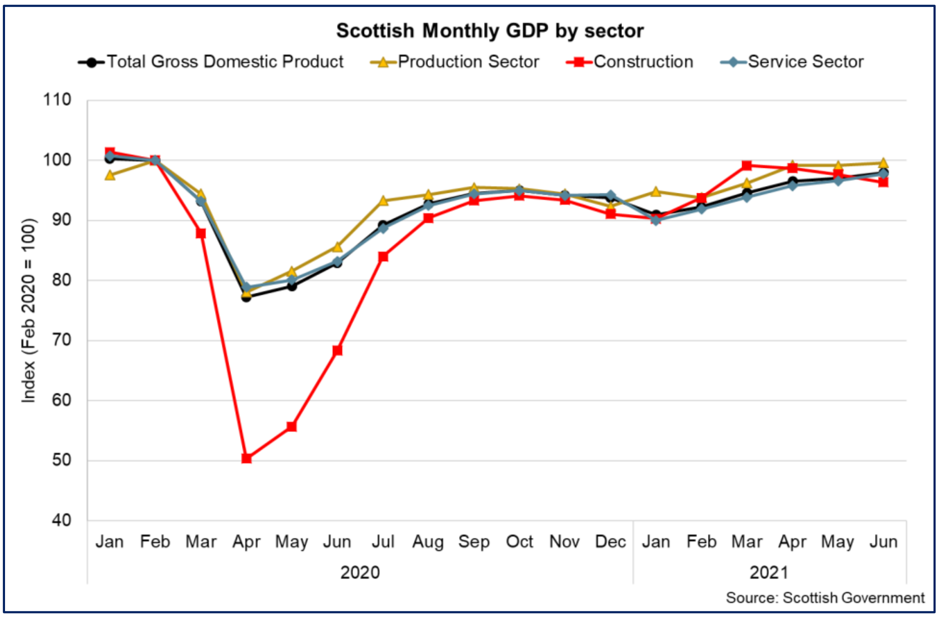
Scotland's GDP grew 0.9% in June, but is 2.1% below pre-pandemic levels.

- Scotland's GDP grew 0.9% in June (UK: 1.0%), its fifth consecutive month of growth. GDP continues to follow a similar pattern to the UK as a whole,[1] with growth over the month driven by the services (1.2%) and production (0.5%) sectors offsetting a fall in construction sector output (-1.4%).

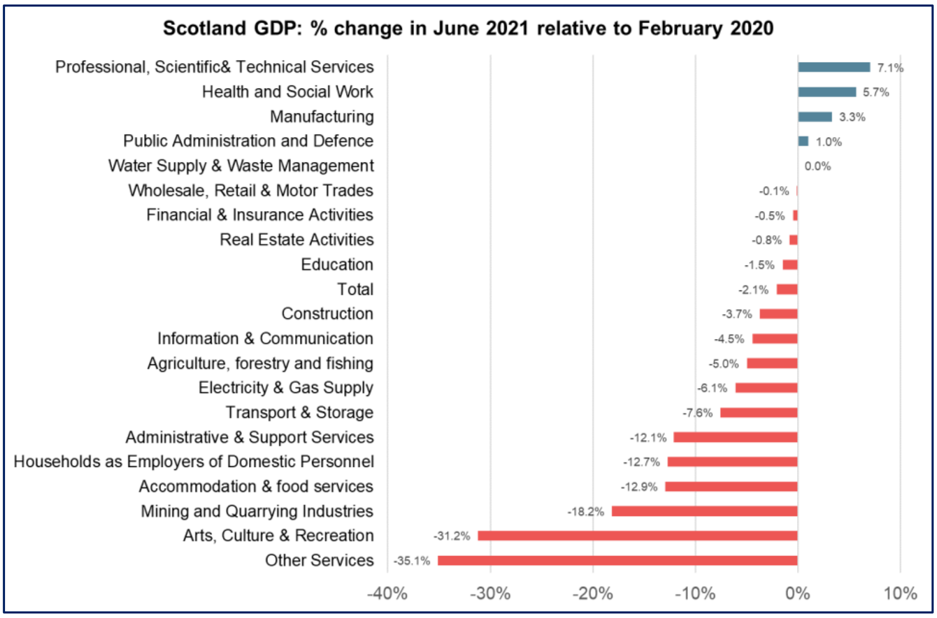


- The phased easing of restrictions in April and May on consumer facing services and the movement of people was a key enabler of the output growth, as an increasing number of businesses reopened and consumer demand strengthened.
- Further easing of restrictions in June included the move to Level 1 across much of mainland Scotland. This enabled restrictions on hospitality to ease and in the services sector the largest contribution to growth was from accommodation and food services (22.9%), for the third month in a row.
- Production sector output in June was largely driven by increases in electricity and gas supply (9.7%), which offset falls in water supply and waste management (-2.2%) and manufacturing (-1.4%). Mining and quarrying remained unchanged on May.
- The fall in construction output in June came on the back of stronger growth earlier in the year and followed a similar pattern to the UK as a whole.

[1] https://www.gov.scot/collections/economy-statistics/



- The five consecutive months of growth between February and June mean that Scotland's GDP has recovered from the recent fall in output over November to January and has continued to recover back to its pre-pandemic level in February 2020 (having initially fallen to 22.8% below in April 2020). In June, Scotland's GDP was 2.1% below its pre-pandemic level and is at its highest level during the pandemic.
- However there remain significant differences across sectors in the pace of recovery, which largely reflects the restrictions that have been in place and the extent to which this has impacted demand and trading capacity across sectors.



- While there are month to month variations, parts of the economy are generally operating above their pre-pandemic levels of output. For example, manufacturing output in June was 3.3% above its February 2020 level.

- The service sector is mixed with parts (private and public) currently operating above their pre-pandemic levels and others below. Output from professional, scientific & technical services (+7.1%) has recovered relatively quickly from an initial fall of 6% in output at the start of the pandemic as businesses were in a position to adapt (e.g. working from home) and demand recovered.
- Consumer facing parts of the services sector however have been more directly impacted by restrictions on activity over the course of the year (e.g. requirements to close), and as such output remains further below pre-pandemic levels of output. The phased easing of restrictions on non-essential retail and hospitality over April and May and the move to Level 1 in June, has resulted in more rapid recovery over the last couple of months in these sectors as businesses have opened and resumed trading. For example, accommodation and food services output grew 57.1% in April, 31.7% in May, 22.9% in June and is now 12.9% below its pre-pandemic level, while arts, culture and recreation output grew 1.7% in April, 10.3% in May, 2.3% in June and is 31.2% below.

Business Activity

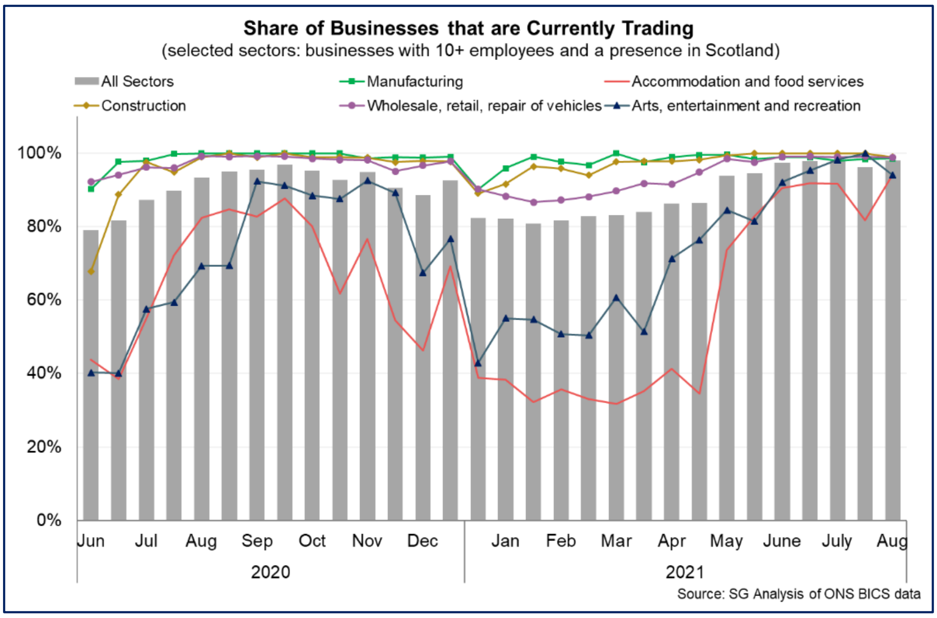
Business activity has strengthened as the majority of lockdown restrictions are removed.

