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WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY M.R. HIGGINS OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 8th OCTOBER 2013

Question

Will the Treasury Minister provide members with a much fuller explanation of the last paragraph on page 6 of the Report entitled: Measuring Jersey's Economy: Gross Value Added (GVA) 2012; explain the full effect on Jersey's economy at present and going forward if the population continues to increase and real term GVA per capita decreases as a consequence and explain what policy measures, if any, he proposes to take to remedy this situation?

Answer

GVA per capita is the product of trends in GVA and the population but it is wrong to imply that there is a simple causal relationship between the two components. That is, higher population does not necessarily lead to lower GVA per capita and vice versa. Population in Jersey has increased every year between 2001 and 2012 but GVA has followed a much more varied cycle not least after the onset of the global financial crisis.

At times in recent years we have had periods when population, GVA and GVA per capita have increased (2005-2007) and periods of a weaker economy when population has increased but GVA and GVA per capita have actually fallen (2001-2004 and 2008-2012). It is important to remember that GVA trends since the onset of the global financial crisis in 2008 have been dramatically affected by the low interest rate environment which has led to large falls in financial services profitability and in particularly banking profitability. UK interest rate trends and their impact on the local economy bear no relationship to the level of population in Jersey.

While the underlying trends need careful interpretation the Council of Ministers have recognised the need to act and have a wide range of policies in place to improve the underlying performance of the economy. The States will lay the foundations now for future economic growth based on productivity improvements that will raise both GVA per person employed and per capita. This is being achieved in a number of ways and initially through short-term fiscal support for the economy to stimulate activity and boost employment.

In the medium term, the Economic Growth and Diversification Strategy (EGDS) will underpin economic growth and job creation policies through growing and diversifying finance, new enterprise, use of the Innovation Fund and more inward investment. In line with the EGDS, and the 2012 Strategic Plan, inward migration will only be permitted where it can be demonstrated that it will support high value activity and job creation. This will be further outlined in a population policy being developed for debate in the term of this current Council of Ministers.

At the same time the States will provide fiscal stability and certainty that will help growth flourish whilst also committing to essential investment in areas such as health, social housing and liquid waste. Supporting the economy and investing to improve our competitiveness now will mean Jersey is in the strongest position possible to improve productivity and our economic performance as the global economy recovers.