

2019.09.24

**8 Deputy S.M. Ahier of the Minister for Economic Development, Tourism, Sport and Culture regarding the Inflation Ministerial Group: (OQ.225/2019)**

Will the Minister advise the Assembly of the progress made by his inflation ministerial group, which he established more than 6 months ago?

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

The Retail Price Index political strategy group, which includes the Chief Minister, the Minister for Treasury and Resources and the Minister for Education, was formed in February. We have met on a number of occasions since then and have considered policies that will support low and stable inflation in Jersey. At our most recent meeting last week, we worked on the final draft of the report, which includes a number of recommended action points. I hope to be able to present this as soon as possible, but the procedure we are following now is first to share it with States Departments and stakeholders within the States and with third parties, including the Consumer Council, the Competition Authority and with States-owned businesses, all of which will have a part to play in this. I am hoping to present the report to the Council of Ministers on 17th October and will also be sharing prior to then our findings with Scrutiny.

**3.8.1 Deputy S.M. Ahier:**

On 26th February 2019, the Minister told the Assembly that he would set up a new ministerial group to consider new appropriate policies, which will help to achieve low and stable inflation. With our Retail Price Index increasing by 2.8 per cent in June, it remains significantly above the comparable U.K. rate, which increased by 1.7 per cent in August. Does the report include new appropriate policies?

**Senator L.J. Farnham:**

As I have said, the report will contain a number of action points, which I hope will lead to new policies that the States will consider over the fullness of time. Headline inflation in Jersey peaked at 4.5 per cent in June in 2018 and that is almost double the rate of that in the U.K., but careful analysis does show that on average and over the long term, inflation in Jersey does generally follow the U.K. trend, but tends to be higher. Our aim with this new group over a period of time is to close the gap between U.K. inflation and Jersey inflation.

**3.8.2 Deputy G.P. Southern:**

The Minister has talked about revealing his report to Ministers. When will Members of this Assembly be able to read this report and will it come before, or behind, his also promised review on productivity?

**Senator L.J. Farnham:**

We are aiming to lodge our findings as a report prior to the end of October, which should be achievable if we get it to the Council of Ministers by 17th October, so by the end of October.

**Deputy G.P. Southern:**

The addendum on productivity: I have been asking the Minister, in particular, to report back to this Assembly and he has singularly failed to do so yet.

**Senator L.J. Farnham:**

I thought we were dealing with questions on inflation, Sir, but I am happy to deal with productivity, if that is permissible.

**The Bailiff:**

I think that was a fair objection, Minister. A final supplementary.

**Deputy G.J. Truscott:**

Sorry, Sir, I did have one.

**The Bailiff:**

I am sorry, Deputy Truscott.

**3.8.3 Deputy G.J. Truscott:**

Does the Minister agree it is going to be like flying a kite in a hurricane, trying to reduce inflation going forward? Quite rightly, this Government are introducing policies to bring down our carbon footprint. You are considering putting up petrol quite significantly, which will add to inflation. Also, we have Brexit; we do not know where that is going. We could well look at sterling devaluing quite significantly, which will, in itself, bring great demand and pressure on inflation. Does the Minister agree that it is quite a challenge ahead for him to reduce inflation in the Island?

**Senator L.J. Farnham:**

It is a challenge that I am pleased to share with all States Members. It is a challenge for us; it is a challenge for the Government; for this Assembly. The Deputy will know that we do not have monetary policy here. There are limited actions we can take to control inflation. The biggest driver in inflation, in recent years, has been housing costs and that is something that we are all working collaboratively on, it is something that is very high on our agenda, huge challenges ahead. There are no clear-cut solutions, but there is, I believe, not only in the Assembly, but certainly within the Government, a determination to get on top of these issues and to make a difference and to bring down the cost of living for Islanders.

**3.8.4 Deputy R.J. Ward:**

Would the Minister not agree that one of the threats to high inflation is our total reliance upon a fossil fuel-based economy, an example being the attacks in Saudi Arabia recently, which increased the oil prices by around 20 per cent, or 30 per cent, overnight? Therefore, any move away that we take, as a Government, from that type of economy to one that is more renewable gives us a much more controllable hand on inflation.

**Senator L.J. Farnham:**

The price of oil does have an impact on the cost of living in Jersey, there is no doubt about it, as does the devaluation of sterling. The Fiscal Policy Panel released a report yesterday, following a request from the Government, to just play out an economic scenario in the worst possible case no-deal Brexit scenario. That would show, in that case, following a very messy exit by the U.K. from the European Union, that inflation in Jersey by 2020 could reach 5 per cent through measures that are completely outside of our control. I have to admit, I do not fully understand. I am right behind the Deputy's work and the Assembly's work to move towards a carbon-neutral society by 2030 and, of course, environment and ecological issues are much higher on our agenda politically than I think they ever have been, but I am not sure. While I think that electric vehicles and such types of renewable energy, embracing renewable energy in the Island, it depends on how reliant we are

going to be on outside technology with our renewable energies created on-Island, but I think yes, it will help. I think the short answer is yes, that will give us more control over that part of the inflation contribution.

**The Bailiff:**

Minister, can you help me? Are the Treasury involved in the working group, which you have referred to earlier?

**Senator L.J. Farnham:**

Yes, Sir, and represented by the Minister for Treasury and Resources.

**The Bailiff:**

I asked the question, because the Assistant Minister was thinking of asking a question, but I think he should not.

**Senator L.J. Farnham:**

I wholeheartedly agree.

**3.8.5 Deputy S.M. Ahier:**

With the current Brexit turmoil and the price of crude oil rising quickly, due to the unrest in the Middle East, it seems inevitable that inflation will rise in the near future. Does the Minister believe that we are approaching a lengthy period of high inflation?

**Senator L.J. Farnham:**

No, I do not. The Fiscal Policy Panel suggests that inflation will decrease slightly should we see an orderly exit from the E.U. (European Union). I am afraid, notwithstanding the fluctuations in sterling and oil prices, the Island's inflation is largely in the hands of the U.K. and the E.U. at the moment, but that is the point of this group. We can only make a small difference with the levers and the controls that we have, but that small difference could be a very important difference and we are going to work hard to try to deliver lower and more stable inflation.