

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY S.Y. MÉZEC OF ST. HELIER SOUTH
QUESTION SUBMITTED ON MONDAY 7th NOVEMBER 2022
ANSWER TO BE TABLED ON MONDAY 14th NOVEMBER 2022**

Question

“Will the Minister outline how rising interest rates are anticipated to affect tax income as a result of any changes in economic activity they are expected to provoke?”

Answer

The latest income forecast, produced by the [Income Forecast Group \(IFG\) for Summer 2022](#) has been used to inform the income estimates in the Government Plan 2023 – 2026.

The IFG Summer 2022 forecast outlines the impact of rising interest rates, which has a positive impact on some parts of the financial sector, driving growth for the Jersey economy and thus Government incomes. This is predominantly seen through the increase forecast in Corporate Income taxes, but also in Personal Income tax largely through interest rate rises indirectly leading to increases in average earnings in the financial sector.

The IFG Summer 2022 forecast is based on the economic assumptions published in the [Fiscal Policy Panel Medium Term Report – July 2022](#). This report should be read alongside the IFG forecast which further details the effect of rising interest rates. The economic forecasts in the July 2022 report, have been upgraded since their March 2022 report, which has been mainly “attributable to accelerated growth in financial services profits reflecting higher interest rates.”

The Fiscal Policy Panel have recently published their [Annual Report in November 2022](#), this includes updated economic assumptions which reflects a further increase in interest rate projections from the July assumptions. We are currently considering whether the changes to assumptions indicate the need for an updated forecast, especially in the context of ongoing uncertainty. If new income forecast is appropriate, we would aim to produce by the end of November 2022.