

## **2.14 Deputy M. Tadier of the Chief Minister regarding an analysis of the prospects for economic growth in the short to medium term: 1(403)**

Will the Chief Minister provide his analysis of the prospects for economic growth in the short to medium term, given the contrast between the £24 million of additional tax revenue revealed in *States of Jersey Financial Report and Accounts 2016* (R.67/2017) and the reduction in productivity revealed in the 'Survey of Financial Institutions' for 2016?

### **Senator I.J. Gorst (The Chief Minister):**

The F.P.P. (Fiscal Policy Panel) have forecast real economic growth of 1.5 per cent in 2016, 1 per cent in 2017 and 0 per cent in 2018. The revised income forecast for March 2017 also showed that the £24 million additional tax revenues in 2016 may not be ongoing. While the F.P.P. highlighted that the economy was performing better than expected, with the economy recording real economic growth and employment growth strong, challenges remain, most importantly how to improve, as we have been discussing, productivity.

### **2.14.1 Deputy M. Tadier:**

Would the Chief Minister like to comment on written questions 2 and 3, which show that between 2007 and 2016 the actual contributions that are made, both in terms of tax and social security contributions remain the same, if not having gone down slightly? Is this clearly an indication that productivity is stagnating, rather than increasing?

### **Senator I.J. Gorst:**

Recent reports show that to be the case. We have just had a number of questions about why and what is happening in financial services. We do not yet know what the overall productivity will be, of the overall economy, as that information has not yet been released by the statistics unit. But we know last year productivity was falling, the same trend is happening in financial services, while overall productivity levels in the economy were flat.

### **2.14.2 Deputy M.R. Higgins:**

The Chief Minister just quoted the figures for economic growth, which he said were from the Fiscal Policy Panel. Can he tell us what date they were given and what the latest figures are and when we are going to hear from the F.P.P., because his figures were written years ago?

### **Senator I.J. Gorst:**

That is right, they were forecast at the start of the M.T.F.P. period. The F.P.P. are asked to provide economic assumptions. The Income Tax Forecasting Group then look at what those economic assumptions might be on the bottom line numbers. The rest of his questions, though, he should be directing to the Minister for Treasury and Resources.

### **2.14.3 Deputy M.R. Higgins:**

As the Chief Minister is answering the questions, can I just ask him again: when were those figures produced and when are we getting the latest figures, or latest report from the Fiscal Policy Panel?

### **Senator I.J. Gorst:**

I do not have that information with me. That is a question which falls under the remit of the Minister for Treasury and Resources.

### **2.14.4 Deputy G.P. Southern:**

The Chief Minister must be aware that the economy grows when there is more money circulating in that economy. Is he, therefore, in an attempt to stimulate the economy, prepared

to abandon his sub-inflation impositions of the Public Sector Pay Bill and move towards honest, open negotiation, which more correctly reflects actual inflation?

**Senator I.J. Gorst:**

The Deputy knows that the States Employment Board is working with unions to deliver workforce modernisation. The unions, in recent days, have made a suggestion, as I understand it, about the 2017 pay round and officers are considering that suggestion with the view to making recommendations to the States Employment Board to consider the issues that the Deputy raises in his question.

**2.14.5 Deputy G.P. Southern:**

Is it not still the Chief Minister's and the Employment Board's policy to impose a pay restraint if necessary?

**Senator I.J. Gorst:**

The States Employment Board is endeavouring to deliver workforce modernisation within the budget that has been approved by the Assembly.

**2.14.6 Deputy M. Tadier:**

Does this trend in a reduction in productivity, but an increase in the population, not completely undermine the Council of Ministers' Population Policy which says: "We want to increase the population, for economic growth purposes, to have more productivity"? But the reality, which anyone knows, who has lived in Jersey for the last 2 years, who looks at traffic on the roads and who knows about the strain on infrastructure, is that we have many more people, even more than the Council of Ministers wanted, living in the Island, but they are contributing less overall. So, there is less money, more people. Is that not a complete abject failure of the Council of Ministers' Population Policy in this area?

**Senator I.J. Gorst:**

I think I have said and I do not want to repeat myself. You have pulled me up a number of times this morning about what is happening in productivity in the financial services sector. Productivity is, if I recall the figures correctly, improving in other sectors, therefore, showing across the economy, a flat rate. It is difficult and Ministers have to decide week-in week-out which licences to grant, which licences to remove from employers and they will continue to do so. It is not an easy business when we are also trying to ensure that there are jobs and the unemployment number fall at the same time.