

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY D.J. DE SOUSA OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 5th JULY 2011**

Question

Has the Minister assessed the possible financial consequences for Jersey if Greece was to default on its debts and the Euro was to cease to exist, in view of concerns expressed in this regard by the Bank of England and in light of Jersey's dependency on the finance industry and, if so, would he give members details?

Answer

While the States investment funds do not have any direct exposure to Greek government bonds the financial consequences for Jersey of both a Greek default and the cessation of the euro are difficult to predict and assess. Such a scenario could take many different forms and have a wide range of implications for all European and global economies and financial markets.

It is not a central scenario but would pose a risk to the Jersey economic outlook and the global economic outlook, particularly if it were accompanied by another banking crisis and/or financial market contagion.

As a finance centre where the key banking activity is deposit taking and with no government debt we remain in a strong position to weather any future financial market turmoil. However, the current uncertainty serves as a timely reminder that we should maintain what has been a fundamental element of our approach to the Comprehensive Spending and Fiscal Strategy Reviews. That is, with the global economic outlook uncertain and with significant risks, we should plan to get our finances on a sound medium-term footing so we have the flexibility and scope to respond should the economic outlook prove more negative than current forecasts suggest.