Proportion of business trading

- At the start of August, an estimated 98% of businesses in Scotland were trading, having risen from 82% in January during lockdown[2].

- The phased easing of restrictions since April has enabled a sharp increase in the share of businesses trading, this was most impactful in consumer facing services which had been largely required to close.

[2] BICS weighted Scotland estimates: data to wave 36 - gov.scot (www.gov.scot)

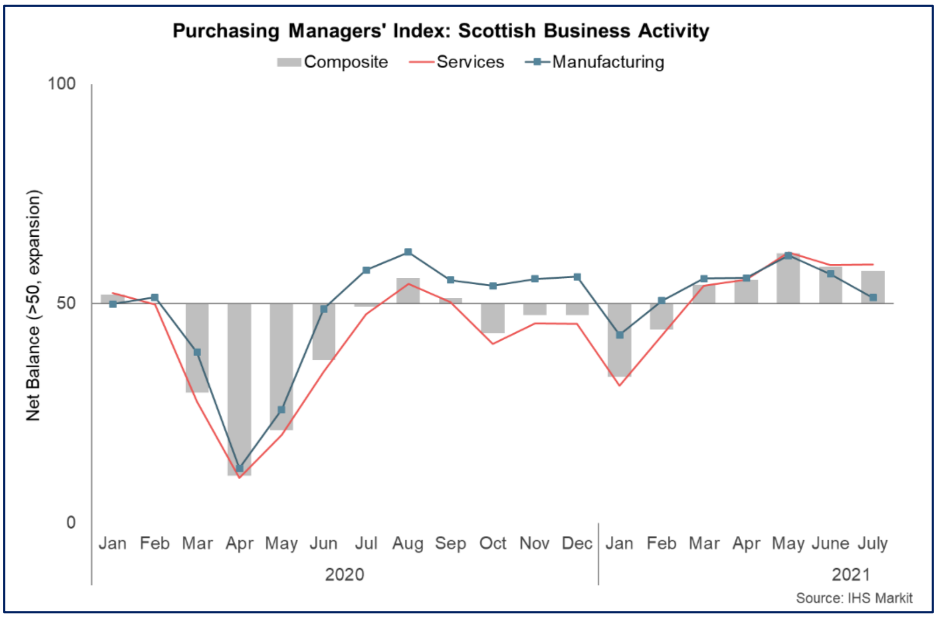


- The largest increases since April have been in the accommodation and food services sector (up 58 percentage points to 94%) and the arts, culture and recreation sector (up 43 percentage points to 94%). Non-consumer facing services sectors (e.g. information and communication) and manufacturing and construction have been less impacted by restrictions with over 98% of business trading over this period, reflecting the ability to continue operations through home working and/or adapting operations to the restrictions in place.
- The rate of increase in those trading in consumer facing sectors has naturally slowed since the start of June, as the share of businesses trading approaches full capacity. As a result the overall share of businesses trading has remained broadly stable since June.

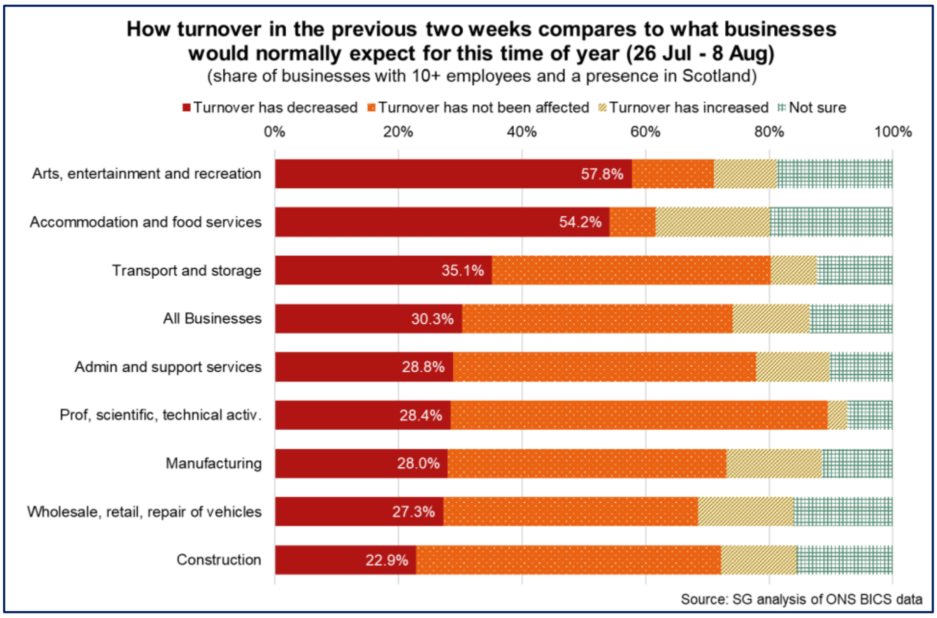
Business output

- The net balance of respondents in the Purchasing Managers Index (PMI)[3] business survey reported a rise in business activity in July, though at a slower pace than in June.
- Output grew in both the services and manufacturing sectors however the easing in momentum was concentrated to the manufacturing sector, with services output expansion continuing to benefit from the easing of restrictions.
- Demand continued to strengthen in July with new work rising at a near record pace, albeit a slowing on previous months. New Business for services remained strong with only a slight easing on momentum however new orders for manufacturing fell to a four month low.

[3] IHS Markit, RBS Purchasing Managers Index, July 2021. [bd75fc70566f496c9a7d1edfcfa866c0 (markiteconomics.com)]



- While growth in activity and demand continues to strengthen across the economy as a whole, at this stage of the recovery, the capacity at which business are operating and the turnover generated compared to what would be normally expected, continues to differ notably across sectors.
- At the start of August, 30% of businesses reported having lower turnover than normal for the time of year, while 44% reported that turnover was not affected and 12% reported that it had increased.[4] However, the arts, entertainment and recreation services sector has the highest proportion of firms (58%) reporting that business turnover is lower, followed by the accommodation and food services sector (54%).

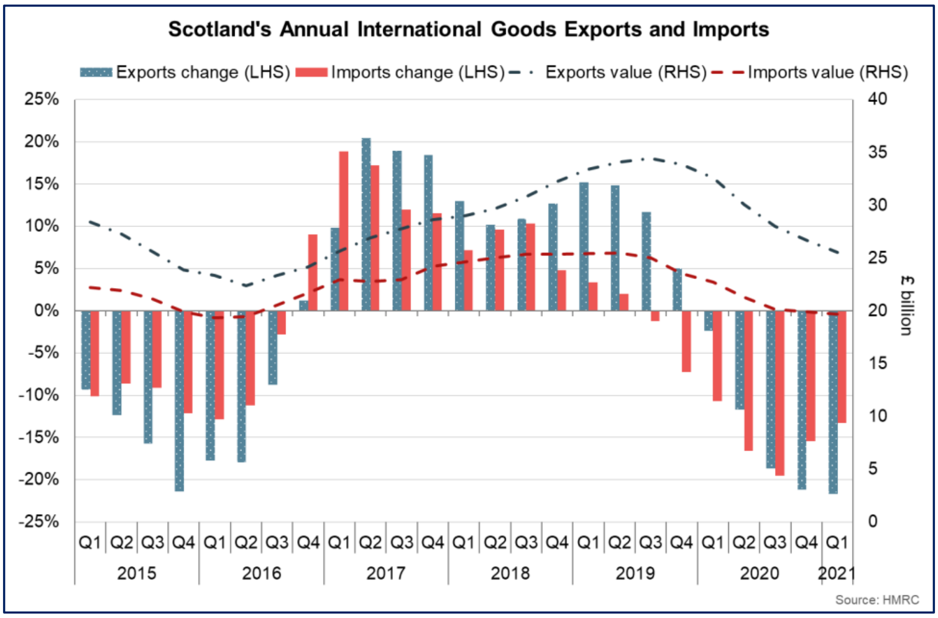


[4] BICS weighted Scotland estimates: data to wave 36 - gov.scot (www.gov.scot)

- In line with the easing of restrictions there has been a downward trend in the estimated share of businesses with decreased turnover. For example, the proportion of business overall reporting lower turnover has fallen from around 45% to 30%, while the proportion reporting a rise in turnover has increased from around 6% to 12%. The rates remained relatively stable at the start of June and into July however along with the further easing of restrictions have started to pick up again. Overall trading conditions remain challenging alongside the specific challenges that different sectors are facing at their stage of recovery.
- Looking to the year ahead, the PMI business survey for July showed that levels of business optimism had eased back from recent months, however remained elevated overall, with strong expectations from businesses of further strengthening in business activity to come over the year.
- The flash UK PMI for August signalled further growth in UK business activity going into the third quarter, however also flagged a further slowing in momentum across the private sector during the month. Survey respondents widely noted constraints on business activity due to staff shortages and supply chain issues.[5]

