Economic Outlook & Economic Recovery

Presentation to the Tourism Taskforce
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Overview of Latest Economic Impacts

• The scale of collapse in economic activity is dramatic. Latest outturn GDP figures show (compared to previous month):
  – Scottish GDP fell by 18.9% in April and fell by 5.0% in March.
  – This is similar to the UK: UK GDP fell 20.4% in April and fell 5.8% in March.
  – Latest business surveys have signalled a further sharp fall in output in May, though to a slightly lesser extent than in April.
  – Our modelling suggests that a gradual recovery from the crisis is increasingly likely and that economic output may not recover to pre-crisis levels until the start of 2023.

• Latest labour market figures show unemployment rising but the full scale of impact on Scotland’s labour market is only starting to emerge.
  – Scotland’s unemployment rate for the period Feb to Apr 2020 was 4.6% (127,000 people).
  – There was a further rise in the claimant count for Scotland in May, an increase of claimants of around 20,000 from the month before with total claimants now 217,600 (a rate of 7.8%).
  – The youth unemployment rate was 13.1%, higher than a year ago (6.1%). 45,000 young people were unemployed (24,000 more than a year ago.)
  – There are approximately 628,000 employments under the Job Retention Scheme and approximately 146,000 (70%) of eligible self-employed individuals made a claim under the Self-Employment Income Support Scheme in Scotland.

• The outlook for the UK and global economy is pessimistic.
  – The latest average of independent forecasts is for UK GDP to fall by 9.2% in 2020 (previous month’s average was a fall of 8.6%).
  – OECD global outlook report forecasts a slow economic recovery, with GDP not back to 2019 Q4 levels for at least two years.
Tourism has been particularly hard hit

• Near total halt of activity since late-March

• Importance of extraordinary fiscal measures, particularly Job Retention Scheme

• Forecasts for international inbound are pessimistic in the short to medium term

• Domestic consumer nervousness, but interest in staying close to home

• Virus control influences customer confidence, business capacity and costs
Significance of Tourism for Scotland

• Visitor spend supports £7 billion GDP: 5% of Scottish total

• Sector represents over 8% of the workforce: 1 in 12 jobs
  • But is as much as 15% in Argyll & Bute, and 10% in Edinburgh

• The sector is a substantial employer of those at risk from recession

• Important to how the world sees and experiences Scotland; fundamental to Scotland’s brand
Advisory Group on Economic Recovery

- Established to advise on Scotland’s economic recovery from Covid-19, including:
  - Measures to support different sectoral and regional challenges the economy will face in recovery; and
  - How business practice will change as a result of Covid, including opportunities to operate differently and how Government policy can help the transition towards a greener, net zero and wellbeing economy.

- Identifies focus for the recovery as being on employment; education; and addressing inequality.
  - Joint effort by government, business and third sector.

- Tourism’s importance to Scotland, and the challenges it faces, recognised in the report
Advisory Group’s Recommendations on Tourism

• Specific recommendation on Tourism & Hospitality (#13):
  • Industry and Scottish Government work together to develop a sustainable future strategy and vision for the sector
  • Consider fiscal measures to support recovery, e.g. targeted reduction in Business Rates, and pressing UK Government on targeted, temporary VAT reduction

• Report highlights impacts on tourism from other recommended interventions
  • E.g. regional business support (#3); bank finance (#5); inward investment (#6); digital infrastructure (#10); supporting culture & creative industries (#14); Workplace Innovation, including Fair Work Agreements (#19); skills, especially in high participation sectors (#20)
  • Collaborative partnership between Government and the business community (#7)