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**REPORT TO: MORAY COUNCIL EMERGENCY CABINET 21 MAY 2020**

**SUBJECT: ECONOMIC IMPACT OF COVID-19 - EARLY RESPONSE AND PLANNING FOR RECOVERY**

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

**1. REASON FOR REPORT**

- 1.1 To inform the Committee of the impact on the economy as the result of COVID-19 pandemic, the support announced to date for businesses and employees and the preparations being made to plan for recovery and renewal of the Moray economy.
- 1.2 This report is submitted to the Emergency Cabinet following a decision of Moray Council on 25 March 2020 to temporarily suspend all delegations to committees as a result of the Covid-19 pandemic (para 2 of the minute refers).

**2. RECOMMENDATION**

- 2.1 **It is recommended that the Cabinet consider and note the potential economic implications of COVID-19 on the UK, Scottish and Moray economies based on the latest analysis as well as the local, Scottish and UK responses, and endorses the preparations being made to plan for recovery and renewal of the Moray economy.**

**3. BACKGROUND**

- 3.1 From 18 March to 23 March the UK and Scottish Government announced unprecedented restrictions on activity in the UK. This started with the closing of schools and to date has resulted in legislation ordering most retail, leisure and hospitality businesses to close and guidance instructing all non-essential businesses to close.
- 3.2 All citizens have been instructed to only leave home for food, exercise, medical treatment and where absolutely necessary for essential work, where it is not possible to work from home.
- 3.3 The objectives of these policies are to stop the rapid spread of the COVID-19 virus and to prevent the NHS from being overwhelmed.

- 3.4 By imposing these public health measures large sections of the economy have in effect been mothballed with only essential economic activity continuing.
- 3.5 These restrictions were extended for at least another 3 weeks on 16 April 2020, meaning the next review will be on 7 May 2020. This report has been written prior to that review.
- 3.6 Scottish Government published a framework for decision making on 2 April 2020 which highlights that there will be a need for social distancing measures over a prolonged period. The ability to apply social distancing in the workplace will influence whether a business can operate moving forward.

#### **4. ECONOMIC CONTEXT**

- 4.1 Recent Analysis from the Office for Budget Responsibility (OBR) and the Scottish Government Office of the Chief Economic Advisor (OCEA) both find broadly similar drops in GDP for the UK (35%) and Scotland (33%) respectively.
- 4.2 The OBR presents a scenario where the sharp drop in GDP of 35% is followed by a sharp rebound when social and economic restrictions are lifted. This is what has been widely referred to as a 'V shaped' recovery. To enable this scenario key assumptions have been made, most importantly that there is no economic scarring from the crisis, which can have multiple forms such as a loss in productive capacity or a larger drop in consumer demand preventing output returning in line with the lifting of restrictions.
- 4.3 The OCEA presents a similar scenario for Scotland with a V shaped recovery however they also include a W shaped recovery where restrictions are reintroduced due to a second wave of infection and a W shaped recovery where productive capacity is damaged. In terms of GDP the V and W shaped recovery the period to pre-crisis levels is shown as recovery within 3 months of each other in early 2022. The scenario with damage to productive capacity does not show full recovery until 2024.
- 4.4 Both scenarios show the fall in unemployment post crisis lagging behind the recovery in GDP. The OBR shows unemployment remaining persistently higher than pre crisis levels of 3.8% until 2023. The OCEA analysis is in line with this showing unemployment returning to 4% in 2023 under both the V and W shaped scenarios. In the Scenario with damage to productive capacity unemployment remains 2% higher than these scenarios recovering to 4% in 2024.
- 4.5 The OCEA provides some analysis on the impact across age and gender, which is in line with analysis from the Institute for Fiscal Studies (IFS). The analysis shows firstly that in sectors that have been shut down a disproportionate number of young people work in them. Those under 25 are most likely to work in a shutdown sector, followed by 26-34 then over 65.
- 4.6 Of those age groups working in a shutdown sector women will be disproportionately affected compared to men. 39% of women under the age of 25 work in a sector that has been shut down compared to 26% of men under

25. This is replicated across all age groups with the exception of 65 and over. Overall, 18% of women work in a shutdown sector compared to 14% of men. Analysis by sector is discussed later however given the shutdown industries tend to be lower paid and will be hit the hardest by the crisis there will be serious implications for the fair work and wellbeing agenda.