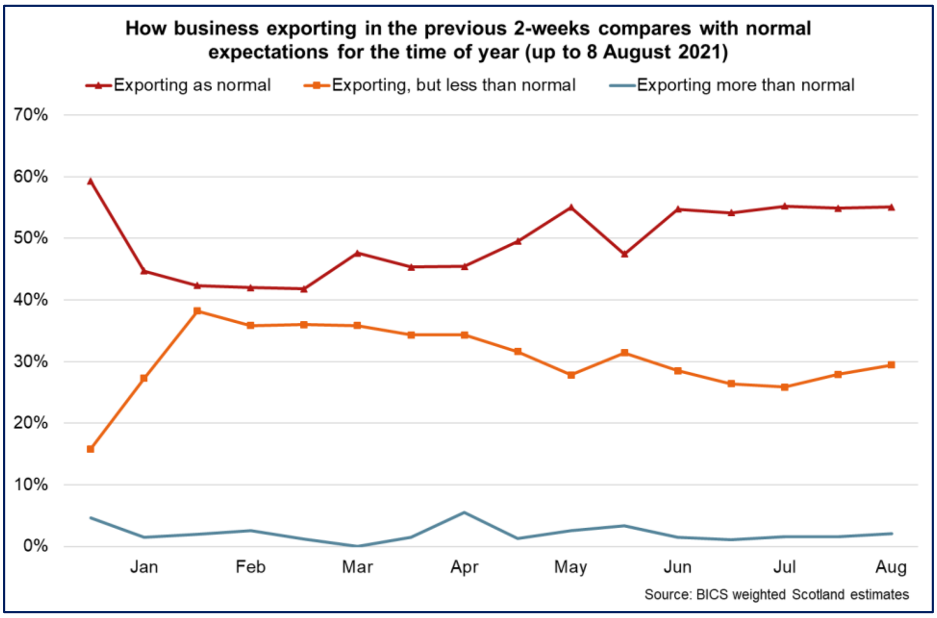
Trade

- International trade and supply chains have experienced significant challenges in 2021 arising from the impacts of the pandemic and the transition to the new trade agreement between the UK and EU which includes the introduction of new regulatory and administrative compliance checks on goods trade.
- In the first quarter of 2021, the value of Scotland's goods exports were £6.2 billion, down 15.2% compared to Q1 2020, while imports were £5.3 billion, down 3% over the same period.[6]



[5] IHS Markit/CIPS Flash UK Composite PMI (August): [4b9df9b7743e47fd8955068a75783205 (markiteconomics.com)]
[6] [UK regional trade in goods statistics: first quarter 2021 - GOV.UK (www.gov.uk)]

- The fall in exports was mainly driven by a 36% fall in exports of oil and gas, with notable falls across other commodities including food (-20%) and beverages (-2.9%). However, there was a 19% increase in exports of chemicals.
- More recent monthly UK data for June[7] signals that trade has strengthened from the falls at the start of the year, with total goods exports rising 3% over the month. However goods exports in 2021 so far (Jan – Jun) remain 11% below the equivalent period in 2018. In June, exports of Scotch Whisky were down 3% over the month (the first six months of 2021 exported the same volume as the same period in 2018), while exports of fish rose 3% (the first six months of 2021 were 14% down on same period in 2018).



- More recent business survey data into the start of August also indicates some improvement in trade from the start of the year with 55% of Scottish businesses reporting to be exporting as normal for the time of year (up from 42% at the start of February) while 30% were exporting less than normal (down from 38% at the start of February). However, the rates have remained broadly stable since June suggesting that trade conditions remain challenging. In addition, the share of Scottish businesses experiencing challenges with importing has been increasing relative to exporting in recent months.[8]

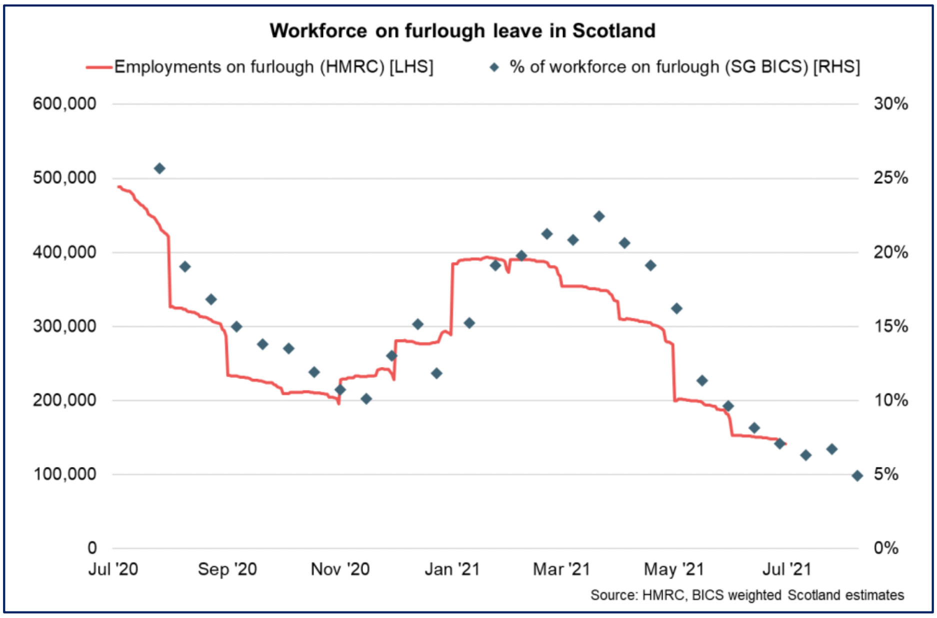
Labour Market

Labour market continues to rebound following the easing of restrictions and an increase in recruitment activity, as restrictions have eased but staff shortages are apparent in some sectors

[7] UK overseas trade in goods statistics: June 2021 - GOV.UK (www.gov.uk)
[8] [BICS weighted Scotland estimates: data to wave 36 - gov.scot (www.gov.scot)]()

Coronavirus Jobs Retention Scheme (CJRS)[9]

- The CJRS has continued to provide significant support to businesses and the labour market in recent months as restrictions have eased, with the number of jobs supported by the scheme naturally falling as businesses have resumed trading.



- At the end of June, 141,500 jobs in Scotland (6%) were furloughed, its lowest point in the time series, and is down from 175,300 (8%) at the end of May and from the recent peak of 393,400 in January during the recent lockdown. More recent business survey data indicates that the proportion of staff on furlough trended down in the first half of August.[10]

- The composition of furlough has also changed notably in recent months as business have required more flexibility as lockdown restrictions have eased and businesses have reopened at different levels of capacity. At the end of February during lockdown, 70% of jobs on furlough were fully furloughed (30% partially), however this has been gradually reversing and in June, 48% of jobs furloughed were fully furloughed and 52% were flexibly furloughed.

- At a sector level, HMRC data show consumer facing servicies such as accommodation and food (31,900) and wholesale and retail (19,300) continue to have the highest number of employments on furlough, however they have also had the largest falls as restrictions on the consumer facing services sector have eased and businesses in the sector have resumed trading. Business survey data indicates that this pattern continued, though July and into the start if August. .[11]

