

Council of Economic Advisers Conference call – Summary minutes Tuesday 1st September 2020

Purpose

This note provides an overview of the key points that were discussed during the Council of Economic Advisers (CEA) video call which took place on the afternoon of 1st of September 2020.

Welcome

The Chief Economist thanked all members for this opportunity to catch up on recent economic and policy developments. Since the previous teleconference in June, the Scottish Government published its responses to the Advisory Group on Economic Recovery and the Enterprise and Skills Strategic Board Sub-group, and the 2020/2021 Programme for Government. Members would also discuss the details for the forthcoming meeting in October.

State of the Economy and Economic Recovery efforts

The Chief Economist presented the key findings from the August Monthly Economic Brief.

Scotland officially entered a recession with a 20% fall in GDP in the second quarter of the year. The last months saw some growth, though output remains below pre-COVID-19 levels. The general trend has been similar to that in the whole of the UK. While output had already started to recover, the labour market impact is likely to have a longer tail and is yet to materialise fully in official statistics. Support measures have so far largely succeeded in protecting businesses and jobs.

The most recent survey estimated 95% of businesses were back to trading. Challenges facing businesses changed from forced lockdown to dealing with increased debt and demand shortage in some sectors. Government looked to adapt its support to address emerging issues.

Uncertainties remained over the course of the pandemic and localised lockdowns, labour market dynamics, and the extent to which the acceleration of trends – like shift away from offices or towards online shopping – would persist.

The Programme for Government, published on the day of the meeting, has a strong focus on jobs. It includes a commitment to a Youth Job Guarantee - discussed in the previous teleconference – and plans for creating green jobs and a green recovery.

Discussion

Members reiterated the opportunity, offered by the fast changing situation, for government to positively shape and transform business practice through attaching conditionality to support programmes. Lessons on how this could look like could be learned from other countries like France and Denmark.

Members raised the need to support those most vulnerable people and groups through the crisis and asked for further details on equality considerations and active labour market policies being considered.

Members highlighted the importance of supporting businesses and sectors with growth and job creation potential and avoiding the creation and support of unsustainable firms. They underlined the importance of tailoring support to small businesses and the self-employed, which are key to innovation and job creation, but are also relatively more vulnerable to the impact of the pandemic and future shocks like Brexit.

Members discussed recent epidemiological developments. While infections were growing, in Scotland and other countries, this had concentrated on younger people and had not yet led to an increase in hospital admissions. They raised the importance of effective track and protect systems, localised measures, and clear guidance to control the spread of infections and avoid another full lockdown. Developments in the search for a vaccine and effective treatment were discussed. Members raised the need to rethink the health and care system beyond the pandemic, and the Chief Economist signalled that this was a core theme of the recent Programme for Government.

Discussing the reopening of schools, the Chief Economist reiterated that pupils being able to attend school was a first priority for the First Minister.

Members welcomed that university admissions had seen an increase in demand. However, long-term issues and challenges remain around international students, rebuilding university communities, and the sustainability of the research funding system.

Members highlighted the need to understand the impact on towns and cities, including changes in the housing market. The Scottish Government should aim to transform impacts into positive changes. On this issue, the Chief Economist cited the 20 minute neighbourhood proposal in the Programme for Government that looked to create more accessible urban centres and welcomed more discussions on this area.

Forward look

Members discussed the logistics for the next meeting, scheduled for the 29th and 30th of October. It was agreed to hold the meeting virtually. Council members were satisfied with the proposed format.

Attendees and apologies

Members in attending:

- Crawford Beveridge (Chair)
- Harry Burns
- Sara Carter
- Craig Clark
- Brynhildur Davíðsdóttir
- Martine Durand

- Mariana Mazzucato
- Jim McColl
- Julia Unwin
- Anton Muscatelli

Officials in attendance:

- Gary Gillespie, Chief Economist
- Joanne Briggs, Senior Economic Adviser, Office of the Chief Economic Adviser – Economic Strategy (OCEAES)
- Juan Pedro Castro, Assistant Economist, OCEAES
- Cornilius Chikwama, Interim Deputy Director, OCEAES

Apologies:

- Joseph Stiglitz