When I appeared before the Finance Committee on 1 February, I undertook to write to you with further detail on economic modelling.

During the meeting, Wendy Alexander asked whether the Executive had considered complementing long-term financial modelling with a long-term economic model of the Scottish economy that would have some short-term forecasting capacity.

As you know, we are developing a long term financial planning model for the Executive. The project is making good progress towards delivering a financial planning model in time for Spending Review 2006. As part of this process, we are consulting with a number of external sources of advice – including HM Treasury – which is assisting in shaping our understanding of the issues. We are confident that the end product will address the requirement to forecast our long term spending commitments. This should facilitate the optimum allocation of strategic financial resources.

The UK Government is responsible for macroeconomic policy and undertakes medium-term economic forecasts to inform that policy. The Executive does not have the same responsibilities. As was noted at the Committee, there are currently four independent forecasters of Scottish GDP. These forecasts are a useful resource, and it is doubtful whether producing an Executive estimate would significantly improve our policy-making. We feel it is better to concentrate on working with the UK Government and using the powers of the Scottish Parliament to create the conditions for high and sustainable levels of growth in Scotland. The refreshed Framework for Economic Development in Scotland sets out our economic strategy for the long term.