- 4.7 IFS analysis shows a similar picture at the UK level with a slightly lower number of under 25s working in these sectors which reflects the differences in Scotland and UK economic makeup. IFS also looks at the earnings of those in shut down sectors. The result is an almost straight line from those on the lowest income decile, where 34% of those workers are employed in a shutdown sector, to the top income decile where 5% are employed in these sectors.
- 4.8 As shut down industries are likely to have suffered the most scarring at the end of the crisis these analyses shows that the young, women and the poorest in society will be the worst affected.
- 4.9 The analysis of the OBR and to an extent the OCEA rely on the economic recovery being V shaped. Analysis from the Fraser of Allander institute shows that this may not be the case for a number of reasons and there is now speculation that recovery will be more hockey stick shaped, with a period when the economy plateaus before growing:
1. For large parts of the economy the activity that has been lost can never be recouped. This is especially true of leisure, tourism and hospitality.
  2. Unemployment takes time to recover and it is a time consuming process to hire employees and there may be skills mismatches. In an area with a buoyant labour market it may recover in a shorter time period however in rural areas that are dominated by a single sector people may be forced to move to areas where the predominant industries have had a smoother recovery.
  3. Supply chains will have been damaged and some businesses will not have survived. This won't become apparent until the economic recovery starts. It will then take time for new business to fill the gaps, and there may be less appetite and finance for business start-ups due to risk.
  4. Household incomes will be less healthy across most income deciles. At the lower end many will have lost their jobs and be reliant on state support with available income being spent on necessities. At the higher end well paid business owners and employees of previously successful businesses will also be affected. These businesses will have received less revenue and less earnings will be available. Individuals savings will therefore have been used and require replenished. Earnings from investments will also be lower. This will all have the effect of lowering disposable income and therefore consumer demand. Many may also have been on only 80% income.
  5. The profit cycle of many businesses has been broken. In normal times profits would be used to reinvest in the business to increase output in the following years. This would drive increases in GDP and potentially create jobs. Businesses will have seen their profits disappear in many cases and

their cash at hand and reserves decrease dramatically which will stifle investment for years to come. Furthermore, banks may tighten lending requirements when borrowing is assessed through a new risk dimension and to shore up their own finances.

6. As this is a global crisis external demand will affect the rebound. The pound has taken a greater hit than other currencies so this may boost exports, however exporters are still vulnerable to global demand.

- 4.10 An additional barrier is that the Oil price has dropped to almost record lows. This would be expected during an economic crisis and increases will help drive recovery, however the situation has been magnified by a supply glut from disagreements between OPEC and Russia. This will affect employment and profitability in Scotland's Oil and Gas sector and this will have significant implications for those living in Moray who work in and support this sector.

## 5. SECTOR ANALYSIS

- 5.1 Section 4 focused on the analysis of the COVID-19 crisis on the economic performance of the UK and Scottish economies as a whole. This section will look at the component sectors of the economy and how they will be impacted. Given that each region's economy is made up of a different mix of sectors, of varying sizes and with different employment levels this means that some regions will be impacted to a greater extent than others.

- 5.2 In this section the report will put the analysis in a Moray context by looking at the sector and employment breakdown of the region. The table below shows the Moray economy by number of businesses as a % of the total, number of employees as a % of the total and by number of employees per business. It is sorted from largest sector by number of businesses.

| <u>Sector</u>  | <u>Businesses</u> | <u>Employees</u> | <u>Employee/business</u> |
|--|-------------------|------------------|--------------------------|
| G : Wholesale and retail trade; repair of motor vehicles and motorcycles | 19%               | 14%              | 8                        |
| F : Construction   | 15%               | 6%               | 4                        |
| M : Professional, scientific and technical activities                    | 13%               | 4%               | 3                        |
| I : Accommodation and food service activities                            | 9%                | 9%               | 10                       |
| N : Administrative and support service activities                        | 8%                | 4%               | 6                        |
| C : Manufacturing  | 8%                | 17%              | 23                       |
| Q : Human health and social work activities                              | 6%                | 17%              | 27                       |
| S : Other service activities   | 4%                | 2%               | 5                        |
| H : Transportation and storage   | 3%                | 4%               | 13                       |
| R : Arts, entertainment and recreation                                   | 3%                | 3%               | 9                        |
| P : Education  | 3%                | 9%               | 33                       |
| L : Real estate activities   | 3%                | 1%               | 3                        |
| J : Information and communication  | 2%                | 1%               | 5                        |
| O : Public administration and defence; compulsory social security        | 2%                | 6%               | 38                       |
| K : Financial and insurance activities                                   | 2%                | 1%               | 6                        |
| E : Water supply; sewerage, waste management and remediation activities  | 1%                | 1%               | 10                       |
| D : Electricity, gas, steam and air conditioning supply                  | 0.4%              | 0.5%             | 12                       |
| B : Mining and quarrying   | 0.4%              | 0.3%             | 7                        |

