

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 10th MARCH 2015**

Question

To give clarity will the Chief Minister give a definitive answer to the following questions and illustrate his answer with appropriate diagrams:

- (a) the average level of economic growth in the Island between 1998 and 2013;
- (b) the average level of economic growth in the Island between 1998 and 2013 contributed by each sector of the economy e.g. Finance industry, agriculture etc.;
- (c) the average level of economic growth in the Island between 1998 and 2013 contributed by each sector of the finance industry;
- (d) the impact of the recession on Gross Value Added (GVA) together with the Treasury Department's/Economic Adviser's estimates of when (in years) the level of GVA will return to 2008 levels.

Answer

- a) Gross value added (GVA) fell by an average of approximately 0.5% per year over the period 1998 to 2013, after excluding inflation.

However, this compares two different points of the economic cycle and includes a significant structural impact from the global financial crisis. Sections 2.2-2.3 of the Fiscal Policy Panel (FPP) January 2015 pre-MTFP report provides a comprehensive analysis of recent trends in GVA and assesses the permanent (structural) and temporary (cyclical) changes in the different components of economic growth.

- b) The % change in GVA of each sector over the 1998-2013 period is set out below:

Sector	Average annual change in GVA (real terms)
Agriculture	-2%
Manufacturing	-5%
Electricity, gas & water	-2%
Construction	0%
Wholesale & retail	-1%
Hotels, restaurants & bars	-1%
Transport & communication	0%
Financial services	-2%
Other business activities (excluding rental)	2%
Rental	2%
Public administration	2%

Again, caution must be used in drawing any conclusions from rates of change between two different points in the economic cycle, and over a period which includes the impact of the global financial crisis.

- c) The % change in each sub-sector of the financial services industry over the 1998-2013 period is set out below:

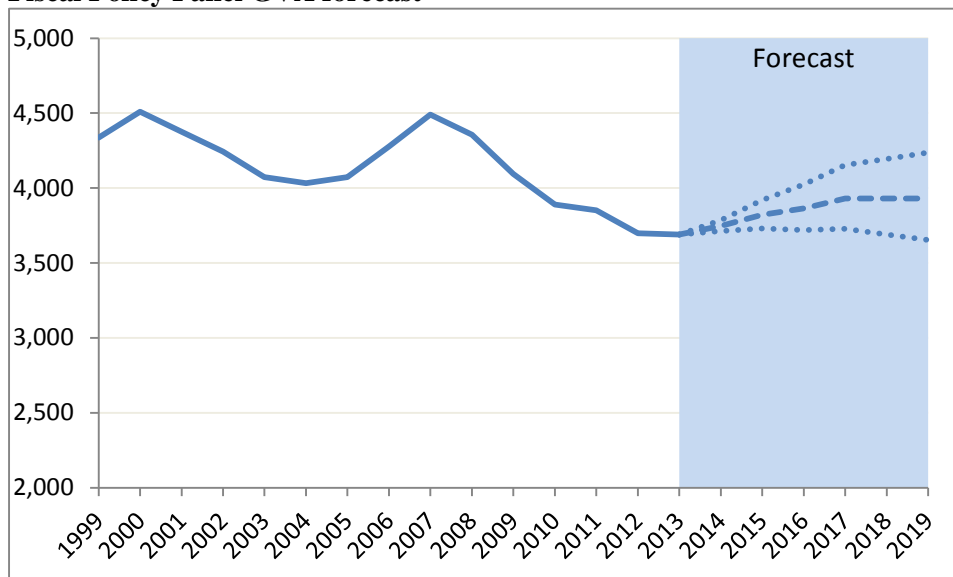
Sector	Average annual change in GVA (real terms)
Banking	-4%
Fund Management	-5%
Trust & Company Administration and Legal (including Fund Administration)	3%
Accountancy	2%
Other & Mixed Income	-3%

As above, this period covers two different points in the economic cycle and includes the impact of the global financial crisis. But further, financial services profits can be volatile from year to year so particular caution is required in interpreting changes between any two specific years for the financial services sector.

- d) Section 2 of the FPP’s January 2015 report also discusses the impact of the global financial crisis and global “great recession” on Jersey’s GVA.

The FPP has agreed to endorse the assumptions that underpin the next set of States income forecasts. Figure 2.16 of the Fiscal Policy Panel’s January 2015 report illustrates the best estimates at the time of their report. The report stated that, given the uncertainty about local and global economic trends, it would be advisable for the Panel to confirm these assumptions again before the next forecasts are finalised.

Fiscal Policy Panel GVA forecast



GVA – actual and forecast, £m constant 2013 prices

Source: adapted from FPP January 2015 pre-MTFP report

