Scotland:
Macroeconomic and fiscal performance

- As part of the UK, Scotland's economy is performing strongly. Scotland is the third most prosperous part of the UK after London and the South East.

- The UK's broad tax base helps maintain the stability and level of public spending in Scotland, which is around 10% higher than UK average.

- Economic integration and working together across the UK is at the heart of Scotland's economic success allowing the free flow of goods, labour and capital.

- Scottish independence would establish an international border between Scotland and the continuing UK. Over the long term, this border effect would reduce real income in the Scottish economy; by around 4% after 30 years - or £2,000 per Scottish household.

The UK and Scottish economies are heavily integrated, allowing the free flow of goods, services, labour and capital. This supports stronger economic performance

- **As part of the UK, Scotland's economy has performed strongly.** Over the last 50 years, growth in economic output per person has been slightly stronger in Scotland than in the UK, averaging 2.2% to the UK's 1.9%.
- **Scotland's economic performance as part of the UK is as strong as comparable independent countries**. Scotland had a higher employment rate in 2012 than Denmark, Finland and Portugal. In the period 2000 to 2012, Scottish output growth per head was superior to Denmark, Finland, Ireland, Luxembourg and Portugal, equal to Austria and behind Sweden.

Scotland benefits from pooling fiscal resources and sharing economic risks with the rest of the UK

- **The UK's broad tax base helps smooth the impact of volatile sources of revenue such as North Sea oil and gas.** Since devolution, Scotland's geographical share of North Sea oil and gas receipts has fluctuated between £2 billion and £12 billion, from 2.5% to 8.1% of Scottish GDP.
- **Since 1981-2 Scottish receipts have been almost twice as volatile as UK-wide receipts, yet public spending in Scotland has remained stable.** Scottish Government figures show Scotland's spending increased in 2012-13 despite North Sea revenues falling more than £4 billion. The government of an independent Scotland would have to cut spending or raise taxes in response to such a fall, which left **Scotland's deficit almost £500 per head higher than the UK average in 2012-13**. 10 months into 2013-14, offshore revenues are a further 20% lower than at this point last year.
- **Scotland has run a net fiscal deficit in 20 of the past 21 years.** There has only been one year since 1990 when tax receipts have exceeded total public spending. This suggests that over this period North Sea revenues would have been required to fund public services in Scotland. Therefore, if the Scottish Government had wished to establish an oil fund, it would have had to reduce public spending, increase taxation or increase borrowing.

Scottish independence would lead to economic divergence with the continuing UK. This would create a border effect and damage trade, integration and Scottish economic performance

- **In the event of independence, in the long term, institutional and policy divergence would lead to a weakening of economic integration creating a border effect.** HM Treasury estimates that independence could lead to a border effect which could reduce the level of real incomes in Scotland by 4% after 30 years or £2,000 per Scottish household per year and £100 per UK household. In comparison, trade between the USA and Canada is estimated to be 44% lower as a result of the border.