- 5.3 By number of businesses retail, construction, professional, accommodation and food services and manufacturing are the largest in the Moray economy.
- 5.4 By number of employees manufacturing, health, retail and accommodation and food services have the highest concentration of employees.
- 5.5 By number of employees per business public administration, education, health and manufacturing are the largest.
- 5.6 A common industry across all three categories is manufacturing, highlighting its importance to Moray. Retail and accommodation and food services feature in 2 categories, as do health. Professional, scientific and technical services are shown to have a high concentration of businesses, but few employees and an employee per business ratio of 3. Quite often a key sector with this profile could point to many small high value start-ups in the Moray economy.
- 5.7 OBR analysis in the table below shows the component sectors of the economy and their contribution to the forecast 35% drop in GDP.

| Sector  | Per cent                            |                                       |
|---|-------------------------------------|---------------------------------------|
|   | Weight in whole economy value added | Effect on output relative to baseline |
| Education   | 5.8                                 | -90                                   |
| Accommodation and food services                   | 2.8                                 | -85                                   |
| Construction                                      | 6.1                                 | -70                                   |
| Other services                                    | 3.5                                 | -60                                   |
| Manufacturing                                     | 10.2                                | -55                                   |
| Wholesale, retail and motor trades                | 10.5                                | -50                                   |
| Information and communication                     | 6.6                                 | -45                                   |
| Professional, scientific and technical activities | 7.6                                 | -40                                   |
| Administrative and support activities             | 5.1                                 | -40                                   |
| Transport and storage                             | 4.2                                 | -35                                   |
| Mining, energy and water supply                   | 3.4                                 | -20                                   |
| Real estate                                       | 14.0                                | -20                                   |
| Public administration and defence                 | 4.9                                 | -20                                   |
| Financial and insurance services                  | 7.2                                 | -5                                    |
| Agriculture                                       | 0.7                                 | 0                                     |
| Human health and social activities                | 7.5                                 | 50                                    |
| <b>Whole economy</b>                              | <b>100.0</b>                        | <b>-35</b>                            |

- 5.8 The table clearly shows that aside from education 85% of output has stopped in accommodation and food services, 70% in construction, 55% in manufacturing and 50% in wholesale and retail. The sectors hit hardest are the sectors the Moray economy primarily depends on for employment.
- 5.9 OCEA analysis looks at sector exposure to 3 main risk categories, international supply, demand (domestic and international) and labour. It finds that nationally manufacturing is most at risk due to reliance on international supply of materials, export demand and labour market disruption due to social distancing in the workplace. There are 4 other sectors at high risk from 2 of the categories. These are construction, retail and wholesale, accommodation

and food and arts, entertainment and recreation. This is in line with the OBR analysis and the sectors identified here are crucial to the Moray economy.

