

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 1st NOVEMBER 2011**

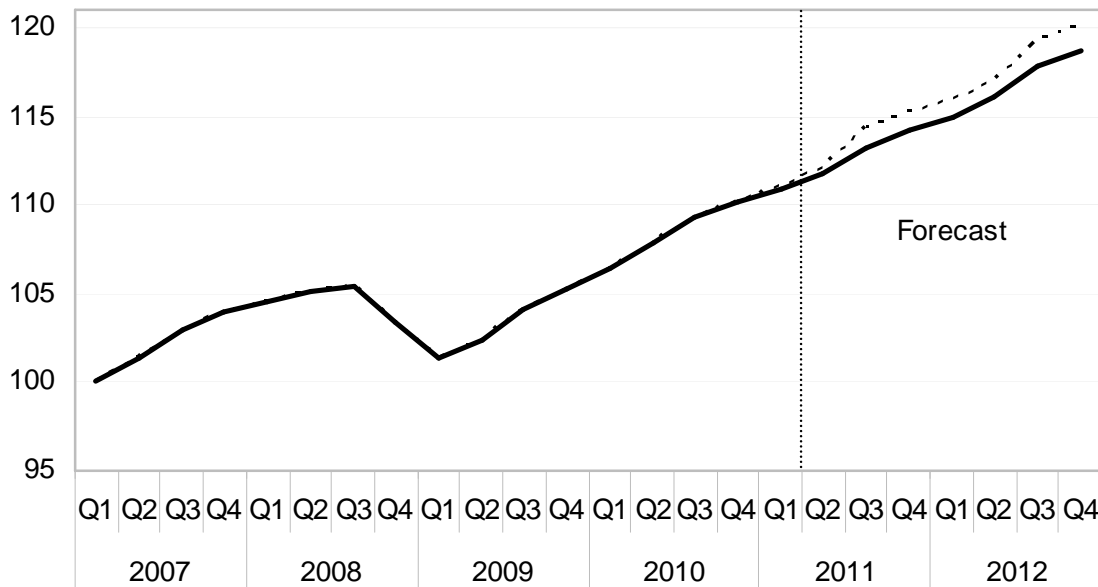
**Question**

In the light of continuing record unemployment figures, worsening business prospects over the whole economy, continuing uncertainty over economic prospects in Europe and the increased risk of double-dip recession in the UK, would the Minister revise the CSR targets he set in 2009, in order to prevent further hardship amongst Jersey households and promote economic recovery?

**Answer**

The international outlook has deteriorated in many of the developed economies in recent months and this has impacted on global economic growth expectations. However, as the chart below shows, the expectation is still for growth, but at a lower level than before.

**Chart 1: Index of World GDP (2007 Q1 = 100)**  
(black line: actual GDP and growth expectations in September 2011, dotted line: growth expectations in June 2011)



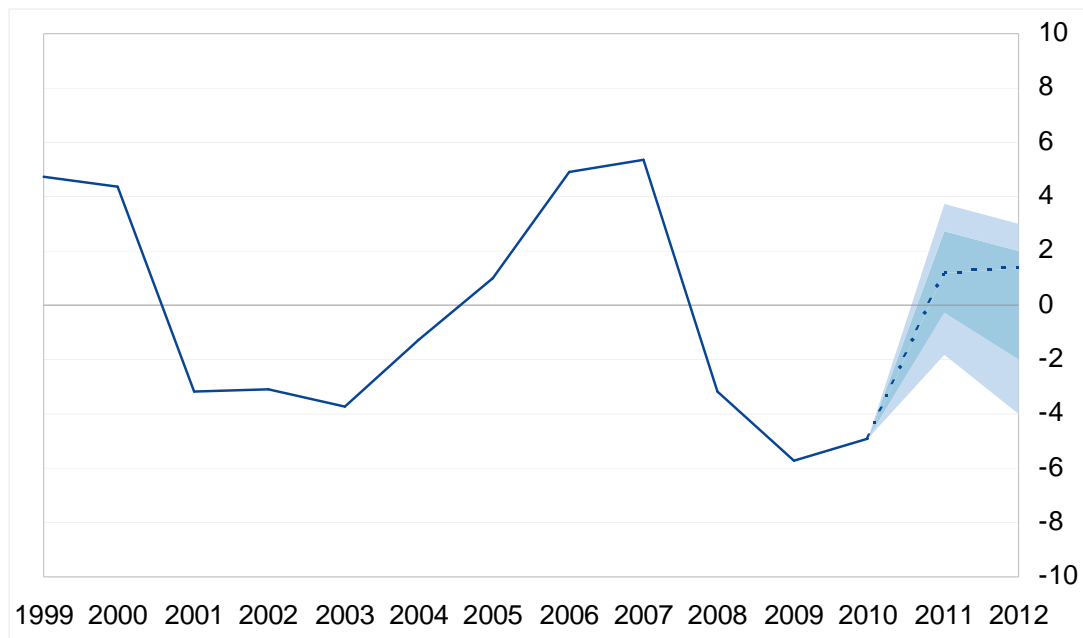
Source: IMF World Economic Outlook, June 2011 Update and September 2011

This slower level of expected growth will have an impact on our economic recovery. The Fiscal Policy Panel (FPP) has recently published an updated economic forecast for Jersey on the basis of the most recent local and international data and expectations (Chart 2). The FPP expect modest economic growth of 0% to 3% this year and slightly less growth in 2012 with a risk of a small decline (range -2% to +2%).

## Chart 2: Economic forecast for Jersey

% change in GVA on year before

(dotted line and dark blue range represent central expectations, light blue range represent outlying expectations)



Source: Fiscal Policy Panel Annual Report October 2011 Update

The expected return to growth in 2011 and 2012 should help prevent any further hardship of Islanders in what will be a difficult period. Although unemployment is at its highest level, it should be noted that employment in the first half of 2011 also rose to its highest recorded level, showing that some businesses are starting to increase employment again. In addition, we are actively addressing the issue of unemployment through our “Advance to Work” and “Advance to Work Plus” schemes, both of which will continue next year.

Members will recall the following key recommendations made by the FPP:

- The implementation of the Fiscal Strategy and Comprehensive Spending Review measures in Budget 2011 and the Business Plan 2012 provide an absolute minimum.
- The Stabilisation Fund (or other money) should not be used for further discretionary stimulus at this stage.
- Should the economic situation deteriorate, the States should be ready to support economic activity without weakening States’ finances.

The CSR objective to ‘control States spending by setting tough but achievable savings targets’ (2012 Business Plan) is consistent with these recommendations. A requirement of a healthy economy is to have spending under tight control and the predicted structural deficit bridged. Revising CSR targets downwards would be detrimental to achieving this objective and the Minister is not prepared to do so.

The 2012 Budget proposals are intended to help many households whilst ensuring that we bring our finances back to balance by 2013. I have announced that there will be further initiatives to stimulate and support economic activity next year without weakening our financial position.