

Economic Recovery In-Committee debate

Report

Introduction

The COVID-19 pandemic has had a deep and immediate impact on the health, wellbeing and livelihoods of Islanders and the health of Jersey's economy. The Council of Ministers' first priority has been to protect Islanders' health and to save lives, through its Public Health Strategy of "Delay, Contain and Shield" and this remains the case.

But as Jersey begins to emerge from the pandemic the Government's focus is also increasingly on stimulating our economic recovery and developing a more inclusive, diverse and sustainable future economy.

The Government's actions have been reinforced by extensive communications to ensure that everyone is informed about what is happening, how it affects them and what they need to do. The focus of the Government's Coronavirus communications to date has been fourfold:

- Ensuring that the public and businesses understand what is required of them under public health measures and restrictions and providing reassurance
- Explaining what health measures and actions the Government is taking to delay, contain and shield against the virus, including reorganising the hospital, contracting with GPs and building the Nightingale Hospital
- Explaining the financial and economic measures that the Government has put in place to support Islanders and employers, and how to access financial support
- Keeping the public informed about the health impact of the virus on Islanders, in terms of the number of tests, positive and negative cases, deaths, people who have recovered and the availability of hospital beds.

The States Assembly recently affirmed its support for the Government's response to the COVID-19 health emergency with its vote on P.61/2020. In keeping with the Proposition, the Public Health Strategy will be updated over the next week.

As we move further into the exit strategy for the Island and towards recovery, it is now appropriate to seek States Members' views on the policy, legislative and fiscal measures that should be considered to secure Islanders' livelihoods and prosperity in future and the health of Jersey's economy.

The States Assembly is invited to consider, through the process of an In-Committee debate, how the Island might deliver an inclusive and sustainable economic recovery from the challenges brought about by COVID-19. This will inform and support and, it is hoped, build some consensus around the steps required to establish greater economic resilience, diversification, inclusivity and sustainability for the Island.

Scope of discussion

In November 2019 Members voted in favour of P.71/2019 to agree the Government Plan 2020-23, which set out an ambitious programme of initiatives grouped around five key commitments:

- we will put children first
- we will improve Islanders' wellbeing and mental and physical health

- we will create a sustainable, vibrant economy and skilled local workforce for the future
- we will reduce income inequality and improve the standard of living
- we will protect and value our environment.

This in-committee debate is not intended to reopen the Government Plan, as there will be opportunity to debate a revised Government Plan later this year. Nonetheless, it is clear that the impact of COVID-19 on the Government's future finances will be significant and will have implications for the public funding available to support the economic recovery.

Members are therefore asked primarily to focus their discussion on the policy, legislative and fiscal measures that directly fall within the third theme – ‘we will create a sustainable, vibrant economy and skilled local workforce for the future’ – while recognising associated considerations, such as transition towards being a Living Wage economy, a measure that would help to address income inequality.

Economic impact

The financial and economic impact of the Coronavirus pandemic hit Jersey suddenly and deeply. Measures introduced by the Government to support businesses, employees and people in receipt of benefits will cost hundreds of millions of pounds, at a time when public revenues are declining sharply. The Income Forecasting Group, in a report published on 27 May, predicts that public revenues in 2020 will be £106 million below their autumn 2019 forecasts, and that revenues will remain below the previous forecasts for the whole of the next Government Plan period and are likely give rise to a structural imbalance in public finances.

Recovering economically from COVID-19, and recovering the necessary financial outlay on emergency and stimulus measures, will take time – and potentially, in the case of replenishing any borrowing, some years.

With the Government's public health measures demonstrably working to flatten the infection curve, Islanders, businesses, politicians and the media have begun to ask three questions:

1. As the Island's lockdown relaxes, how long should restrictions be kept in place and when can we expect life to return to a ‘new economic normal’?
2. What measures will the Government put in place to kickstart the economy and get people back to work, and how different will Jersey's post-Coronavirus economy be to the pre-Coronavirus economy?
3. What will the package of emergency and recovery measures cost, how will they be paid for, and what does this mean for future Island and public finances, taxes and charges?

The Government set out its thinking on 1 May about how it plans to relax lockdown measures and indicated (as is happening internationally) that this will be a phased approach. The nature of the phased exit from such controls will inevitably affect the length, depth and cost of the economic impacts and the measures needed to return Jersey to growth and a sustainable recovery.

