

23.05.02

4 Deputy M.B. Andrews of St. Helier North of the Minister for Treasury and Resources regarding Jersey's current "national debt" (OQ.74/2023)

Will the Minister provide details of Jersey's current "national debt" as a percentage of gross domestic product?

Deputy I.J. Gorst (The Minister for Treasury and Resources):

By "national debt" I have assumed that the Deputy means borrowing by the States. The States have issued 2 public bonds in 2014 and 2022. The former for £250 million has supported our social housing programme and the latter for £500 million has predominantly been used to repay past service pension liabilities. In the Government Plan 2023, this Assembly approved a borrowing limit of just over £90 million for the year, which will be drawn from the revolving credit facility. At present only £11 million has been drawn. The most recent assessment of our debt to G.D.P. (gross domestic product) was published by the independent rating agency, S.&P., on 13th January this year. Their forecasts, with which I concur, indicate a debt to G.D.P. ratio at the end of 2022 of 13.4 per cent.

4.4.1 Deputy S.Y. Mézec:

Could the Minister indicate to the Assembly what he believes is the acceptable limit for how much borrowing the States can responsibly sustain?

Deputy I.J. Gorst:

That is a good question. If we again look to what S.&P. have said, they have said - bearing in mind this was the previous Government - that they expect lending or borrowing to rise to a peak of 22.1 per cent in 2025. They maintain their credit rating based on that level of borrowing. We remind ourselves that borrowing does not just take place at one time; it can be done over a period of time, therefore reducing the overall percentage. It depends on the circumstances at the time of course.

4.4.2 Deputy M.R. Scott:

Could I please ask the Minister for Treasury and Resources just to explain, when he talked about the peak, to which country was he actually referring? Was he talking about an average? Also whether there are different circumstances such as having countries not being able to issue their own currency as opposed to needing to have reserves to support their borrowing?

Deputy I.J. Gorst:

The peak was S.&P.'s assessment of what was proposed for Jersey. The Deputy of course is quite right, the mechanisms that Jersey has at its disposal are different to other countries. She highlights the issue of control of currency, so fiscal or monetary policy. We know from reading the S.&P. review that what is critically important in their assessment for us is liquid assets in reserve.

4.4.3 Deputy G.P. Southern:

The Minister referred to an S.&P. figure of 21 per cent being the relevant rate for us. What is the S.&P. figure for current borrowing now, as we stand?

Deputy I.J. Gorst:

A little bit disheartening when I have already answered that question in my opening comments, but I will reiterate it. Firstly, the S.&P. peak was 22.1 but now it is 13.4.

4.4.4 Deputy P.M. Bailhache of St. Clement:

Would the Minister agree that whenever the States borrows money there should always be a reasonable and rationale plan for its repayment?

Deputy I.J. Gorst:

Absolutely.