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3.2 Deputy M.R. Higgins of the Minister for Treasury and Resources regarding the Minister's main challenges and priorities in relation to the Fiscal Policy Panel's pre-Medium Term Financial Plan Report:

Following the publication in January 2015 of the Fiscal Policy Panel's pre-Medium-Term Financial Plan report, will the Minister advise Members what his main challenges are and his priorities?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

My challenges are perhaps too numerous for an oral question, but in summary and most immediately - to develop a flexible Medium-Term Financial Plan that supports the economic recovery and delivers appropriate funding to meet States priorities while addressing any structural deficit that may be in the public finances afterwards - my immediate priority as Minister for Treasury and Resources is to agree realistic spending and savings plans with the Council of Ministers and States Members as any structural deficit and its size will depend on these decisions. If we agree affordable spending plans, modernise the public sector to drive efficiency savings and invest in growing the economy, there will be far less likelihood that we will need to burden Islanders with any more taxes or charges.

3.2.1 Deputy M.R. Higgins:

Obviously, it was a wide question. I would like to ask him specifically about economic growth. How does the Minister intend to deal with the failure to achieve economic growth, which has effectively flatlined since 1998? The economy is not growing; it is forecast not to grow, and despite being Minister for Economic Development with a responsibility for achieving economic growth, which did not succeed, how will he do so over the next 3 years?

Senator A.J.H. Maclean:

I do not agree with the Deputy. I believe that having left Economic Development we are going to be (as the Fiscal Policy Panel has told us only recently) seeing growth in the Jersey economy in 2014 at 1.6 per cent they anticipated. The Fiscal Policy Panel has also forecast growth for the economy in this year, 2015, at 2 per cent and the following 2 years at around about 1.5 per cent. I do agree that from 2018 or 2019 onwards, the panel has pointed out that growth is likely to be more or less flat. That is the challenge we face. That is why we need to invest in the economy and invest in developing and creating job opportunities in particular for local people. That is where we are going to drive the revenues which will help to mitigate the chances of any increase in taxes or charges in the future.

3.2.2 Connétable J.M. Refault of St. Peter:

In answering the first part of the question, the Minister for Treasury and Resources said he was going to produce a flexible Medium-Term Financial Plan. I am quite interested in how he is going to achieve that.

Senator A.J.H. Maclean:

By working closely with colleagues in the Council of Ministers and, indeed, with Members of this Assembly. I think one of the lessons perhaps that we have learnt from the first - and it was, we must remember, the first - Medium-Term Financial Plan was that it set a fairly rigid framework in which we could operate. I think the flexibility that is required in the future allows us to react more appropriately, bearing in mind it is a 4-year term we are setting our spending plans for. We need to be more flexible to adjust to a very rapidly changing world and a highly volatile world. I think that is one of the key aims that I will be looking for support from the Council of Ministers and, indeed, Members as well.

3.2.3 Deputy G.P. Southern of St. Helier:

Does the Minister not accept that the figures show that in the past 8 years there has been a 13 per cent in total drop in G.D.P. (gross domestic product), no growth at all, and that even with predictions of growth these are unlikely to be met this year or any other year?

Senator A.J.H. Maclean:

The Deputy can pick very satisfactorily any particular point of statistics. As we know, there are lies - if you will excuse me, Sir - damn lies and statistics. Indeed, he has picked 2 points which demonstrate his particular point about the position of the growth, or not in this case, of the economy. However, to be fair, you have to look across 2 points to look at the economic cycle, 2 low points or 2 high points, to estimate what the true growth or reduction in the economy happens to be. So I do not agree the figures are quite at the level necessarily as the Deputy suggests. I do agree with him, though, that we face challenges insofar as we do need to continue to invest at a time when it is clearly more difficult to do so with less funding available. Nevertheless, to invest in high value sectors driving growth, creating high-value jobs in particular, will have a trickle-down effect and is clearly in the interests of the Island as a whole.

3.2.4 Deputy G.P. Southern:

Is the Minister accepting that there has been a 13 per cent drop in G.D.P. since the recession started in 2008/2009? Does he not accept equally that over the last decade and a half we have seen net zero growth in the economy in Jersey?

Senator A.J.H. Maclean:

Let us put this into context if we may. Yes, we have seen a drop in the economy in the Island. I would agree with the Deputy on that point, but let us identify exactly why that is the case. Largely, it is attributable to the interest rate, the very low interest rate environment that we have seen since broadly 2008 since the crisis started. As Members will be aware, the finance industry is our largest industry.

[10:00]

It constitutes approximately 42 per cent of the size of the economy and the banking sector is the largest percentage part of that. Low interest rates have, therefore, impacted disproportionately on the G.V.A. (gross value added) figures. What I am pleased to say is that although we have seen job numbers in finance fall from a peak of 13,200 down to just below 12,000, they have now bounced back a bit to about 12,500. There is more optimism in the Jersey economy now than I have seen for some years. We need to build on that.

3.2.5 Deputy M.R. Higgins:

Yes, thank you. Before I do, I will just comment on that last one because the Minister I think is in danger of misleading the House. It is not just interest rates. If we look since 1998 at the zero, basically, or below zero growth in the Island, it is not all down to interest rates. The interest rate problem came from 2008 and is unlikely to recover for many years to come because, for a start, there is no anticipation of interest rates rising until at least 2016 and then only by a quarter or maybe half a per cent. That is not going to help our economy in that way. My question, however, concerns balancing the budget. I would like the Minister to confirm whether his aim is to balance the budget over the economic cycle or annually as they are currently doing?

Senator A.J.H. Maclean:

I will be taking my advice from a number of sources, in particular from the F.P.P. (Fiscal Policy Panel). The advice is that in the short term over the next couple of years we need to be continuing to invest to support the economy as it appears to be recovering. We want to cement that recovery and so that is going to require some investment. That means running in the short term deficits but balancing over the economic cycles. I hope that makes the position clear with the Deputy that will be my position as we stand at the moment.

Deputy M.R. Higgins:

I must say I welcome that because one of our big problems has been trying to balance annually. I am pleased to see they are now looking at the economic cycle.

The Connétable of St. Mary:

Sorry to interrupt again, may we raise the défaut on the Deputy of St. Mary, please?

Senator I.J. Gorst:

Could I also ask for it to be raised on Senator Farnham as well?

The Bailiff:

It is proposed that the défaut be raised on the Deputy of St. Mary and Senator Farnham. Is that agreed? The défaut is raised.

Senator L.J. Farnham:

Now I can speak, may I just inform Members that I shall be out of the Island this afternoon and tomorrow on States business and will not be present in the Assembly? Thank you.