- 5.10 Research by Context Economics looks at the number of jobs that are at risk by sector. They estimate for Moray that 21.4% of jobs are at risk due to COVID-19. This equates to 9,904 jobs in Moray. They estimate that in construction of residential property 50% of jobs are at risk, in manufacturing 25% and in tourism related businesses between 50 – 75%.
- 5.11 Analysis from the Fraser of Allander institute into the effects on different sectors agrees that manufacturing and construction will be hit harder than services, however accommodation, food services and transport will be the hardest hit.
- 5.12 The Fraser of Allander business monitor survey provides further insight into the effect on business. In all sectors at least 65% of businesses have seen an impact on staff hours, and at least 40% of businesses in all sectors have seen a reduction in staff numbers. For accommodation and food services this rises to 100% and 80% respectively.
- 5.13 The same business monitor also asks firms if they can survive in the current scenario for longer than 3 months. 50% of manufacturing businesses state they cannot, 60% for construction and 75% for accommodation and food services.
- 5.14 In section 4 it was stated that the OBR and OCEA (to some extent) are basing their scenarios on a V shaped recession. In section 4.9 some reasons why this may not be the case were listed. Included in this is the ability to recoup lost income. There are sectors where lost income will never and can never be recovered. In manufacturing a business may be able to increase production to meet latent demand. In accommodation however it is not possible for a hotel to sell more rooms than they have to make up for lost demand. Human behaviour is also an issue. Surveys show that only 30% of the population believe restrictions should begin to be lifted in 3 weeks. Even if the Government does so people may still not go back to work or begin spending.
- 5.15 If a V shaped recession does not occur and there is lasting damage to the economy analysis shows the Moray economy is particularly vulnerable. The tourism industry nationally is expected to be hardest hit. If there is no tourist season this year then these businesses will not have revenue until spring 2021. This will force many into bankruptcy. Rural areas such as Moray are especially exposed to this as there is often no other type of employment available in these areas. This could lead to people having to leave to find work elsewhere. This would be extremely damaging to rural areas and makes the youth attraction and retention ambition even more difficult to achieve.
- 5.16 Manufacturing has been identified as a sector that is particularly at risk. Unlike many other parts of Scotland manufacturing is still the largest component of the Moray economy in terms of number of employees and also one of the largest in terms of the number of employees per business at 23. In Moray there are 260 manufacturing businesses. If 25% of those businesses do not survive the crisis on average 1495 people would be made redundant.

- 5.17 Retail and wholesale by number of businesses is the largest sector in the Moray economy. Many of these businesses rely on the accommodation and food industry for their orders and this industry will be particularly badly hit which will impact their supply chains. This crisis may also change the purchasing habits of consumers with more being done online.
- 5.18 While not one of the largest sectors by number of employees or employees per business 15% of the Moray economy is made up of construction businesses, with a small number of large businesses and many smaller contractor businesses often self-employed. Construction of private housing is forecast to see a drop in activity as demand and credit for both buyer and seller becomes more difficult. This could lead to a large number of small businesses in the sector going out of business.
- 5.19 While not specifically identified in the reports discussed above there are a number of other industries which are significant in the Moray economy which have been significantly impacted including the fisheries and whisky industries. The process for Brexit is a further area of concern. .

### **STRENGTHS AND OPPORTUNITIES**

- 5.20 While the challenges in almost all sectors are not in any way underestimated, the Moray economy does have comparative strengths and as we move into the recovery phase there will be opportunities for innovation and to adapt and improve previous practices. As previously stated tourism is forecast to suffer from one of the biggest drops in activity. It is possible that the type of tourism in Moray may help the industry restart at a greater pace than elsewhere. The industry is not as reliant on tour operators and rail as many other areas, which will find it harder to maintain social distancing, and Moray is well placed to capitalise on individual and family visits. Furthermore the region has an extensive outdoor offering where social distancing can easily be maintained and will be an attractive offering for those looking to staycation.
- 5.21 Moray's Food and Drink manufacturing base has proven resilient during the crisis and many, including Walkers, Baxters and Diageo, have either remained active throughout or been able to resume activity with appropriate measures in place, albeit with reduced productivity. This in turn has helped to keep local supply chains functioning. Being proactive in implementing social distancing measures at this point can benefit other smaller producers as that local knowledge and expertise is passed on. Post crisis the strong food and drink sector could be used to promote a more local economy for products as consumers look to buy local to support their area
- 5.22 Pre COVID-19 retail was moving towards increasing volumes of sales being online and the crisis will accelerate that shift. Support is available to those retailers who wish to move online. This will mean that town centres could see fewer retailers however actions will be developed to enable these town centres to be repurposed and rejuvenated with higher levels of residential accommodation and other changes made for example through town centre master plans.
- 5.23 Moray benefits from the renewed presence and commitment of the Ministry of Defence through RAF Lossiemouth. This has enabled continuing activity in

construction and this will continue post crisis and help to fuel recovery in this sector.

