

Council of Economic Advisers Meeting – Summary minutes Thursday 4th March 2021

Purpose

This note provides an overview of the key points that were discussed during the 11th meeting of the Council of Economic Advisers (CEA), which took place on the afternoon of the 4th of March 2021.

Introduction

The Chief Economist and Chair of the CEA welcomed attendees to the meeting and provided an overview of the agenda.

Update from the First Minister

The First Minister provided an update on the state of the COVID-19 pandemic and on evolving economic outlook and challenges.

Thanks to lockdown measures Scotland was seeing a steady decline in daily COVID-19 cases. Together with the emerging evidence of the effectiveness of the vaccine and fast roll-out, this provides a clearer horizon for the reopening of the economy – outlined in the updated Strategic Framework - and increases the likelihood of a sustainable recovery.

Given this context, the First Minister highlighted the need to move the focus to longer-term economic recovery and building back better. She highlighted the value of previous CEA discussions in guiding the government's strategic approach to recovery.

The following points arose during the discussion on this topic:

- Members welcomed the Scottish Government's efforts and progress on the vaccination campaign.
- Members emphasised that the Scottish Government's pre-COVID priorities on inclusive and innovative growth, net-zero, and wellbeing provide a solid base to face post-COVID challenges.
- Members highlighted the need to address the longer-term impacts on wellbeing and resilience, particularly of vulnerable groups. The disruption of the school experience may have long-standing effects on young people, particularly in lower income households, and policy should support these from falling behind.
- Members warned international evidence suggested the take up rate of business support was below the expected, particularly for small and medium enterprises. This was motivated by a reticence to take on additional debt, and exacerbated by high level of uncertainty. Actions were required to ensure viable businesses have access and use available support and growth capital.

The First Minister thanked all members for their advice, highlighting this would be the last meeting of this parliament. She noted this was Crawford Beveridge's last meeting as Chair and member of the Council and expressed her gratitude for his support and advice over more than a decade.

Supporting Economic Recovery

The Cabinet Secretary for Economy, Fair Work, and Culture opened the session with an overview of economic recovery issues and key recent and upcoming government publications.

The Cabinet Secretary highlighted the crucial role of investment – public and private – in driving recovery towards long-term goals post-COVID. Through the Infrastructure Investment Plan and the Climate Change Plan update, the Scottish Government is mobilising public investment pipelines to stimulate a green recovery, create employments and stimulate supply chains.

Moreover, the Scottish Government is working with businesses to overcome the impacts of COVID-19 and drive private investment to support recovery and deliver on our long-term goals. In this area, the Cabinet Secretary presented the recommendation of the Financing Scotland's Recovery report and the ongoing work on the Global Capital Investment Plan (GCIP).

The Cabinet Secretary also noted the Scottish National Investment Bank (SNIB), which was now operational, would play a key role in driving post-COVID investment driven by its missions.

The following points arose during the discussion on this topic:

- Members emphasized the need to support over-leveraged but viable businesses, as well as ensuring the access to flexible mechanisms for bankruptcy declaration
- Members highlighted the challenges to attracting investment and Venture Capital in global markets. The proposals in the GCIP to engage directly with key market players, improve external positioning and messaging, and to focus on Scotland's comparative advantages were supported. Members also noted the potential to use the platform provided by COP26.
- Members emphasized the important role of economic infrastructure in attracting and crowding-in private investment.
- Members noted the potential to collaborate with universities to assess the infrastructure needs of businesses and locate emerging start-ups.
- Members highlighted the urgent need for investment in the short-term to face the COVID-19 crisis. The Scottish Government has streamlined the investment pipeline of the Infrastructure Investment Plan, and the role SNIB could play to support investment in the near term was discussed.
- Members discussed the importance of linking investments to inclusivity goals and ensuring developments provide employment for communities and people left behind.
- Members highlighted the importance of investing in social infrastructure (safety nets, public goods and places, community regeneration, etc.) as a prerequisite to sustainable economic recovery.
- Members emphasize the need to position the Scottish Government as the partner of choice for private investors, and as a pro-active investor of first-resort that is able crowds-in and catalyse private investment.

Forward look

The Chair of the CEA thanked members for their work and support throughout his tenure, touching on the wide range of topics the Council has advised on in recent years. The Chief Economist thanked all members for their participation in the discussion and noted that officials will be in touch following the Scottish Parliamentary elections in May.

List of attendees:

Members in attendance:

- Crawford Beveridge (Chair)
- Craig Clark
- Jim McColl
- Julia Unwin
- Mariana Mazzucato
- Martine Durand
- Sara Carter
- Anton Muscatelli
- Brynhildur Davidsdottir
- Harry Burns

Ministerial attendance:

- First Minister
- Cabinet Secretary for Economy, Fair Work, and Culture

Officials in attendance:

Gary Gillespie, Chief Economist
Liz Ditchburn, Director General Economy
Joanne Briggs, Senior Economist, Office of the Chief Economic Adviser – Economic Strategy (OCEAES)
Juan Pedro Castro, Assistant Economist, OCEAES
Alison Lang, Assistant Economist, OCEAES
Cornilius Chikwama, Deputy Director, OCEAES
Rachel Gywon, Deputy Director, Infrastructure and Investment, Scottish Exchequer

Apologies

- Joseph Stiglitz