

Monday, 23 September 2019

Government responds to Fiscal Policy Panel's updated assumptions

The Government of Jersey has responded to updated economic assumptions, provided by the independent Fiscal Policy Panel, which underpin the proposed Government Plan.

The new central forecast is that the economy will remain strong and continue to grow over the coming years. The Panel, which provides economic advice on matters relating to tax and spending policy, has recommended that the Government sticks to the overall approach set out in the draft Government Plan.

The Government welcomes the Panel's update and will work to identify how this impacts the Government Plan, but we are confident that the six priorities within the Plan will not change. A new set of Government income and expenditure forecasts will also be drawn up, although this is not expected to change drastically.

The Panel has also produced an economic forecast for the island, based on a 'worst case' no-deal Brexit. This scenario would see an increase in prices in Jersey, both because of the depreciation of sterling and because of barriers to trade. Under the scenario the Panel has presented, the economy will contract in 2020 and 2021 and there may be some job losses.

Senator Lyndon Farnham, Minister for Economic Development, commented on this work undertaken by the Panel.

"As part of our broad scheme of work to prepare the island for Brexit, the Government of Jersey asked the Fiscal Policy Panel to produce a forecast based on a worst-case set of assumptions for a no-deal scenario," he said. "This scenario is based on significant disruption to trade and a large depreciation of sterling. This is not the most likely outcome of Brexit. Work is now underway to calculate the impact this will have on government revenues and spending.

“The economy has shown strength in recent years and employment is at an all-time high. While a recession caused by a no-deal Brexit would be unwelcome, we would go into this from a strong position.

“Our public finances are also robust, and we have significant reserves. The Council of Ministers has taken steps to replenish the Stabilisation Fund, which can be used in circumstances like this. We have transferred £50 million into the fund this year, and a further £36 million transfer is planned next year. This will help to ensure that the Government can respond to any changes in the economic cycle.”

In the unlikely event of a worst case no-deal Brexit, support for those affected by an economic downturn is available.

Senator Farnham said: “The priorities set out in the Government Plan remain important under either scenario and we must ensure these are funded in a sustainable way. It is also important that we seek efficiencies under any circumstances. We must always strive for the public sector to deliver services in the most efficient way.

“The Government look forward to the Panel’s Annual Report, which will be published next month, and which will provide us with detailed advice.”