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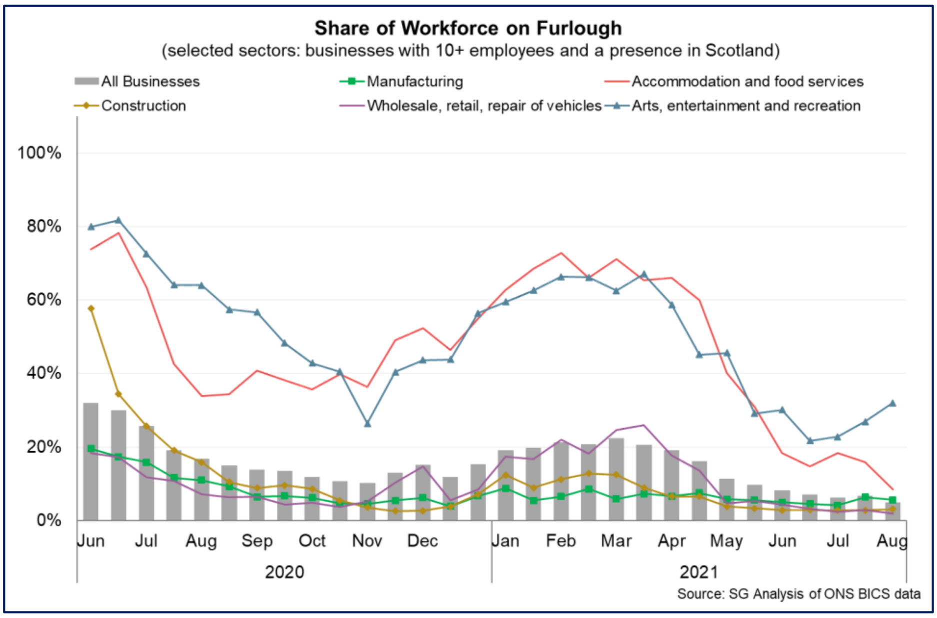
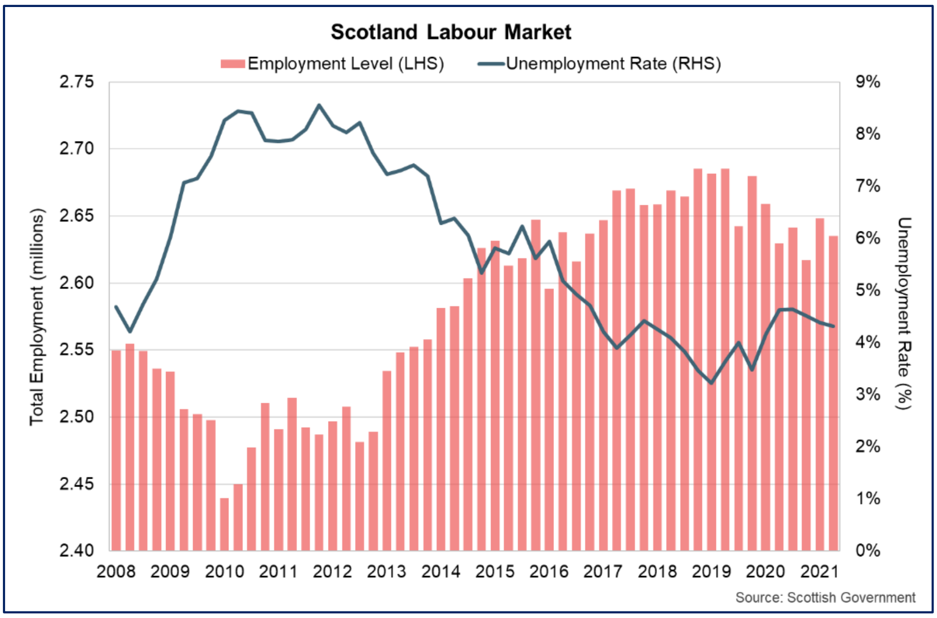
[9] Coronavirus Job Retention Scheme statistics: 29 July 2021 - GOV.UK (www.gov.uk)
[10] BICS weighted Scotland estimates: data to wave 36 - gov.scot (www.gov.scot)
[11] BICS weighted Scotland estimates: data to wave 36 - gov.scot (www.gov.scot)



Official labour market statistics

- The latest labour market statistics for April – June 2021 show Scotland's employment rate was 74.2% (up 0.4 percentage points over the year),[12] the unemployment rate was 4.3% (down 0.3 percentage points) and the inactivity rate was 22.4% (down 0.3 percentage points).

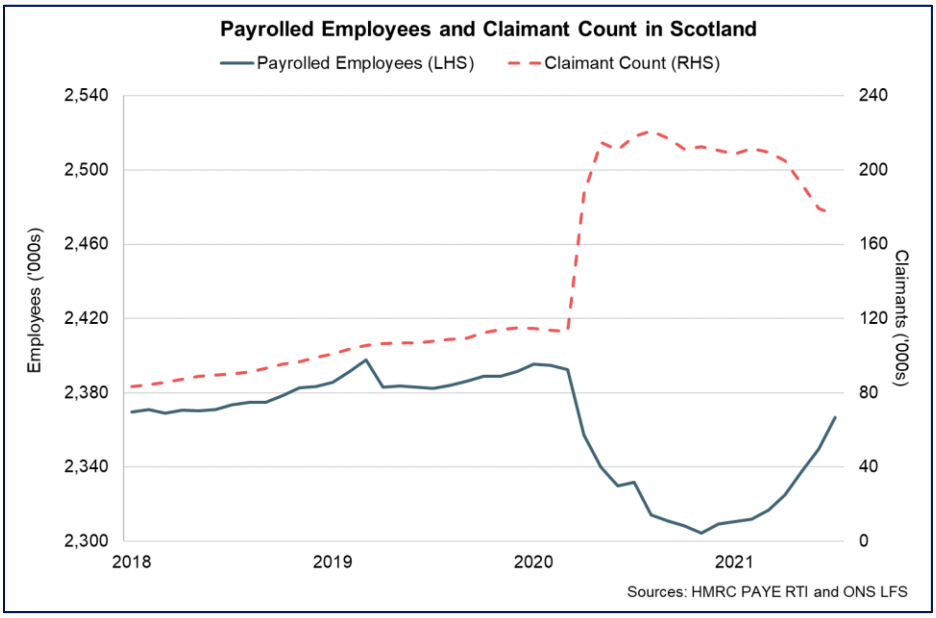


- The headline labour market indicators compare well against historical trends, however only show a partial picture of the impacts of the pandemic on the labour market over the past 18 months. Wider labour market indicators provide further insight into the challenges that have emerged in the labour market during the pandemic and the signs of improvement in recent months.

PAYE payrolled employment and Claimant Count

[12] https://www.gov.scot/collections/labour-market-statistics/

- Pay As You Earn (PAYE) Real Time Information data for July show that the number of payrolled employees in Scotland (2.4 million) increased by 17,000 (1.5%) over the month and has increased by 62,500 (2.7%) from its recent low in November.



- This is the highest number of payrolled employees in Scotland since March 2020, however remains 28,005 (1.0%) lower than its pre-pandemic level in February 2020.[13]

- UK level data signals that the initial recovery in payroll numbers was largely confined to the over 50's age group, however over May, June and into July there has been stronger growth in 18-24 aged employees. This likely reflects the easing of restrictions on accommodation and food services which has saw a notable increase in employees and which are key employers of young people.

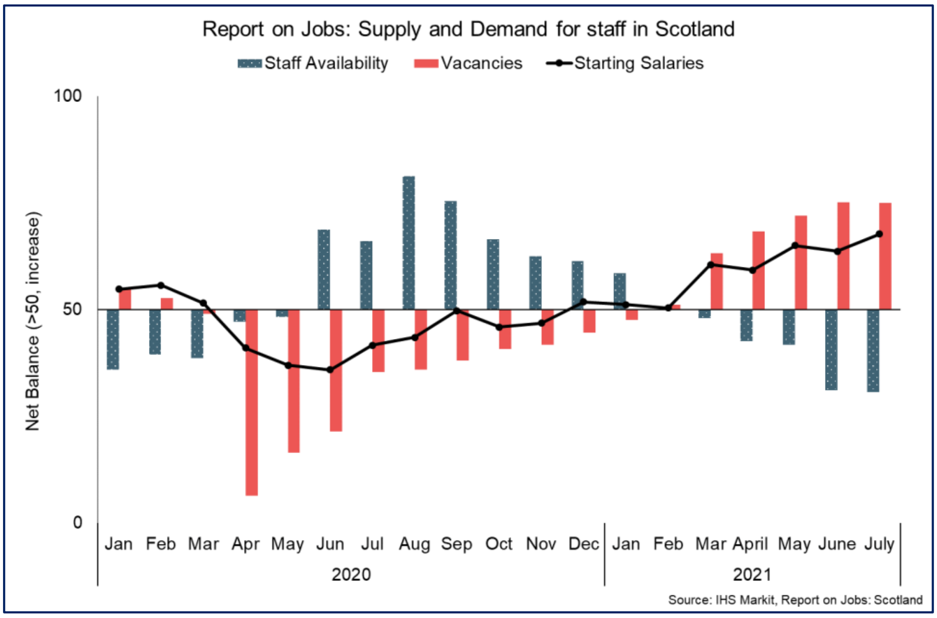
- Alongside this, Scotland's Claimant Count (the number of claimants of Job Seekers Allowance and claimants of Universal Credit claiming principally for the reason of being unemployed) fell 1.8% in June to 176,000; a claimant count rate of 5.5%. The claimant count continued its recent downward trend and has fallen 20% from its peak in August 2020, however, it remains 62,300 (55%) higher than its pre-pandemic level in February 2020.[14]

- Combined, the claimant count and payroll data signal that the number of people that have been unemployed or employed with low income and/or low hours have increased significantly during the pandemic. However, the movements back to pre-pandemic levels shows that progress in the labour market recovery has been made with ongoing support from the Job Retention Scheme.