Advice of the Fiscal Policy Panel

In their letter of 23 March 2020, the Fiscal Policy Panel updated their economic assumptions and forecast for the Jersey economy. The revised forecast is shown as Figure 1 and the full FPP letter can be found at Appendix A.

Figure 1: FPP March 2020 forecast

<i>% change unless otherwise specified</i>	2017	2018	2019	2020	2021	2022	2023	Trend 2024+
Real GVA	0.8	1.4	0.6	-6.3	4.4	1.0	0.6	0.6
RPI	3.1	3.9	2.9	1.2	2.2	2.5	2.5	2.6
RPIY	3.2	3.6	2.6	1.4	2.2	2.4	2.4	2.5
Nominal GVA	4.1	5.9	3.9	-5.1	6.0	2.7	2.8	3.1
Gross operating surplus (including rental)	-0.3	7.5	4.3	-8.2	7.7	2.2	2.5	3.2
Financial services profits	-6.4	9.6	2.0	-2.0	5.0	2.9	2.9	3.4
Compensation of employees	8.1	4.6	3.6	-2.5	4.6	3.1	3.0	3.1
Employment	2.3	1.4	1.0	-2.9	2.8	0.8	0.5	0.4
Average earnings	2.6	3.5	2.6	-0.6	2.2	2.3	2.5	2.7
Interest rates (%)	0.3	0.6	0.8	0.2	0.2	0.3	0.4	0.6*
House prices	2.9	7.1	7.0	-10.0	5.0	4.0	3.0	2.7
Housing transactions	7.8	5.3	-1.8	-50.0	45.0	15.0	7.0	1.5

* Bank Rate forecast for 2024 only

It should be noted that the FPP forecast was undertaken at a relatively early stage in the onset of Coronavirus within Jersey and more widely within the British Isles. At that time, the forecast was for a ‘V-shaped’ recovery in economic activity and consequential impact to the public finances, which was explained to Members in a presentation on 22 May 2020.

Contemporaneously with the consideration and delivery of the FPP recommendations, the Council of Ministers considered a range of support measures to support households and businesses within the Island. Figure 2 shows the FPP recommendations and the Council of Ministers’ policy response to these.

Figure 2: FPP recommendations and Government response

Liquidity and cashflow measures, to help otherwise sound firms with short-term shortfalls;	<ul style="list-style-type: none"> • Loan Guarantee Scheme • GST, Social Security, rent and utility deferrals
Support for business to ensure employment rates do not contract unnecessarily;	<ul style="list-style-type: none"> • Payroll Co-funding Scheme • Loan Guarantee Scheme and Jersey recovery Fund
Short-term support for individuals and households in hardship	<ul style="list-style-type: none"> • Payroll Co-funding Scheme • CRESS scheme & Income Support measures
A temporary package of fiscal stimulus	<ul style="list-style-type: none"> • Under consideration

The Government’s approach to economic challenges presented by COVID-19

In addressing matters relating to our economic well-being, the Government’s focus is best described as **Respond, Recover and Renew**. Below is a recap of the current actions that the Council of Ministers has approved.

In the **Respond** phase, the Government prioritised financial support to households and businesses through a range of measures:

1. **Payroll Co-Funding Phase 1** – provided support for payment of wages across a group of economic sub-sectors considered to have suffered early detriment through loss of forward booking activity or footfall due to restrictive measures such as the requirement to self-isolate on arrival into Jersey.
2. **Payroll Co-Funding Phase 2** – provided a comprehensive package of support for the payment of wages across most economic sub-sectors. This included a level of Government support generally commensurate with the Living Wage.

Both phases of Payroll Co-funding were designed to support household income of Islanders, preserve employment levels wherever possible and reduce the cashflow burden on businesses during the period of most severe restrictive measures.

3. **COVID Related Emergency Support Scheme (CRESS)** – recognised a gap in provision for those resident in the Island for less than five years and otherwise not entitled to Income Support.
4. **Deferral of GST and Employer Social Security Contributions** – designed to enhance available working capital (sometimes also referred to as a net current assets) for businesses. This mechanism still required companies to account for the due sum but delay payment of that amount for the A and B quarters.
5. **Government rent deferrals or re-negotiations** – saw the Government lead private landlords by setting a positive example for sympathetic discussion with tenants or property owned directly or indirectly by the Government of Jersey.
6. **Business Disruption Loan Guarantee Scheme** – recognised that businesses may be constrained in their ability to generate new working capital through commercial bank loans, due to an uncertain business outlook. The scheme provides a guarantee from the Government for 80% of the borrowing, thereby reducing some of the risk exposure that banks would otherwise assess directly against the borrower and in turn, was expected to improve credit availability.

