

5.8 Deputy T.A. Vallois of the Minister for Treasury and Resources regarding the results of the Business Tendency Survey:

Could the Minister explain how the recent results of the Business Tendency Survey reflect the work being done through the Economic/Fiscal Stimulus Package?"

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

The results of the March survey are consistent with the expectation of a 2-year economic downturn but with the G.V.A. (Gross Value Added) forecast to be a contraction of 5 per cent in 2009 and a further 2 per cent in 2010. In particular the survey reported that business activity has fallen for the third consecutive quarter, profitability and optimism is falling across the economy and jobs continue to reduce. The finance sector, which was of course the first industry to go into the downturn, is I am pleased to say reporting a more positive outlook, reporting an increase in business activity and new business. Finance firms do not also expect to reduce employment in the coming months and this provides some cautious optimism. However, these results were balanced by reductions in finance employment earlier as profitability remains under severe pressure because of the low interest environment. There is still clearly some way to go before recovery in the finance industry takes real hold but I am confident that it will, and the additional money for fiscal stimulus will assist. As far as the non-finance part of the economy is concerned, the survey shows for the first time that fiscal stimulus is, I think, working and feeding through into the economy. Recovery is not underway in non-financial services and that is the reason why there is more fiscal stimulus money that will assist and deal with the mitigating effects of the downturn over the coming months. What I can say is specifically in construction business activity and new business indicators continue to decline and firms that operate with spare capacity continue but they no longer report that this is reducing or expect it to reduce employment. They are not expecting business activity to fall further in the coming months, which I believe is as a result of fiscal stimulus. Profitability across the economy is falling and unemployment has increased. I recognise that the non-financial services sector continues to experience tough trading conditions and that means that I think there is every reason for us to continue with the fiscal stimulus plan as agreed by this Assembly.

5.8.1. Deputy T.A. Vallois:

The Minister for Treasury and Resources mentioned about construction and finance but he never touched on wholesale and retail and it was quite interesting to see recently that Guernsey have released a survey on the leakage coming from their economy, I was wondering whether the Minister for Treasury and Resources will have anything in future for us to see with regards to the fiscal stimulus and leakage from the economy in Jersey.

Senator P.F.C. Ozouf:

The Deputy asks a very good question. Generally on this area and particularly in relation to leakage it remains something which needed to be taken account of in the fiscal stimulus plan. What we can say is that money invested in fiscal stimulus plans, whether it is Victoria Avenue or improving drainage, is going to be money in wage packets of local people because it is all local people that are employed and that will have a corresponding effect in relation to the spending in the economy generally. We will continue to look at the issue of leakage and I will continue to take advice about

leakage but the key thing is to ensure that there are local people employed as a result of the fiscal stimulus funding.