- 5.24 The COVID-19 crisis has provided many parts of the economy with a large scale experiment in home working. If this method of working is adopted more widely post crisis then it will provide opportunities for those who may feel anxious about living in densely populated cities in the future to relocate to rural areas and home work. This could further the youth attraction and retention agenda in Moray. To facilitate this investment in better broadband and mobile in rural areas will be crucial.
- 5.25 Moray's Agricultural sector is an advantage to the region as this industry is not forecast to see any significant decline. The industry will however face a shortage of workers and needs to be supported to maintain production of final demand products such as fruit and vegetables and intermediate demand products such as grain for the food and drink industry,

## **6. FINANCIAL SUPPORT AVAILABLE TO BUSINESSES**

- 6.1 Moray Council, on behalf of the Scottish Government are administering a grant scheme which can award a £10,000 grant to businesses benefiting from the small business bonus scheme (rateable value under £10k) and a grant of £25,000 to businesses in the hospitality, leisure and retail sectors with premises with a value of £18,001 to £51,000.
- 6.2 This scheme has been extended to allow ratepayer who have more than one premises to get a grant of 75% of the grant at section 6.1 for every additional property. The extension will be available from 06/05/2020.
- 6.3 To date 1345 applications have been received and 1117 paid totalling £12.385 million.
- 6.4 The proposed 1.6% increase in non-domestic rates for 2021 has been removed by application of an equivalent discount. In addition all businesses and premises in retail, hospitality and leisure will receive 100% rates relief from 01/04/2020.
- 6.5 Additional support has also been announced by the Scottish Government to support the newly self-employed, creative tourism and hospitality businesses and SMEs.
- 6.6 £34 million has been made available to support the newly self-employed, so those who started trading after 01/04/2019. This is being administered by Local Authorities and payments are now underway.
- 6.7 £20 million has been made available to support creative, tourism and hospitality businesses who were not eligible for the previous rates relief scheme. This will be managed by the enterprise agencies in partnership with Creative Scotland.
- 6.8 £45 million has been made available for SMEs who are in distress due to COVID-19 and are deemed vital to the local and national economy. In Moray this scheme is being managed by Highlands and Islands Enterprise.



- 6.9 The UK wide Coronavirus Job Retention Scheme allows employers to furlough their employees and receive government support of 80% of the employee's salary up to £2,500. The support will be run by HMRC and started accepting applications from 20/04/2020 with a view to the first payments being made 6 working days later. The scheme was open for an initial 3 months, which has now been extended by one month to the end of June with the Chancellor indicating a phased removal thereafter. There is of course the risk that businesses will then make those employees redundant as they may not have the finance to continue paying them.
- 6.10 There is a UK wide Self-employment Support Scheme which will pay a grant of 80% of profits up to £2,500 per month. This will be based on the past three year's average tax returns and whose income has been negatively affected by COVID-19. The scheme will be open for 3 months initially and will open in June. Those who are a limited company and pay themselves dividends are not eligible.
- 6.11 For businesses with an annual turnover of £45 million or less there is the Coronavirus Business Interruption Loan Scheme which can enable businesses to access loans up to £5 million interest free for up to 12 months.
- 6.12 More information on these schemes, as well as others available such as tax deferral, are available through links at the end of the document. New schemes are still emerging and as this is a moving picture, the intention here is simply to provide a broad overview. Full details are available on the government's [Business Support Finder tool](#).

## **7. IMPACT ON PUBLIC FINANCE**

- 7.1 Public sector finances will be impacted by both the lower level of tax receipts due to the virus and by the spending on supporting the economy.
- 7.2 Public sector net borrowing at the UK level will increase from £47 billion in 2019/2020 to £273 billion in 2020/21. This is the largest single year increase since World War 2.
- 7.3 This will mean public sector net debt will rise from 80.6% of GDP to 94.6% of GDP and remain higher than 80.6% for the years to come. Policy measures to support the economy account for around £100 billion of the extra expenditure.
- 7.4 The implication of this is that public sector debt will be above pre austerity levels and the extra borrowing will need to be repaid unless the UK runs a persistent high net level of debt. If it is to be repaid this will mean higher taxes, public sector expenditure cuts or a mixture of both. On monetary policy, with interest rates so low there is little room for action and issuing further debt to the Government may impact the ability to borrow in the form of UK Gilts in the future if UK debt is too high.
- 7.5 This may mean that the ability of the public sector to provide financial support to the economy post crisis is constrained as funds may be limited.