Officials are tasked with reporting back to the Council of Ministers on the use of these support measures and their effectiveness in delivering support to households and businesses. A weekly report from Statistics Jersey – Weekly Economic Indicators – also provides information to the public.

The Government is now moving towards the **Recover** phase and is considering what timely, targeted and temporary fiscal stimulus measures should be introduced to kickstart the economy. A similar path was followed in response to the 2007-08 global financial crisis with an allocation of £44 million of stimulus monies, approved by the States Assembly at that time through P.55/2009.

The 2009 (and onwards) programme had three objectives that still hold true to the current situation, namely:

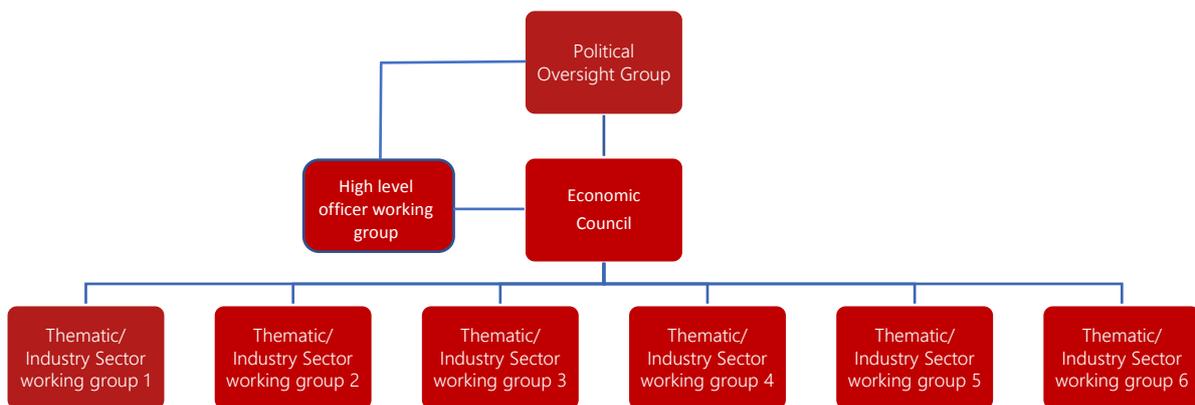
- Provide a stimulus to the Jersey economy as conditions deteriorate, to help support employment and businesses in Jersey
- Support employment in the Island by assisting individuals affected by the economic downturn
- Create new opportunities for businesses in Jersey, to support them through the downturn and mitigate job losses.

The Treasury and Exchequer team is working with colleagues across the Government to present a recommendation to the Council for Ministers for a new stimulus programme that supports continued employment and economic activity, while holding true to the commonly-held stimulus principles of timely, targeted and temporary.

The final stage of our approach to the economy is **Renewal**. The Government Plan 2020-23 recognised some short-comings in our economic progress and the need to focus on a more inclusive and sustainable growth agenda. At the end of April, as part of forward planning for an economic recovery, the Government asked officers to put in place the organisational framework to support this phase of recovery from the impact of COVID-19.

The Chief Minister has approved, by Ministerial Decision, the creation of a Political Oversight Group (POG) to provide challenge and thinking around the renewal effort. Terms of Reference are being finalised and will be published. An Economic Council is also being established, enabling representatives from across our community the opportunity to contribute their thoughts and ideas. These leading groups are underpinned by a number of support groups looking at industry sectors and thematic economic areas

Figure 3: Economic recovery organisational framework



The initial meetings of the POG have agreed that it is important to engage early with States Members, key stakeholders and Islanders about their thoughts on the economic future of Jersey. As a consequence, early discussions have started with key stakeholders and interest groups about their ideas and thinking. However, it is important to have a separate and early discussion to hear States Members’ views.

The Government is therefore proposing to debate its approach to economic recovery in the States Assembly in June. It is also seeking approval to lodge the annual update to the Government Plan later this year and the resulting economic recovery proposals to be incorporated.

