

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY 4th APRIL 2006

Question

The financial service sector reports strong growth in 2005, with bank deposits up 16.8% to £184.6 billion, and the net asset value of funds under administration rising by 32% to £134.7 billion. Will the Minister inform members what impact, if any, such increases will have on –

- a) employment; and,
- b) tax revenues in the financial services sector, in both real and percentage terms?

Answer

Growth in bank deposits and net asset value of funds are indicators of a strong performance in the financial services sector, but do not necessarily translate into higher profits, tax revenues or employment.

There is no direct link to growth in employment because growth in volumes could simply reflect higher productivity in the sector. There might be some broadly beneficial impacts on employment if increases in volumes are greater than expected and soak up what spare capacity remains in the industry. We can not be sure of the immediate impact on employment in 2005 until the Labour Market Statistics are released on 5th April 2006, and it may well be that any beneficial impacts are not apparent for some time after that. That said, the trend in the first six months of 2005 was for broad stability in banking employment (with some growth in the other sectors) and it is unlikely that this picture will have altered dramatically in the last six months of the year on the basis of these figures.

In terms of the impact on tax revenues, bank deposit interest is largely received by non residents and is not, therefore, taxed and similarly the net value of assets under management is not taxed but rather the fees received by the managers in Jersey who look after the funds. However, there is likely to be a mildly positive impact on revenues in a year or two when the assessments of 2005 profits are done because the net interest margin on a higher volume base should be good for banks and fees on higher assets under management should also rise. It is extremely difficult to say exactly what this means for growth in tax revenues in real or % terms.