

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 12th OCTOBER 2010**

Question

Given that the Minister undertook at the sitting on 13th September 2010, to circulate to members figures for bank lending in the Island for 2009 and 2010 for comparative purposes, will he now provide members with these figures and further undertake to produce monthly lending figures so that the performance of the banks, in assisting the Jersey economy recover from the recession, can be measured?

Answer

I agreed approximately 3 weeks ago to see whether local lending figures could be provided for circulation. I have liaised with the Financial Service Commission (JFSC) and can confirm that the Commission do receive quarterly figures showing the overall level of bank lending. These figures show that as at June this year, bank lending levels were only marginally below those achieved in 2007.

Description	2005	2006	2007	2008	2009	2010 (H1)
	Local lending, £ millions					
Businesses						
Total	2,140.6	2,371.7	3,008.5	3,277.5	2,783.5	2,883.0
Persons						
House Purchase	1,943.2	2,007.8	2,149.0	2,193.4	2,010.5	2,006.7
Other Advances	414.6	522.3	342.2	432.8	408.5	434.9
Total	2,357.8	2,530.1	2,491.2	2,626.2	2,419.0	2,441.6
TOTAL	4,498.4	4,901.8	5,499.7	5,903.8	5,202.5	5,324.6

The JFSC states that this is a summary of the lending by Jersey banks to resident businesses and persons. No reliable breakdown is available below this level as the data is not considered to be robust for individual business classifications.

They also state that at summary level, the following caveats remain:

- The data does not cover all lending; unregulated lenders, including finance companies, credit card issuers and mortgage providers such as Jersey Home Loans are not captured, which are believed to be significant in the overall figures for borrowing in Jersey. The data also relates to the outstanding stock of loans. No data is captured on the extension of new lending or on repayments.
- The data on lending to businesses includes lending to finance companies, including funds, that are incorporated in Jersey. This lending represents the majority of lending to businesses in Jersey.
- As residence is a complicated issue, particularly where loans are extended to international companies, misclassifications may have occurred that lead to distortions even in the aggregated data.

Consequently, despite these caveats, the comparative evidence is that banks are still lending at levels marginally below those in 2007 and above that in 2006. This is unsurprising when companies and individuals are currently risk averse and are in the main seeking to pay off debts rather than seek additional credit.

I do not think that it is appropriate to ask the JFSC to produce figures on a monthly basis in this area both due to the caveats that the JFSC have given and also because the overall trends show a reasonable level of lending in the circumstances. This supports the position stated by the banks that credit is available and that lending will be given for the right proposition.