Economic recovery

In developing proposals that will be equally successful in restoring the health of our economy the POG has begun to consider the scope of economic recovery work; both in injecting a timely, temporary and targeted stimulus to businesses and in developing a more diverse, inclusive, productive and sustainable economy for the long term. Social, community and environmental recovery are closely linked to this work, which will aim to promote economic inclusivity, diversity and

sustainability and improve the standard of living and wellbeing of citizens. These proposals may include:

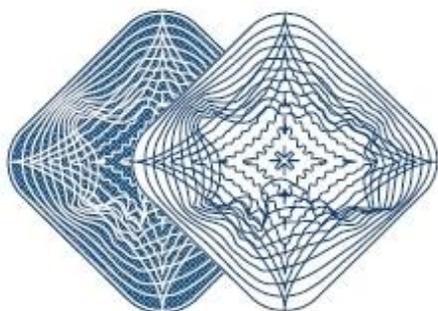
- Identifying, evaluating and prioritising ideas that form the cornerstones of inclusive economic recovery eg. national productivity strategy
- Identifying and considering future challenges to Jersey's 'foundation economy' (agriculture, fisheries and aquaculture, retail, hospitality, construction and those sectors providing goods and services to them e.g. freight forwarding and wholesale) eg long-term changes in consumer behaviour, and how the Government can support them through carefully-targeted interventions
- Identifying and considering opportunities in the 'new economy' (financial services, digital, telecoms and other services less dependent on local physical custom) including new sectors and markets
- Evaluating the ease of doing business with the Government and associated bodies (eg regulators) with a view to improving competitiveness, while maintaining Jersey's position vis-à-vis international standards
- Researching, evaluating and recommending successful policies implemented elsewhere internationally
- Facilitating the best possible outreach to business sectors, employee representatives and charity enterprises
- Identifying, developing and evaluating actionable sector-specific initiatives (eg hospitality) and thematic initiatives (eg productivity)
- Reviewing available data within the Island and considering new metrics that can support better decision-making
- Considering a new delivery and performance framework to report across key economic and societal deliverables.

A separate, but related, review of public finances is also underway to develop proposals to pay for the Coronavirus emergency and economic stimulus measures, so that Jersey can return to a sustainable and balanced public funding position in the medium term.

Just as any crisis provides an opportunity for change, so this In-Committee debate provides an opportunity for constructive debate about our economic renewal, inclusive growth and the sustainable and judicious use of our resources. This debate should also recognise the challenging outlook for public finances in delivering the early stage support measures.

The intention of this In-Committee debate is to initiate a full and proper discussion by Members in order to begin to crystallise thoughts on the nature and shape of any future economic recovery and the way in which it should best be achieved.

Appendix A



Jersey's Fiscal Policy Panel

Deputy Susie Pinel

Minister for Treasury and Resources

(copied to all States Members)

23 March 2020

Updated Economic Assumptions

Dear Minister,

Thank you for your letter dated 18 March. The Panel is acutely aware of the disruption to the global economy that you outline in your letter and therefore the need to update its economic forecast and provide revised fiscal advice. The impact of the Covid-19 outbreak looks likely to represent mainly a short-term shock to demand. However, there is a risk that this could lead to longer-term structural weaknesses and therefore the Panel advises that these are the circumstances in which drawing on the Strategic Reserve is appropriate, in addition to use of the Stabilisation Fund, to support the economy. This is a fast-developing situation and we will update this advice as required.

The Panel's updated economic assumptions are included at Annex 1. These updated forecasts are made at a time of extreme uncertainty regarding the short-term outlook for the global economy, and for Jersey. The Organisation for Economic Cooperation and Development (OECD) has identified the global Covid-19 pandemic as the greatest threat to global growth since the financial crisis.

During March the severity of the health crisis and its probable economic effects have become clearer. Financial markets have been highly volatile, reflecting expectations for sharply weaker growth, with several equity indices seeing their largest falls since the financial crisis. Oil prices saw one of the biggest single-day falls in history, following significant increases in supply from Saudi Arabia – combined with expectations for subdued demand. Crude oil prices reached their lowest level since 2003, having fallen by more than 50% since the beginning of 2020. The immediate outlook for financial markets and oil prices is extremely uncertain.

As the virus has continued to spread, the expected negative impact on the global economy has intensified with all major European economies expected to experience severe contraction this year,

in addition to significant economic disruption throughout Asia and in North America. The global economy is highly likely to fall into recession in the first half of 2020. As a small open economy, dependent on global trade, this will have significant effects on Jersey.