[13] [Earnings and employment from Pay As You Earn Real Time Information, UK - Office for National Statistics (ons.gov.uk)]
[14] https://www.gov.scot/collections/labour-market-statistics/

Demand for staff

- Business survey data provides evidence of strengthening demand for staff and recruitment activity in recent months as restrictions have eased and firms have resumed further trading activity.



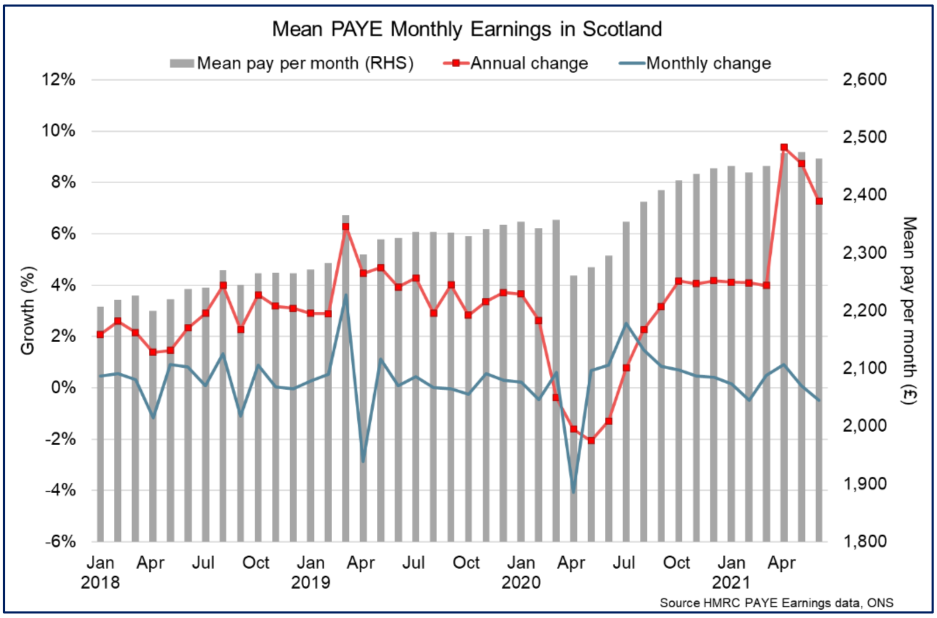
- In July, permanent placements in Scotland rose for a seventh consecutive month while the rate of billings for temporary jobs slowed on month, but remained close to survey records. This was broad based across the majority of sectors.[15]
- Staff availability continued to fall with uncertainty among candidates stemming from the pandemic and surging demand for staff contributing to the decline.
- This mismatch between demand and supply placed further upward pressures on rates of pay. The rate of inflation in permanent staff salaries was the second-fastest on record while the rate in temporary wages was the steepest on record.
- This corresponds with UK vacancy data for May to July 2021 which showed UK job vacancies grew 43.8% over the quarter and was 21.4% (168,000) above its pre-pandemic level in Q1 2020.
- At a sector level, UK vacancy growth over the quarter was broad based across the private sector, with only the wholesale and retail trade and repair of motor vehicles, remaining below its pre-pandemic level. Continuing the trend from the previous quarter, the sharpest increase was in sectors such as arts entertainment and recreation (up 267%) and accommodation and food services (up 164%) which were recruiting staff as restrictions in these sectors eased. In the latter, the ONS reported that the rise in vacancies in part reflected some evidence of a shortage

[15] IHS Markit: RBS Report on Jobs: bd75fc70566f496c9a7d1edfcfa866c0 (markiteconomics.com)

of skilled staff in the sector and of employees finding alternative areas of employment prior to the sector reopening.[16]

Earnings

- Mean PAYE monthly pay fell sharply at the start of the pandemic, however strengthened over the course of 2020 and rebounded back above its pre-pandemic level in July 2020. Relatively robust earnings growth over this period in part reflects lower inflows of new employees, for which mean pay tends to be around 40% lower than for those continuously employed.[17]



- Following three months of positive growth, latest data for June shows pay growth in Scotland has fallen by 0.5% in June to £2,463. On an annual basis earnings growth tapered off to 7.3% in June, however remains elevated, which in part reflects the sharp fall in mean earnings at the start of the pandemic.

- While mean earnings have rebounded on an annual basis, this needs to be interpreted with caution. The ONS note that it has been affected by a changing composition of employee jobs, with a fall in the number and proportion of lower-paid employee jobs. This acts to increase average pay, with underlying annual wage growth for the UK estimated to be between 2.2 to 3.4 percentage points lower than headline annual wage growth.

Consumption

Consumer sentiment continues to strengthen and is positive for the second consecutive month.

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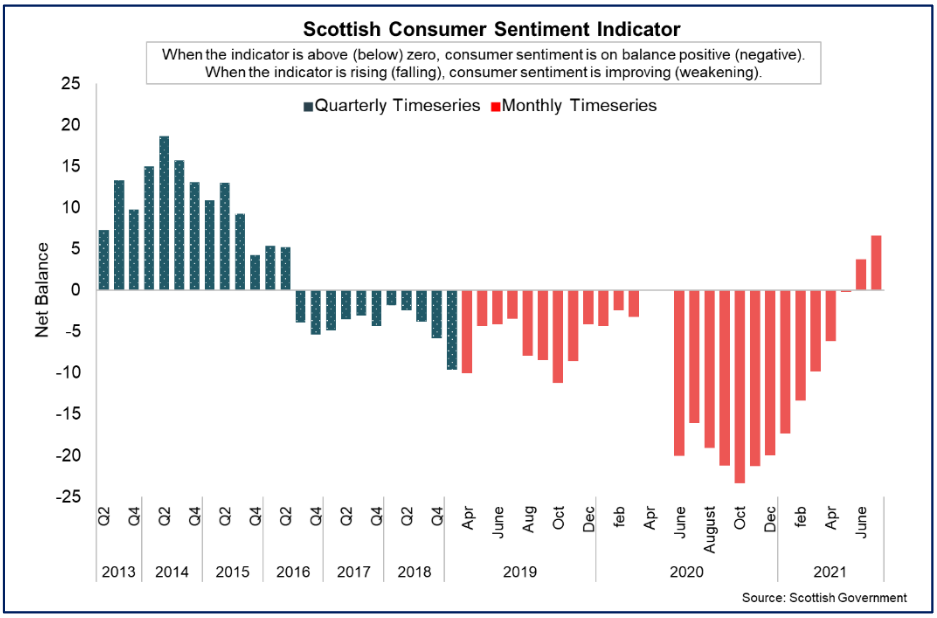
16 Vacancies and jobs in the UK - Office for National Statistics (ons.gov.uk)
17 Earnings and employment from Pay As You Earn Real Time Information, UK - Office for National Statistics (ons.gov.uk)

Consumer sentiment

- Consumer sentiment in Scotland has continued to strenghten, building on the improving attitudes since the start of the year with the Scottish Consumer Sentiment Indicator rising to 6.7 in July, notably improved from the series low levels of sentiment in the second half of 2020.
- The general improvement in sentiment is the result of several factors. Firstly, while consumers continue to think that current circumstances regarding the economy and financial security are worse than they were in the previous year, consumers in balance are less negative than in June. Attitude towards spending has improved significantly and is the only current view indicator to have returned to positive territory.

