

2.10 Deputy M.R. Higgins of The Minister for Treasury and Resources regarding the impact of the recession on the Island:

Does the Minister believe that Jersey has come out of the recession? If his answer is yes, on what basis is his belief based; and if no, when does he think the Island is likely to do so; bearing in mind the current performance of the financial services industry and the state of its world markets?

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

There are signs that our economy is no longer in recession and has returned to modest growth this year. The Business Tendency Survey results showed an increase in the balance of financial services companies, reporting an increase in profits for the first half of this year and employment in June was 750 higher than a year ago, taking it to the highest June level recorded. Retail sales volumes have also continued to grow, up 4 per cent on last year. However, as the Deputy points out, the world markets have been affected by the unprecedented troubles in the euro area and the U.S. (United States) in recent months. This and the prevailing uncertainties will affect the speed of our recovery into 2012 and possibly beyond. The Fiscal Policy Panel has incorporated these risks into their economic forecast and has judged that economic growth may continue in 2012 but the risks are weighted to the downside. They have, therefore, revised their range of the central expectation for 2012 to minus 2 per cent to plus 2 per cent compared to a forecast of between 0 per cent and 3 per cent for 2011. The important thing is that we act in a positive way to ensure that the economy is in the best possible position to sustain a recovery. The budget next week will include further announcements on what we propose to do to stimulate growth by ensuring previously allocated capital funding is spent during 2012, bringing forward capital schemes particularly housing at Lesquende; investing in the Island's technology and infrastructure and progressing the Minister for Economic Development's economic growth strategy.

2.10.1 Deputy M.R. Higgins:

Since the F.P.P. (Fiscal Policy Panel) has been produced there has been further downgrading of growth forecasts for Europe from the O.E.C.D. (Organisation for Economic Co-operation and Development), and the Bank of England has also forecast much lower growth in the U.K.; so does he still expect the range of figures the F.P.P. have come out with? Secondly, does he also feel that there may be a need for additional new money coming in, in the form of injection into the economy or a scaling-back of the proposed public expenditure cuts to get us through this particular phase of the economy?

Senator P.F.C. Ozouf:

I think that the F.P.P. and our Economics Unit have an extremely good track record in forecasting economic growth; certainly their advice has been pretty well accurate in terms of the overall recession over the last 2 or 3 years and so I have confidence in taking their advice. I have given careful consideration to the argument of whether or not we should be setting aside the F.P.P.'s advice of not putting any new money in from the Stabilisation Fund or the Strategic Reserve. They have advised that there are measures that we can do, like bringing forward capital expenditure, perhaps loosening some of our borrowing issue requirements on housing that can inject money into the economy. So I am confident with these measures that we will negate the issue of having to put new money; and, no, I do not think that there is a case to be

withdrawing from the necessary adjustment in terms of C.S.R. (Comprehensive Spending Review) and I would just remind the Deputy that overall we will be spending more money in the economy as the States of Jersey than we did last year, notwithstanding the C.S.R.

2.10.2 The Deputy of St. John:

Is the Minister saying within in his reply that we can expect to hear from the Minister that our fulfilment business is on its way out; and given the comments he is making, with the recent details being given that he is going to pump-prime another £40 million in the stimulus - if I read it correctly - will a big chunk of this be going to Jersey Telecom?

Senator P.F.C. Ozouf:

Certainly both the Minister for Economic Development, the Chief Minister and the Minister for Social Security and I have been doing everything we can in order to protect the fulfilment industry and the Minister responded before in previous questions on that. In relation to new money; we are going to ensure that the money that is already allocated: the £37 million in capital; other unspent balances - for example the police station - is spent. That is going to be the fiscal stimulus that is going to be important next year and also bringing forward the Minister for Housing's pipeline of work where we will consider perhaps some borrowing for schemes that produce a return such as Lesquende. In relation to Jersey Telecom, the Deputy - shortly to be Constable - is going to be invited to a presentation by Jersey Telecom; it is not £40 million, I cannot control the media reports in relation to these issues. There is a proposal to invest in fibre optic technology in Jersey and that will be explained to Members next Monday and I will be referring it in the budget speech a week today.

2.10.3 Deputy G.P. Southern:

In referring to optimism survey in his opening remarks, why did the Minister for Treasury and Resources only point to the single positive factor whereas all the rest of the factors in the projections were negative; and why did he point to that figure when in fact it was lower than any time in the last 3 quarters?

Senator P.F.C. Ozouf:

I pointed to that because it is the important financial services aspect of that - as the Deputy will I am sure agree - as being the engine of the economy; if financial services is performing well then the rest of the economy will follow. I would just remind the Deputy that I think that we have been - as this Assembly in this term of office - successful in helping the domestic economy that would have seen a greater downfall in jobs and a greater contraction in areas such as construction had it not been for the fiscal stimulus that we have carried out. I saw last night the Opera House scheme, the last of the big fiscal stimulus projects, these have made a difference in keeping Jersey working in an otherwise very difficult situation and I hope that the Assembly will continue to support bringing forward capital expenditure but not blowing the rules on our fiscal prudence, which is why the Island is in such a strong position today.

2.10.4 Deputy G.P. Southern:

In light of that answer and his reference to fiscal stimulus, will he not now consider reviving fiscal stimulus into the future because obviously the situation is getting worse? The projection has gone from between 2 per cent this year, growth 4 per cent next year, to 1.5 per cent mean figure and 0 per cent the year after. If things are

getting substantially worse is it not time to re-engineer some fiscal stimulus to make sure the economy starts to recover?