Even before the outbreak, data on the local economy suggested that there was a mild slowdown during 2019; in line with the Panel's October forecast. Now the outlook for 2020 has worsened significantly. The full health impact of the global pandemic has not yet been felt in Jersey, with a small number of confirmed cases to date. However, modelling undertaken by Jersey's Health and Community Services Department suggest this will increase in the coming weeks. While Jersey's government is committed to taking measures to slow the spread of the virus, the modelling indicates that even the most stringent efforts will not be able to stop the spread of the virus.

The Minister has requested the Panel to consider the impact of this on the economic outlook. It is very difficult to anticipate how this will manifest but there are a number of different transmission mechanisms, including:

1. Supply chain disruption – So far there has not yet been any significant disruption to supply chains as a result of the virus. There are some shortages in retail outlets, but this is attributed to panic-buying of non-perishables and specific items to combat the virus, e.g. hand-sanitiser. However, most of Jersey's goods come from or through the UK and as the number of infections increases there, there is likely to be some disruption to either the production or transport of goods. This is in addition to the broader disruption already to global supply chains.
2. Labour shortages – As infection rates increase in Jersey, this will result in increased time off work due to sickness. Self-isolation is also being advised for certain individuals, to prevent the spread of the virus. In addition, closing schools will result in many working parents and carers needing to stay at home. While many employees will be able to work from home during self-isolation, this will not be the case particularly for sectors that involve face-to-face interactions. For example, Jersey's financial sector is likely to see less disruption due to staff absence than might be the case in the residential care sector.
3. Demand shock – Jersey's government has advised individuals to self-isolate if they have returned from a prescribed list of affected areas; or if they are showing symptoms of the virus. In addition, social distancing has been advised for those aged 65 and over and is likely to be adopted to some extent by residents of all ages, as a precautionary measure. Coupled with what could be a severe fall in visitor numbers, this will result in a significant contraction of demand for local goods and services.
4. Permanent effects - Although we expect the direct economic impact of the virus to be severe but temporary, a prolonged period of economic dislocation may have permanent effects by, for example, pushing some firms and individuals into bankruptcy – a key policy goal should be to minimise these impacts.

Some activities will be hit harder than others. The hospitality and leisure/culture sectors will experience a decline in revenues as locals avoid public places, in addition to the loss of visitors. The travel sector is already facing challenges caused by the reduction in travel, with the collapse of Flybe at least partly driven by the global pandemic. While labour shortages will affect a range of sectors, it

will be most acutely felt if there is disruption to the provision of essential services – not least the medical and care sectors, which will also see a spike in demand.

The Panel encourages Government and the private sector to coordinate as far as possible so that spare resources freed up from the lack of demand in some sectors can be redeployed to meet some of the excess demand in other sectors.

The impact of these four mechanisms on the economic outlook is extraordinarily difficult to predict. However, the Panel's judgement is that the most likely outcome will involve:

1. A fall in employment from the recent peak, as firms seek to cut costs to mitigate the fall in demand or are forced to close.
2. Lower inflation in 2020 due to lower oil prices and mortgage payments. However other inflation pressures could work in either direction, as supply chain disruption or other shortages could cause pockets of high prices but there will be downward pressure on other prices due to reduced demand.
3. A fall in average earnings, due to a combination of lower demand for labour and lower inflation.
4. Lower interest rates, in line with market expectations and with the Bank of England's decision to cut rates to a record low of 0.1%.
5. A fall in profits in the financial services industry, partly driven by lower interest rates, and a much sharper fall in non-finance sectors due to reduced demand and supply chain disruption.
6. A sharp slowdown in the housing market with a very limited number of sales during the peak of the outbreak and for some time after.
7. Some firms and individuals experiencing extreme economic hardship.

In our central forecast, this could see the Jersey economy (as measured by gross value added – GVA) contract by over 6% in 2020. However, this forecast for annual growth comprises a very sharp contraction within the year with a short period of very steep decline, particularly in the second and third quarters of the year, but with the first and last quarter seeing less impact. The Panel's central forecast is for a relatively quick recovery, regaining much of the loss of output in 2021.

Our forecast assumes that while there is considerable disruption on the Island, essential services continue to be provided and most supply lines remain open. It also assumes that Government provides an appropriate level of support to individuals and to employers, to ensure that any structural impacts are limited.