## **8. POTENTIAL PUBLIC SECTOR SUPPORT**

- 8.1 The Government has provided significant support packages for business and there continue to be changes and additional flexibility provided within these schemes to try to ensure all businesses have access to support. The analysis above demonstrates a disproportionate impact in Moray and consideration will be required as to how as a Local Authority Moray Council could help address this impact moving forward for example through provision of local grants, use of rate change powers and other interventions. The process of planning for this is set out in section 12 below at high level.
- 8.2 In developing its own recovery plan for business continuity the Council will need to consider which services will need additional resource to effectively respond to the changing needs of the local economy and those sections of society that will be hardest hit through this recession period. This report only addresses the economic aspects of recovery but clearly the recovery plan for Moray will also have to address other spheres such as the social, environmental and infrastructure aspects. Work to plan for that wider recovery and renewal process is underway

## **9. MORAY GROWTH DEAL**

- 9.1 The UK and Scottish Governments have announced a £65 million Growth Deal for Moray. Signing the final version of the Heads of Terms to formally agree the projects to be included within the Growth Deal has been delayed due to the Covid-19 lockdown. However, work is continuing to develop Outline Business Cases for projects to be included within the draft Heads of Terms. The aim is to have a shorter period between Heads of Terms and Full Deal and to conclude the Deal as early in 2021 as possible with drawdown of funding thereafter.
- 9.2 The objectives and timing of Growth deal projects are also currently being reviewed to assess whether changes can be made to help support impacted sectors early in the program. One option would be forward funding selected projects deemed essential to recovery ahead of government funding becoming available, but this in turn depends on the council and its deal partners having the financial and staffing capacity to get these projects shovel ready in a shorter timeframe. Another option is lobbying both governments for a shorter deal period over perhaps 5 years rather than 10, to get benefits from projects early and boost spending in the local economy.

## **10. BUSINESS GATEWAY**

- 10.1 Business Gateway Moray is being responsive and reactive to the needs and challenges Moray businesses face due to COVID-19.
- 10.2 They are working closely with Moray Council colleagues and stakeholder partners: Moray Chamber of Commerce, Federation of Small Business, Elgin BID, MoraySpeyside Tourism BID and HIE, to support Moray businesses. The team are committed to help safeguard jobs, livelihoods and businesses, ensuring our approach is a collaborative one which tries to meet business expectations and also their immediate needs.

- 10.3 They have supported several hundred Moray businesses with advice relating to COVID-19, particularly on ways to try and mitigate some of the issues they face at this difficult time. Taking a pragmatic approach by providing tailored 1:1 confidential virtual advice (via email, phone, Skype and Zoom) to SME's, helping with access to financial assistance to help maintain cashflow and secure viable strategies and workable solutions, so they can survive and ultimately thrive.
- 10.4 40 live webinars have been delivered locally and nationally by Business Gateway Moray to 2000 businesses over the last 3 weeks - these have been tailored to meet current business needs and more are being developed to go live over the coming weeks and beyond.

## **11. MORAY BUSINESS RESILIENCE FORUM**

- 11.1 Moray Council are the co-chair along with Highlands and Islands Enterprise of the recently formed Moray Business Resilience Forum. The aim of the forum is to bring to together the Public and Private sectors. This group has a broad membership and meets twice a week. The group also benefits from having the Council Leader, local MSP and local MP as members.
- 11.2 The terms of reference for the group are as follows
1. Provide regular updates on business issues relating to the impact of COVID19 in Moray
  2. Act as a sounding board for the public sector response to the COVID-19 outbreak
  3. Ensure sharing of national information
  4. Handover to the MEP in the recovery phase

