

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS  
COMMITTEE ON TUESDAY, 29th APRIL 2003 BY SENATOR E.P. VIBERT**

**Question**

- (a) Would the President confirm that the rate of inflation for the March quarter of 4.9% would only have been 4.3% had it not been for the last budget which raised many prices for Islanders?
- (b) In view of the fact that the previous President of the Finance and Economics Committee had stated that despite the increases, his Budget would not be inflationary, could the President inform the Assembly if he is being advised on inflation by the same advisers who advised the previous President?
- (c) Would the President also advise members if he intends to present a policy paper on tackling inflation for debate by the Assembly in the near future?

**Answer**

- (a) I am not privy to the detailed information used in compiling the Jersey Retail Price Index, (RPI), which remains confidential, but I am advised by the Statistics Unit that the index does reflect the duty increases agreed in last December's budget and that without those duty increases the index would have risen by 4.3%.

The effect of price rises caused by duty increases and retailers' price increases has made the R.P.I. higher than it would otherwise have been. However the increase is not entirely down to duty. As an example, I am aware (as a consumer) that the price of a typical pint of beer has increased by 15-20 pence, but the actual duty increase only amounted to 5 pence per pint. It would be misleading to suggest that duty increases are the sole cause of price increases in these areas.

- (b) The message which I believe the previous President of Finance and Economics Committee intended to, and did, give, was that these duty increases would have some immediate, short-term impact on the R.P.I., but should in the longer term have a deflationary effect as money is taken out of the economy.

This would be the case provided that the money was taken out of the economy. If, however, the States simply pumps the extra revenue back into the economy the deflationary effect is lost. This is one reason why the Finance and Economics Committee is anxious to reduce the growth in public spending, and why it is proposing for next year an increase of only 2.5%, a cut in real terms.

I should perhaps also point out that there may be good social or other policy reasons for raising duty levels on tobacco and alcoholic products, even if the effect was inflationary in the short-term.

The Finance and Economics Committee continues to use the same professional advisers, but I would be pleased to receive any further sensible and reasoned advice or suggestions that Members may care to offer.

Inflation remains a problem for which we all need to work together to seek a solution.

- (c) The policies put forward by the previous Finance and Economics Committee remain sound, but they have not yet all been fully implemented nor have they necessarily had time to work through the economy.

Nevertheless, the Finance and Economics Committee, and its newly constituted Economic Strategy Sub-Committee, will be reviewing what further steps can be taken. Meanwhile I reiterate that the proposed reduction in the growth of States' spending for 2004 is an important move in the correct direction.