The Panel has not at this point cut its forecast for the long-term rate of 'trend' growth. This will be reviewed as the potential long-run impact of the global pandemic becomes clearer. Jersey is clearly vulnerable to any reduction in the interconnectedness of the global economy, and any permanent reduction in travel could pose further challenges for sectors that rely on visitors. More broadly, the reduction in demand could result in a permanent reduction in capacity if there are firm closures or significant downsizing.

While the Panel's recent advice has been for Government to run surpluses while the economy was expected to be above its non-inflationary capacity, this period has now come to an abrupt halt. Even before the outbreak of the virus, Jersey's positive output gap appeared to be closing. Faced with a very sharp contraction in demand, Jersey's government should now be looking to provide urgent

stimulus to the economy to support demand. The automatic stabilisers will clearly fall far short of what is required in the short term, so Government should look to expand its support to the economy.

The Panel notes the measures announced by the Government of Jersey to date to combat Covid-19 and mitigate its impact, including support to GPs, deferral of GST and Social Security contributions and a number of new funding mechanisms to support businesses. It is important that government spending can respond quickly to the changing situation and therefore fiscal policy decisions to respond should not be limited by the usual fiscal guidelines. Nevertheless, long-term fiscal sustainability remains paramount, and the focus of fiscal support should be on mitigating structural damage to the economy and alleviating hardship among the Jersey population. A short-term cyclical downturn cannot be averted.

The Public Finances Law allows the Treasury Minister to spend up to £10m in the event of immediate threat to the health or safety of any of the inhabitants of Jersey, to the stability of the economy in Jersey or to the environment. Given the need to move quickly, any additional expenditure that is required to directly combat/treat the virus should of course be done without first consulting with the FPP. Were further economic support required, the FPP can be consulted in parallel with policy development.

The impact of the reduction in tax revenues and additional expenditures to support the economy should be drawn from the Stabilisation Fund in the first instance. Given the risk that a short-term demand shock could lead to longer-term structural weaknesses, the Panel advises that these are the exceptional circumstances in which drawing on the Strategic Reserve is also appropriate. In deciding how to deploy resources and manage its financial commitments, the Government should consider flexibility in all of the financing options it has available, including borrowing. At a time of exceptional stress and illiquidity in financial markets, the government will need to consider the implications for its investment strategy over the longer term.

In the face of this significant shock to both supply and demand, other countries are putting in place various types of support for the economy and population are being put in place, including:

1. Liquidity and cash flow measures, to help otherwise sound firms with short-term shortfalls.
2. Support for business to ensure employment rates do not contract unnecessarily.
3. Short-term support for individuals and households in hardship.
4. A temporary package of fiscal stimulus.

Given the significant downside risks, there is much merit in urgently considering a package including all of these measures in Jersey.

The Panel is ready to update its advice should circumstances change significantly.

Yours sincerely



Kate Barker (Chair)

Francis Breedon and Richard Davies

Annex 1: Updated economic assumptions

March 2020 forecast

<i>% change unless otherwise specified</i>	2017	2018	2019	2020	2021	2022	2023	Trend 2024+
Real GVA	0.8	1.4	0.6	-6.3	4.4	1.0	0.6	0.6
RPI	3.1	3.9	2.9	1.2	2.2	2.5	2.5	2.6
RPIY	3.2	3.6	2.6	1.4	2.2	2.4	2.4	2.5
Nominal GVA	4.1	5.9	3.9	-5.1	6.0	2.7	2.8	3.1
Gross operating surplus (including rental)	-0.3	7.5	4.3	-8.2	7.7	2.2	2.5	3.2
Financial services profits	-6.4	9.6	2.0	-2.0	5.0	2.9	2.9	3.4
Compensation of employees	8.1	4.6	3.6	-2.5	4.6	3.1	3.0	3.1
Employment	2.3	1.4	1.0	-2.9	2.8	0.8	0.5	0.4
Average earnings	2.6	3.5	2.6	-0.6	2.2	2.3	2.5	2.7
Interest rates (%)	0.3	0.6	0.8	0.2	0.2	0.3	0.4	0.6*
House prices	2.9	7.1	7.0	-10.0	5.0	4.0	3.0	2.7
Housing transactions	7.8	5.3	-1.8	-50.0	45.0	15.0	7.0	1.5