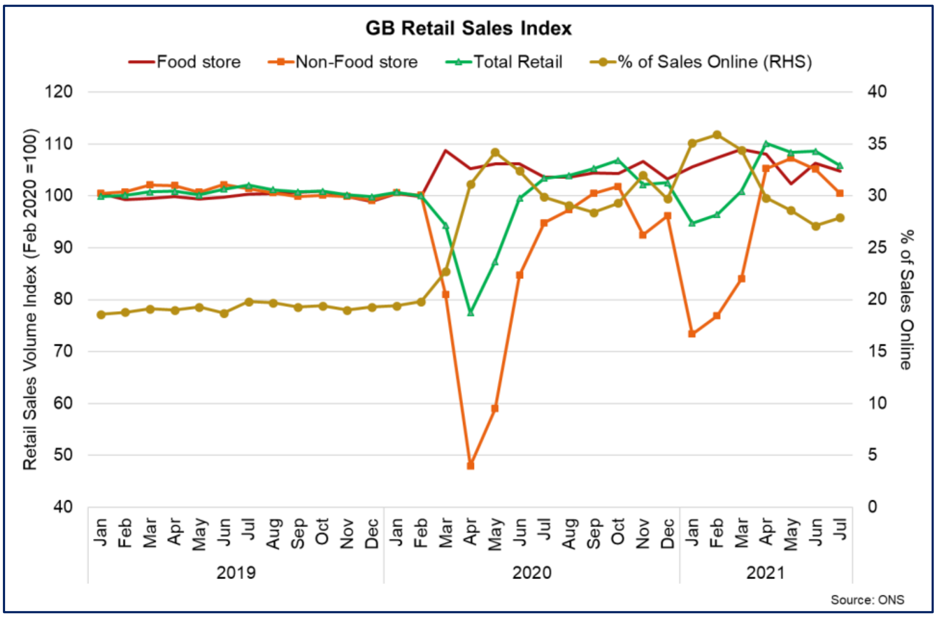


- Secondly, looking ahead to the next 12 months, respondents expect the economy and their household finances to improve over the coming year (relative to the current situation), and while the finances expectations indicator eased back in July, taken together, expectations for the outlook have improved.[18]
- Sentiment indicators continue to be highly sensitive to the rapidly moving developments on the pandemic and the unprecedented economic impacts that we have seen over the past 16 months. As such, they will be a key indicator in understanding the level to which a recovery in consumer sentiment feeds through to changes in consumption over the course of the year.

[18] 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 2020 and in April and May 2020.

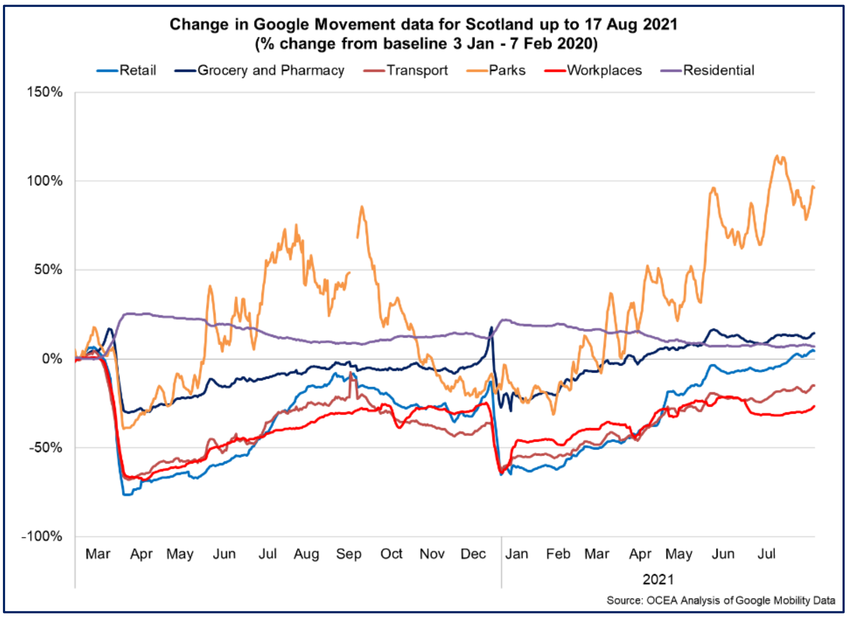
Retail sales and visits to retail hubs

- In July, retail sales in Great Britain fell 2.5% on June however they were up by 5.2% in the three months to July compared with the previous three months and are 5.8% higher than their pre-pandemic level. [19]
- Food store sales fell 1.5% in July following a boost supported by the Euros in previous months. Likewise non-food sales fell 4.4% driven by falls in second-hand goods stores and computers and telecoms equipment.
- However on a monthly basis the proportion of retail sales online increased to 27.9% in July from 27.1% in June and remains substantially higher than the proportion of online retail spending in February 2020. This is the first monthly increase in online retail sales since restrictions eased.



- Google mobility data for Scotland show visits to retail picked up sharply in April and May as restrictions eased having been over 60% below the pre-pandemic level at the start of the year. The pace of recovery was then more moderate over June and July and on average remained around 6% below pre-pandemic levels.
- In the first half of August retail visits increased, on average, to around 3% above baseline pre-pandemic levels. This is the first time since March 2020 that visits have been above the baseline.

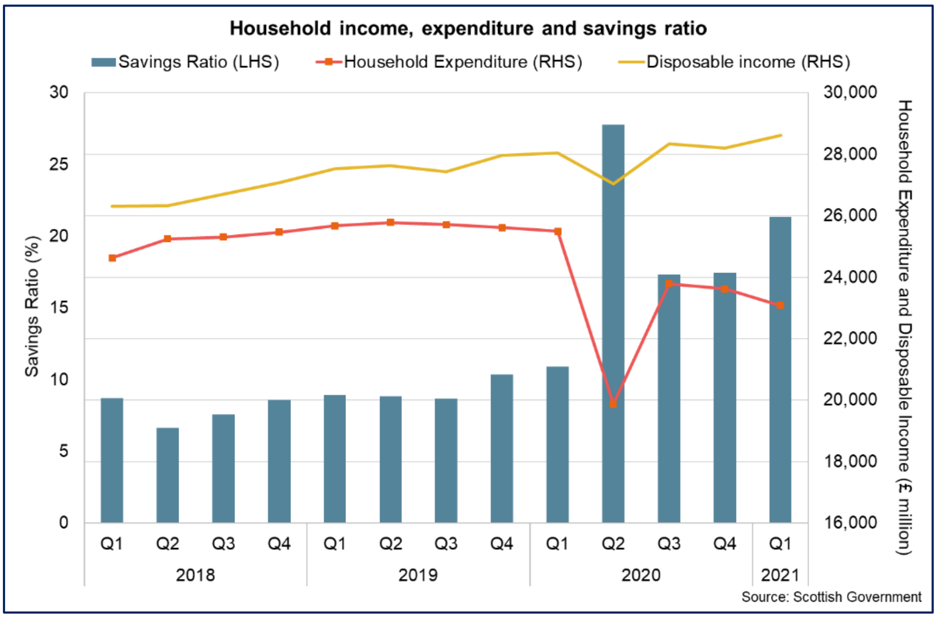
[19] Retail sales, Great Britain - Office for National Statistics (ons.gov.uk)



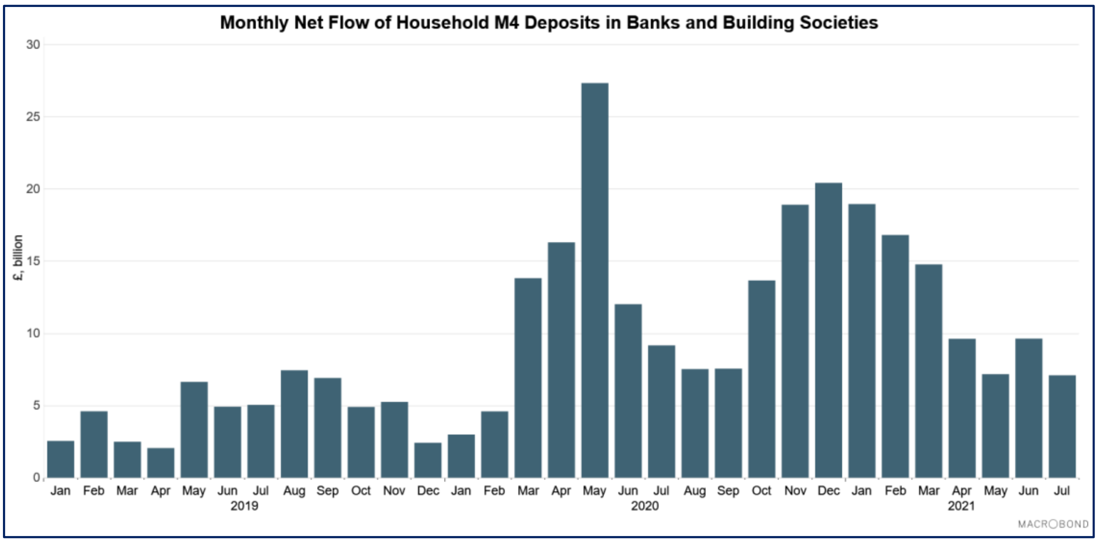
- The pick-up in the number of visits to retail may be linked to movements that can be seen across the other indicators. For example, movement in transport has also increased in to at 17% below its pre-pandemic level in the first half of August while visits to workplaces are 30% below pre-pandemic levels in August (though the fall from June will in part reflect the start of school holidays).

