

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 16th NOVEMBER 2010**

Question

Will the Minister explain to Members in which sectors of the banking industry he envisages future economic growth over the next 12 to 24 months, given that the Jersey model is based on bank deposits being streamed up into the City of London at a time when interest rates are forecast to remain low or very low?

Answer

It is clear from discussions with the States' economic advisor and the analysis in the Fiscal Policy Panel's reports that predicting the direction of the economy as a whole is very difficult and particularly so in the current climate. It would be unwise to attempt any forecast of the trends within subsectors of the economy.

This is especially so for banking where, in the wider industry, new business models are still being formulated in light of increased regulatory pressures, new liquidity requirements and capital constraints. Interest rates are expected to remain low into 2012 and, as such, pressure on banking profitability will no doubt remain. We will obviously continue to monitor closely what is going on with a view to implementing whatever measures are necessary to protect, sustain and grow Jersey's banking sector.

As the recent Business Tendency Survey showed, business activity and optimism are picking up within the finance sector and there are positive expectations around profitability as confirmed in the Financial Institutions Survey. In line with previous Fiscal Policy Panel forecasts I remain cautiously optimistic that the finance sector as a whole will show some positive growth next year.