

**WRITTEN QUESTION TO THE CHIEF MINISTER  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 2nd JUNE 2020**

**Question**

Given reports in the U.K. which show a prospective budget deficit of approximately £337 billion if the economic recession is ‘V-shaped’ (that is, ‘short and sharp’) and a deficit of £516 billion if the recession is more prolonged (‘U-shaped’ or ‘L-shaped’) and, that indications from the Office for Budget Responsibility (O.B.R.) are that a ‘U-shaped’ recession is increasingly likely, will the Chief Minister provide the equivalent figures forecast for Jersey’s economy and state whether it is his assessment that a ‘U-Shaped’ recession is also likely in Jersey; and will he provide any updated advice which the Government has received from the Fiscal Policy Panel (F.P.P.) on this matter?

**Answer**

The UK government and Jersey have different financial year ends which will render comparison difficult.

The Income Forecasting Group released its Spring Forecast on 27 May 2020, for the period 2020 to 2024. This shows a reduction in the general revenues income forecast for 2020 of £106m (12%) from that presented in its Autumn forecast and for 2021, £103m (11%) less.

The IFG considers this to be the central forecast for Ministers to use in preparing the Government Plan 2021-2024. However, given the uncertainty and risks of a longer period of health restrictions and/or a protracted economic recovery, a downside forecast has been prepared for 2020-2024, showing an income forecast reduction for 2020 of £163m and for 2021 of £157m.

Expenditure plans were agreed in the Government Plan 2020-2023 and, for the period of that plan, revenues and income were at that point forecast to be broadly balanced.

Revised forecasts for expenditure in 2020 will be published in the Government’s half yearly report. However to date the Minister for Treasury and Resources has allocated an additional £175 million to fund the response to the health, economy and livelihoods crisis arising from Covid19.

The latest advice of the FPP was published on 23 March 2020 and it is on that advice that the Government’s financial and economic response has been based. The FPP’s central forecast is for Jersey’s economy to contract by over 6% in 2020. On a quarterly basis, however, the FPP anticipated that quarter 2 and quarter 3 of the year will see very steep declines in activity, when compared to last year. The Income Forecasting Group (IFG) report, published on 27 May, provides some analysis of the ‘shape’ of the FPP forecast. This analysis suggests that under the FPP forecast “Jersey could see a broadly ‘U-shaped’ initial recovery phase, when looked at on a quarterly basis. But beyond this initial recovery GVA remains significantly below the FPP’s previous forecast.”

While economic forecasts are highly uncertain at this time, the IFG report also includes a comparison of the FPP’s forecast with more recent forecasts from the International Monetary Fund (IMF) and states that the shape of the Jersey forecast is broadly in line with the IMF forecast for other advanced economies, though the Jersey forecast sees both a sharper contraction and a slower recovery (see chart below from the IFG report). Government continues to plan on the basis of the FPP’s March forecast. In due course the FPP will update its forecast, and will take account of the latest information available at that time.

Figure 27: IMF quarterly forecast for advanced economy GDP and indicative Jersey quarterly GVA forecast (Index: 2019Q1 = 100)