* Bank Rate forecast for 2024 only

Previous (October 2019) forecast

<i>% change unless otherwise specified</i>	2017	2018	2019	2020	2021	2022	Trend 2023+	
Real GVA	0.8	1.4	0.9	1.0	1.3	0.8	0.6	0.6
RPI	3.1	3.9	2.8	2.4	2.6	2.7	2.6	2.6
RPIY	3.2	3.6	2.6	2.3	2.5	2.6	2.5	2.5
Nominal GVA	4.1	5.9	3.5	3.3	3.8	3.4	3.1	3.1
GOS (including rental)	-0.3	7.5	3.3	3.0	3.5	3.2	3.2	3.2
Financial services profits	-6.4	9.6	2.0	2.0	3.1	3.3	3.4	3.4
Compensation of employees	8.1	4.6	3.6	3.5	4.0	3.5	3.1	3.1
Employment	2.3	1.4	1.0	0.2	0.8	0.5	0.4	0.4
Average earnings	2.6	3.5	2.6	3.3	3.2	3.0	2.7	2.7
Interest rates (%)	0.3	0.6	0.7	0.6	0.5	0.5	0.5	0.5
House prices	2.9	7.1	6.3	5.4	4.5	3.6	2.7	2.7
Housing transactions	6.7	7.2	7.0	3.0	3.2	2.3	1.5	1.5

Changes since last forecast

<i>% change unless otherwise specified</i>	2019	2020	2021	2022	2023	Trend
Real GVA	-0.3	-7.3	3.1	0.2	0.0	0.0
RPI	0.1	-1.2	-0.4	-0.2	-0.1	0.0
RPIY	0.0	-0.9	-0.3	-0.2	-0.1	0.0
Nominal GVA	0.4	-8.4	2.2	-0.7	-0.3	0.0
GOS (including rental)	1.0	-11.2	4.2	-1.0	-0.7	0.0
Financial services profits	0.0	-4.0	1.9	-0.4	-0.5	0.0
Compensation of employees	0.0	-6.0	0.6	-0.4	-0.1	0.0
Employment	0.0	-3.1	2.0	0.3	0.1	0.0
Average earnings	0.0	-3.9	-1.0	-0.7	-0.2	0.0
Interest rates (%)	0.1	-0.4	-0.3	-0.2	-0.1	0.1
House prices	0.7	-15.4	0.5	0.4	0.3	0.0
Housing transactions	-8.8	-53.0	41.8	12.7	5.5	0.0

Annex 2: Letter from the Treasury and Resources Minister

**Minister for
Treasury and Resources**

19-21 Broad Street | St Helier
Jersey | JE2 4WE



Dame Kate Barker
Chair of the Fiscal Policy Panel

18 March 2020

Dear Dame Kate,

At the time of the Fiscal Policy Panel's 2019 annual report, in October 2019, the Panel identified considerable uncertainty and consequent risks in the global economy. However, at that time these risks did not include the global pandemic caused by the coronavirus Covid-19, which began in China at the end of last year.

I understand that the Panel is currently preparing updated economic forecasts, to inform the development of the 2021-2024 Government Plan. With a pronounced slowdown in economic growth and exceptional uncertainty around its extent and duration this is a very difficult time to undertake any economic forecasting; but my Ministerial colleagues and I for the Government of Jersey greatly value the Panel's expertise at this challenging time.

Financial markets have been extremely volatile in recent weeks, with historic falls in equity indices and oil prices. Other jurisdictions have put in a wide range of policy responses, both to prevent the spread of the virus and to mitigate its impact on public health and the economy. Jersey is no different, and we have to date already put in place a number of measures to support the economy, including:

- deferring the payment of social security contributions;
- the deferral of GST payments; and
- payment deferrals where the Government is a landlord to local business.

Further, we note the steps announced in the UK's Budget last week, including additional funding for the health service, a hardship fund for households, a loan scheme for businesses and grants to small businesses. The Government of Jersey is working with stakeholders to consider how to support both businesses and households through the period of disruption.

In addition to considering the potential impact of the pandemic on your economic forecast; I would appreciate the Panel's views on any further fiscal policy response. To support us in developing the appropriate response, the Panel's advice is requested on which policy measures might be appropriate at different phases through the crisis.

Government is committed to mitigating the impact of the virus on Jersey to the extent this is possible but will require some flexibility to respond appropriately as conditions develop. In particular, I would appreciate your views on the advisability of transfers from both the Stabilisation Fund and Strategic Reserve, in order the fund the expenditure required, and stimulate the economy effectively in the short and long term.

I look forward to receiving your response in due course.