Household Savings and Consumer Credit

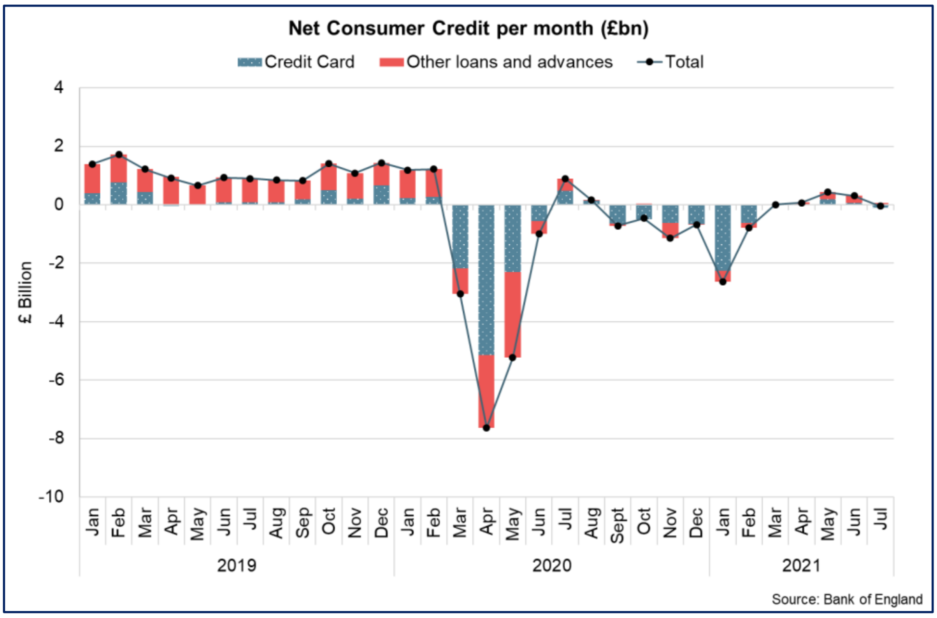
- At an aggregate level, household disposable income continued to rise into the first quarter of 2021 with incomes supported by the furlough scheme while household expenditure fell reflecting the lockdown restrictions in place over the period. This has not been the case across the whole economy, with lower income households facing more significant financial challenges.
- The savings ratio rose over the quarter to 20% though remains lower than the peak at the start of the pandemic.



- Bank of England data show that at an aggregate level, net flows from households into deposit-like accounts was £7.1 billion in in July, down from an average of £8.8 billion between April and June 2021. This remains relatively high compared to pre-pandemic levels when the average net inflow in the year to February 2020 was £4.7 billion. However, has fallen from periods of more elevated inflows over the past seventeen months during which the average inflow has been £14 billion.[20]



- On aggregate in July, consumers borrowed no additional credit, with an additional £0.1 billion of 'other' forms of consumer credit such as car dealership finance and personal loans, offset by net credit card repayments of £0.1 billion. This level of borrowing remains significantly lower than the pre-pandemic monthly average of £1.2 billion in the two years to February 2020.



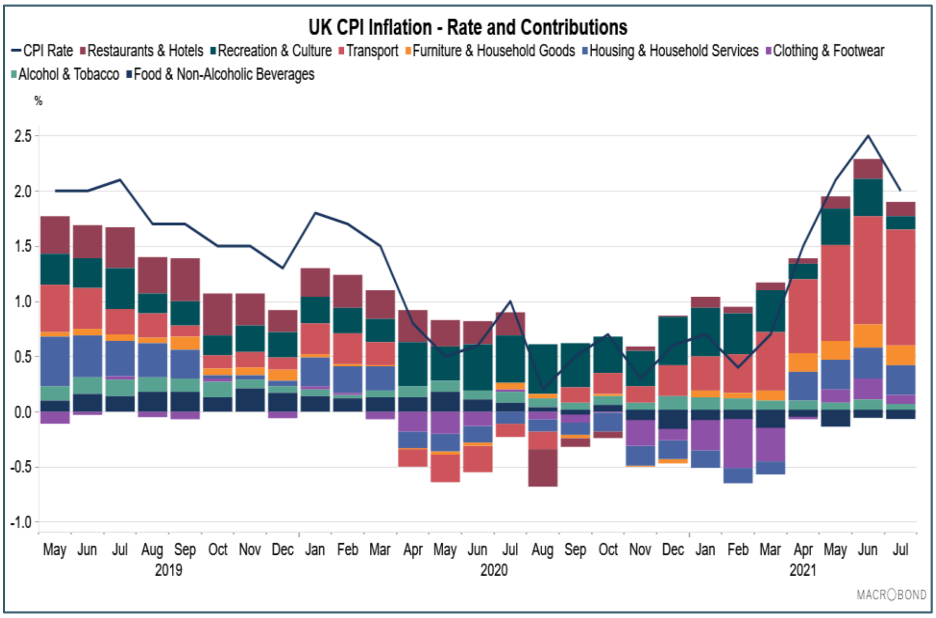
- Overall, the latest data shows the pace of household savings has slowed relative to the start of the year. Net borrowing marginally increased between March and June, however has since

[20]Money and Credit - July 2021 | Bank of England

tapered off. The extent to which households subsequently spend accumulated savings and further increase borrowing as restrictions ease remains uncertain. As the outlook improves, latest survey data show an increasing share of people planning to spend a proportion of their additional savings.[21]

Interest rate and inflation

- UK CPI inflation was 2% in July, down from 2.5% in June, while the inflation rate in the US is 5.4% in the Eurozone is 2.2%.



- UK inflation has risen sharply as the economy has reopened in recent months reflecting a global rise in input cost pressures (raw materials) which are being passed through to consumer goods, base effects from price falls at the start of the pandemic (e.g. in energy), and an increase in business activity and demand as restrictions have eased.

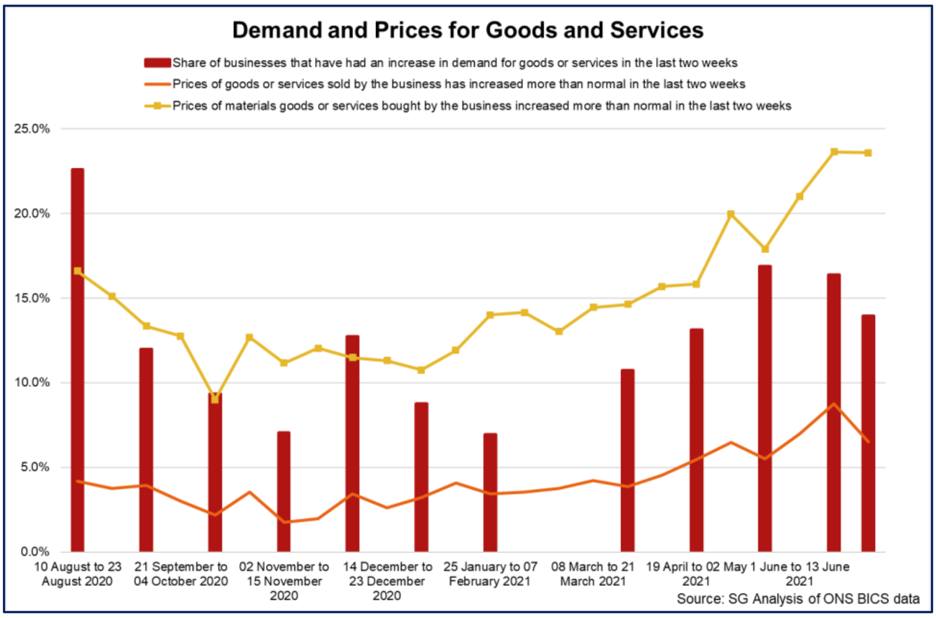
- The fall in July in part reflects price falls in clothing and footwear during the summer sales and other recreational goods which offset a further rise in transport prices, driven by the rise in second hand car prices and charges for maintenance and repair.

