

2019.04.30

**18 Deputy G.P. Southern of the Minister for Economic Development, Tourism, Sport and Culture regarding the actions taken to control and reduce inflation in the Island: (OQ.106/2019)**

Will the Minister inform Members what actions he is taking, or is considering, as part of his strategy to control and reduce inflation in the Island?

**Senator L.J. Farnham (The Minister for Economic Development, Tourism, Sport and Culture):**

As I briefly explained in the previous question, inflation is influenced to a large part in Jersey by external factors; the price of oil and more recently following Brexit, the fall in the value of sterling, which have increased significantly the price of imports. I have set up a ministerial group with the Minister for Education, the Chief Minister, the Minister for Treasury and Resources, supported by the chief economic adviser, to create an anti-inflation strategy and work is progressing on that. I will just very briefly give a short timeline of that work; the full data analysis is being conducted at the moment and will be completed and presented by the end of May and the draft strategy will be presented to the panel by the end of June. I am hoping that final strategy can be approved and put into place no later than the end of the summer recess. Members will be kept informed and involved, as necessary. But, there are also a number of other ways in which a Government policy can indirectly influence inflation, including encouraging competition in the private sector and setting the right environment for firms and businesses to improve their productivity, which we also dealt with earlier. It is also important that the Government seeks to run counter-cyclical fiscal policy, so that Government spending is appropriate and does not increase domestic demand further when the economy is operating at, or above, capacity, therefore increasing inflationary pressures throughout the economy.

**4.18.1 Deputy G.P. Southern:**

In his written answer today, question 12, he focuses on one particular aspect of R.P.I. (Retail Price Index), which is the fact that rents in the public sector are attached to rents in the private sector by a 90 per cent rule. Without control of rents in the private sector, there is no control; recently, private sector rents went up by 9 per cent. What measures, specifically for rents, does the Minister have in mind, in order to control this particular aspect of inflation?

**Senator L.J. Farnham:**

The Deputy is right, housing remains a main contributor to the recent high inflation, rising 6.7 per cent in the year, due to higher rental costs and mortgage costs in the private sector. For me, the answer lies in the supply and accessibility to affordable housing. We spoke earlier, in the previous questions, about the creation of the new housing panel. We need to move faster in making sure that, as well as providing new supply of housing, we are helping Islanders bridge that gap into their housing with loan schemes and deposit schemes and so forth. This does not necessarily fit into my economic portfolio, but for me, personally, the Deputy asked, those are areas where we are falling short at the moment. We are not. As well as not building enough houses, we are not providing enough support to get Islanders into their own homes.

**4.18.2 Deputy K.F. Morel:**

As well as the direct cost of housing, household services are the second greatest driver of inflation in the Island at the moment, according to the last few R.P.I. reports. Household services include things

like the construction sector and, given the drive to build and create greater supply in housing, in order to bring those costs down, how does the Minister expect that will affect the construction sector and its prices, because they are already stretched and, obviously, demand is far outreaching supply there?

**Senator L.J. Farnham:**

Coincidentally, I had the pleasure of addressing the Jersey Construction Council this morning, before the States sitting, as they launch, again, their annual awards. We spoke about the challenges that they were having in getting the right skills and, of course, that is creating an over-demand for their services, which, again, is pushing up costs. This is not unusual; we have seen this all over the U.K.

[11:45]

I was in the U.K., I was in the north-east of England over the weekend and I took the opportunity to speak to some people from that sector and they are finding the very same challenges and, of course, we are down to looking at how we provide workers for that sector. I will just refer to my previous answer, when we spoke about the Government running counter-cyclical fiscal policy, we need to be examining very closely what we are spending on public sector projects when the economy is running at, or above, capacity and balance that to when it is running below policy. That may mean we have to look at some public sector projects and give new housing projects priority over that.

**4.18.3 Deputy G.P. Southern:**

Is it not the case, will the Minister agree, whatever his calculations reveal in the coming months, something like 80 per cent to 90 per cent of our inflation is imported inflation and we can do very little to control inflation at the moment?

**Senator L.J. Farnham:**

I would not say we can do very little, but we are limited in what we can do. We can control the costs of goods and services provided by States-owned businesses. We can look at our impôt duties and charges and I know that that is work that the Treasury and Deputy Ash are working on at the moment. We are not totally prohibited, but you are right, a lot of inflation is caused by the value of sterling, the cost of importation and commodities, the global prices of commodities have increased significantly, not least the price of oil.

**The Bailiff:**

Thank you. We have 2 minutes now to deal with question 20.