

**WRITTEN QUESTION TO THE  
MINISTER FOR ECONOMIC DEVELOPMENT, TOURISM, SPORT AND CULTURE  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 30th APRIL 2019**

**Question**

Given the Minister's responsibilities in respect of addressing the level of inflation, what measures, if any, does the Minister either have in place or under consideration to enable a reduction in the level of Jersey's Retail Price Index (R.P.I.) to the level found in the U.K.; and, in particular, will he state what measures he is considering to help reduce house prices and rental inflation levels in the private and social rental sectors?

**Answer**

As Jersey is a small, open economy, prices are subject to a number of drivers - both local and external. In particular, a large part of price changes in Jersey are driven by changes in the sterling exchange rate that affects the price of imported goods and by global commodity prices – in particular oil. Jersey is in monetary union with the UK and does not have control over the policy instrument that could be used to target local inflation – interest rates. There are therefore limits to the extent to which the Jersey government can influence prices, particularly as the interest rates set by the Bank of England may not always be appropriate to manage demand for the goods and services consumed in Jersey.

Rising housing costs have been a large part of the recent high rates of inflation in Jersey. Over the twelve months to March 2019, these costs including mortgage payments and rents in the RPI 'basket' rose by 4.9% in Jersey, compared with 2.0% in the UK. Given that housing costs are 1/5 of the RPI basket this is a significant driver of the difference. This is why one of the five strategic priorities of the Common Strategy Policy is to reduce income inequality and improve the standard of living by improving the quality and affordability of housing, improving social inclusion, and by removing barriers to and at work. The forthcoming Government Plan will set out costed proposals to deliver on this priority.

A ministerial group has been set up to consider ways in which government can support low and stable inflation in Jersey. The group is currently gathering evidence and commissioning analysis of the drivers of inflation in Jersey. The main ways that government can directly influence inflation are limited to the rates of indirect taxes e.g. impôts and GST, and the prices charged by the public sector directly, and through public corporations.

It is important that government's fiscal stance does not exacerbate the economic cycle and contribute to higher domestic demand and rising prices when the economy is already above capacity.