- The CPI rate is currently at the Bank of England's 2% inflation target. At their August meeting, the Monetary Policy Committee (MPC) made no change to monetary policy, maintaining the Bank Rate at 0.1% and the current programme of Quantitative Easing.[22]

- The Bank of England forecast inflation to rise to 4% in Q4 2021 before falling back to the target 2% in late 2023 and consider the above target levels of inflation to be temporary and as a result

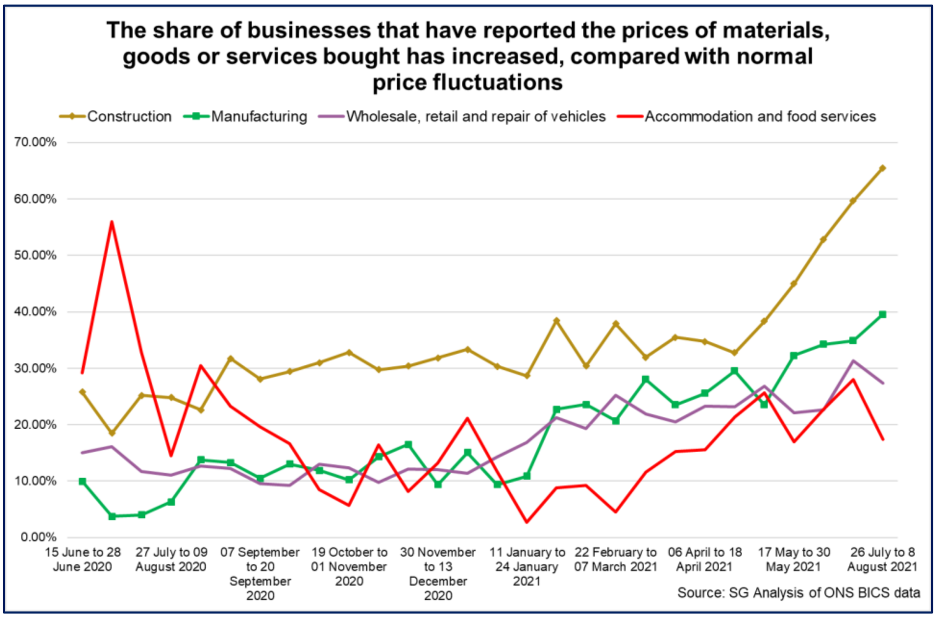
[21] How have households spending expectations changed since last year | Bank of England
[22] Bank Rate maintained at 0.1% - August 2021 | Bank of England

of the economy rebalancing after the pandemic. However, uncertainties exist with the forecast around the persistence of demand and wage pressures and commodity pricing.



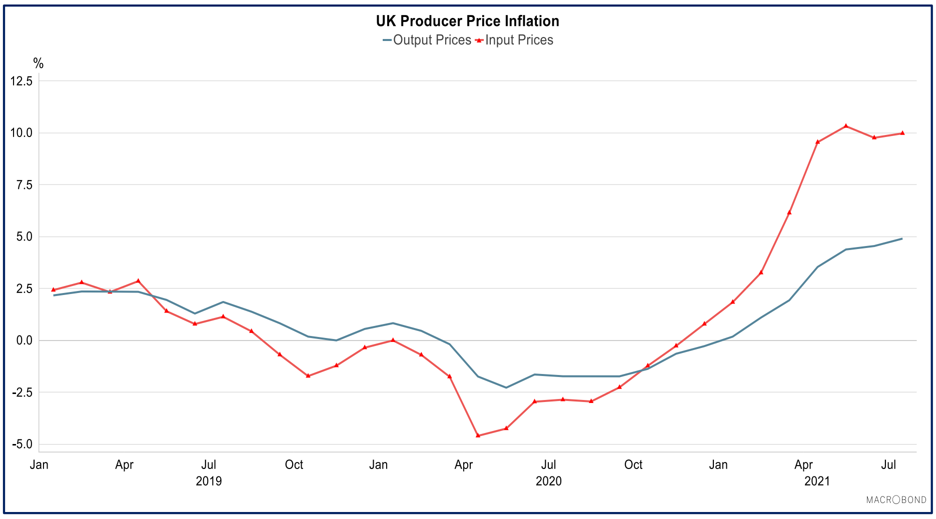
- On the supply side, input cost pressures (e.g. raw materials) have risen sharply over the past year, although to date this has only been partially passed on to sale prices. In the period 26 July to 8 August, 23% of businesses reported an increase in materials, goods or services bought by the business while 7% of businesses reported an increase in the prices of goods or services sold by the business.[23]

- There are large sectoral differences and some sectors are more affected by the increase in input costs. In the period 26 July to 8 August, 66% of construction businesses reported an increase in input costs while this was the case for 40% of manufacturing, 27% of wholesale, retail and repair of vehicles, and 17% of accommodation and food service businesses.



[23] BICS weighted Scotland estimates: data to wave 36 - gov.scot (www.gov.scot)

- Producer input price inflation was 9.9% in July while output price inflation was 4.9%; both having increased compared to June.[24]



- Wider PMI business survey evidence points to supply chain pressures intensifying in recent months and contributing to this in both the manufacturing and construction sectors, with firms facing material shortages and increased levels of purchases and stocking, while supplier delivery times have deteriorated.

GDP growth outlook

Optimism for the economic outlook this year has continued to strengthen.

- As a result of the successful rollout of the vaccination programme, and the corresponding easing in public health restrictions, the Scottish Fiscal Commission (SFC)[25] have upgraded their economic outlook for Scotland. They now expect that the Scottish economy will grow by 6.7% in 2021, and return to pre-pandemic levels by April to June 2022, almost two years sooner than forecast in January.

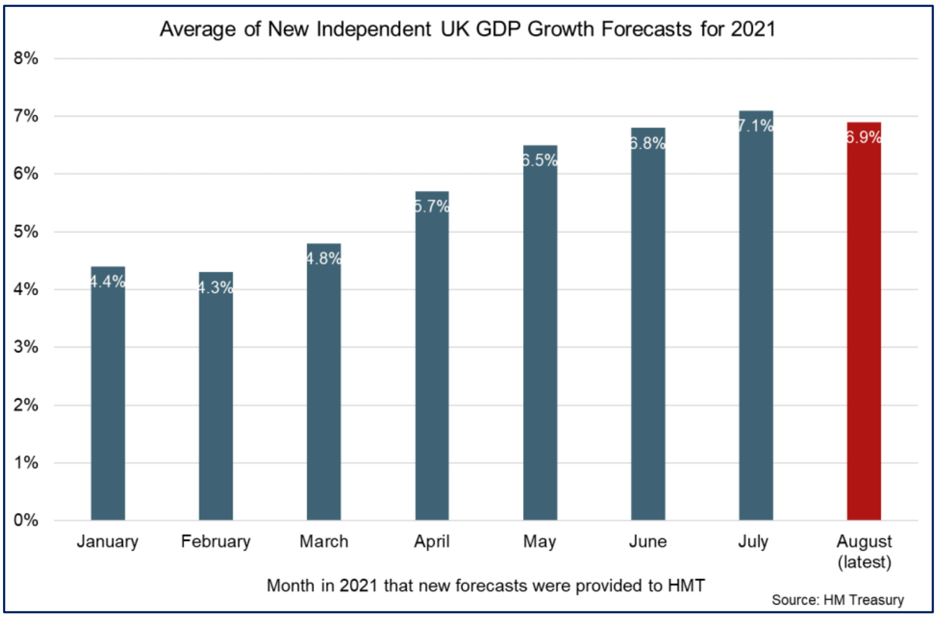
- In line with other forecasters, the SFC have also revised down their forecast of unemployment. They still expect unemployment to increase as the furlough scheme unwinds, but to now peak at 5.4%, much lower than the previous forecast peak of 7.6%.

- The Fraser of Allander Institute forecast, from June, is for GDP to grow by 5.9% in 2021. Overall, GDP is forecast to return to pre-pandemic levels by July 2022, a quarter earlier than had previously been forecast.[26]

- At a UK level, the IMF forecast UK GDP to grow 7% in 2021 (revised up from 5.3% in April). This is broadly in line with the Bank of England's May forecast[27] of 7.25% and the latest average

[24] Producer price inflation, UK - Office for National Statistics (ons.gov.uk)
[25] Scotland's Economic and Fiscal Forecasts – August 2021 | Scottish Fiscal Commission
[26] FAI Economic Commentary, 2021 Q2 | FAI (fraserofallander.org)
[27] Monetary Policy Report - August 2021 | Bank of England

of new independent UK forecasts[28] published by HM Treasury which points to UK GDP growth of 7.1% in 2021. Reflecting the general improvement in optimism for the outlook, supported by stronger than expected activity in the first half of the year, the delivery of the vaccination programme and easing of restrictions, the average new forecast for 2021 has risen each month since February and is up 0.3 percentage points from the average new forecast in June.



- At a global level, the IMF's latest forecast from July projects world GDP to grow 6% in 2021 following the fall of 3.2% in 2020.[29] At an aggregate level, this remains unchanged from their previous forecast in April, however reflects an upward revision to their growth forecasts for Advanced Economies (up 0.5 percentage points to 5.6%) and a downward revision to their forecast for Emerging Market and Developing Economies (down 0.4 percentage points to 6.7%) with the IMF highlighting that differences in vaccine access and policy support have contributed to greater divergences in the expected pace of recovery across countries.

[28] Forecasts for the UK economy: August 2021 - GOV.UK (www.gov.uk)
[29] World Economic Outlook Update, July 2021: Fault Lines Widen in the Global Recovery (imf.org)

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