## **12. NEXT STEPS IN RECOVERY PLANNING**

- 12.1 In planning for economic recovery the council must ensure that its economic partners such as Highlands and Islands Enterprise and Skills Development Scotland, as well as our residents and businesses agree upon the objectives we are seeking to achieve through the process of recovery and renewal. This will ensure that our efforts are targeted to the right areas. To a large extent, the strategic objectives set out in existing documents such as the Council's Corporate Plan, the Local Outcome Improvement Plan, Moray Economic Strategy, Moray Growth Deal and Skills Investment Plan will remain as relevant as they did before the COVID-19 outbreak. The economic landscape while we live with COVID and then move into a period post COVID will have changed however, and this must be recognised in the objectives identified. Equally, any local approach must dovetail with national work ongoing in the area of economic recovery as well as work ongoing regionally through the Grampian Resilience Partnership and the Convention of Highlands and Islands. Clearly however, while being informed and supported by this wider work, the final objectives must be created and agreed locally as the right objectives for Moray given our particular economic makeup.

- 12.2 The process outlined above will move through a number of stages from agreeing objectives to assessing impacts and onwards into action planning and implementation. This work has begun in engagement with Highlands and Islands Enterprise and will be further developed through The Business Resilience Forum, Moray Economic Partnership and the wider Community, Planning Partnership with further reports being submitted to the Emergency Cabinet and through normal reporting channels when these are resumed to ensure that members are engaged and supportive.

### **13. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

COVID-19 will have serious implications for the delivery of the Corporate Plan, Moray Economic Strategy and the LOIP. This is due to the serious interruption to normal business activity and the inevitable need to refocus some activities to deal with unemployment amongst other issues.

**(b) Policy and Legal**

None for the purposes of this report.

**(c) Financial implications**

Although there are no direct financial implications arising from this report. COVID 19 has impacted on the Council's finances and this report highlights there will need to be further interventions to support the economy locally and the potential to reprioritise some services to provide additional support. These decisions will have to be made in the context of the Council's overall fiscal and budgeting processes.

**(d) Risk Implications**

None

**(e) Staffing Implications**

None

**(f) Property**

None

**(g) Equalities/Socio Economic Impact**

There will be a considerable and long lasting social and economic impact from the current crisis and the issues discussed in the report

**(h) Consultations**

This report has been prepared in discussion with Highlands and Islands Enterprise, Moray Area Team and CMT have been consulted.

### **14. CONCLUSION**

- 14.1 UK and Scottish GDP is forecast to contract by a third. The future very much depends on the type of recovery we see which is influenced by the length of the lockdown and the level of permanent scarring to the economy. The best case scenario is a V shaped recovery.**

- 14.2 Both the UK and Scottish Governments have offered unprecedented support to the economy but this has come with a large rise in public debt which may need to be paid back. This may constrain the ability of the public sector to support the economy.**
- 14.3 Moray's economy is made up of sectors that are particularly at risk to the crisis such as manufacturing, retail and wholesale and tourism. This may result in higher than average levels of unemployment and a further loss of young people.**
- 14.4 Work is ongoing to ensure that Moray is prepared for the transition from response to recovery and renewal.**

Author of Report: Michael O'Donnell, Senior Economic Strategy and Growth Officer

Date: 6.5.20

Background Papers:

[https://cdn.obr.uk/Coronavirus\\_reference\\_scenario\\_commentary.pdf](https://cdn.obr.uk/Coronavirus_reference_scenario_commentary.pdf)

[https://cdn.obr.uk/The\\_OBRs\\_coronavirus\\_analysis.pdf](https://cdn.obr.uk/The_OBRs_coronavirus_analysis.pdf)

<https://www.gov.scot/publications/state-economy-april-2020/>

<https://www.ifs.org.uk/publications/14795>

<https://www.ifs.org.uk/publications/14791>

<https://fraserofallander.org/scottish-economy/scottish-business-monitor-findings-by-sector/>

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<https://fraserofallander.org/scottish-economy/coronavirus-quantifying-the-impact-on-the-scottish-economy/>

<https://fraserofallander.org/miscellaneous/global-economy/this-isnt-a-v-shaped-recession/>

<https://yougov.co.uk/topics/politics/articles-reports/2020/04/21/covid-19-lockdown-public-want-gradual-exit-priorit>

<https://www.mygov.scot/non-domestic-rates-coronavirus/>

<https://www.businesssupport.gov.uk/coronavirus-business-interruption-loan-scheme/>

<https://www.gov.scot/news/lifeline-support-for-business-confirmed/>

Ref: SPMAN-851087866-397