Senator P.F.C. Ozouf:

I think the Deputy makes a good point about what we can do to support the economy. Where he and I perhaps depart is the fact that I do not think that we have got to the stage where we should be considering injecting, for example, money from the Strategic Reserve; and we are going to have a debate about that in the budget next week. There are other things we can do; we can ensure that the money that has been allocated to capital projects in previous years gets spent, we can bring forward capital projects for housing which have a return. These make a difference and we can certainly support perhaps the investment of fibre optic in the Island. There are things that we can do which do not blow apart our fiscal prudence, which is also the F.P.P. advice, and I certainly take great comfort from the F.P.P. aligning with my own position.

2.10.5 The Deputy of St. Mary:

The Minister has just said he agrees with the F.P.P. A moment ago he said: "I have confidence in accepting their advice". Part of their advice I see in the update on page 4 is the States should avoid making decisions in budget 2012 that permanently reduce revenue or increase expenditure. Would the Minister comment on his measures to reduce revenue in the budget that we are going to be debating next week in the light of that comment by the F.P.P.; in fact, in the light of that recommendation by the F.P.P.?

Senator P.F.C. Ozouf:

I think the F.P.P. were remarking on potentially further measures over and above those that I have presented. I think the F.P.P. warmly endorsed the budget proposals and indeed the handling of the economy, which of course they had advised on, in terms of the last couple of years. The F.P.P. are concerned about this Assembly making decisions - as has happened in the past - which are not in accordance with their advice. I do not think there are any proposals apart from those of Deputy Southern's, which would be against their advice. I have got nothing further to add.

2.10.6 The Deputy of St. Mary:

With respect, the F.P.P. do not say: "The draft budget was okay but we do not want any additional measures"; they say that we should avoid making decisions in budget 2012 that permanently reduce revenue and my understanding is that is what the budget will do. I do not say whether I agree or not with F.P.P., I am just asking the Minister whether he agreed or not with the F.P.P.?

Senator P.F.C. Ozouf:

I absolutely agree with the F.P.P., and the permanent reductions in revenue are carefully judged ones. I am sure that this Assembly would welcome the childcare additional support for working families and also the extension of the exemption limits for people on middle-earners. Those are the permanent reductions. On the other side there are budget proposals to increase revenue in terms of duties, in terms of some of the corporate fees, *et cetera*. There are measures that more than pay for the measures that reduce revenue and that is why I think the F.P.P. are agreeing with the budget.

2.10.7 Deputy A.E. Jeune:

The Minister in his answers has been referring to the F.P.P. recommendations and I would ask, would the Minister not agree that the presentations from the F.P.P. are of great assistance to Members and are very informative and it is regrettable that more Members do not attend these presentations?

Senator P.F.C. Ozouf:

I am very proud of the F.P.P. and I have said before that in fact the U.K. followed us in setting up the Office of Budget Responsibility. They are independent, they cast their slide rule over the Treasury projections, they look at the budgets and they are not afraid of scolding when they think prudence is not being kept. We are strong, we do not have any debt, we have dealt with our deficit; we can be looking forward with confidence in a world that otherwise is in turmoil because we have independent advice and this Assembly has a track history of listening to that advice. Yes, I do hope more Members could attend but I understand Members' pressures.

2.10.8 Connétable A.S. Crowcroft of St. Helier:

While not wanting to downplay the difficulties that are facing Jersey's economy, would the Minister not agree with me that we have a remarkably resilient economy, we have a much higher rate of occupancy of the High Street than comparable centres in the U.K. and that there is around half a billion pounds of private sector investment ready to go in projects in the Island?

Senator P.F.C. Ozouf:

I agree with the Constable. The economy of Jersey has been incredibly resistant, that is its underlying strength; it is the prudence of the decisions we have made, the work of Economic Development; but the entrepreneurial spirit of the Jersey man and that has been at play throughout this recession and we are in strong position to recover. I am aware that there are a number of schemes which could yield further private investment in the economy and that is within the Planning domain, but I am sure the Minister for Planning and Environment understands the importance of that.

2.10.9 Deputy M.R. Higgins:

While I accept that infrastructure investment can be very good, how can the Minister ensure that this money will continue to circulate in the Island and will not leak out of the economy through overseas firms and, therefore, defeat the objective of the policy; and how can he ensure that this money is further spent in the economy in shops and other retail establishments and, therefore, help maintain employment?

Senator P.F.C. Ozouf:

I would refer the Deputy to the retail sales figures that I referred to in my earlier answer and to the strength of retail sales that has been throughout the period of this recession compared with other places. He is right to be focused on the importance of keeping that money circulating; the fiscal stimulus programmes, the hospice development, the Durrell, the Opera House and all of the other construction projects that have happened including Le Squez, have all had very tight controls in terms of the local employment. That is one of the reasons why I think that we still see - while understanding unemployment is high - employment has been a record high. I do not think that has happened by accident, but we must continue to be vigilant and we will be vigilant in the £37 million to new capital, and that other capital that needs to get spent in the economy. The Treasury has done a very good job, I think, of overseeing

this work and has yielded the employment results that we have seen. I cannot, however, force people to spend money.

[11:15]

2.10.10 Deputy M.R. Higgins:

Could I just ask the Minister to clarify; what data do you have in terms of multipliers that you can justify that statement?

Senator P.F.C. Ozouf:

This has been rehearsed in the question times previously; there has been Corporate Services that have carried a review of fiscal stimulus and the Economic Adviser has kept a close eye on the whole issue of fiscal stimulus and it has been a success; and I thank Members for their support in adopting fiscal stimulus over 18 months ago. It has made a difference.