

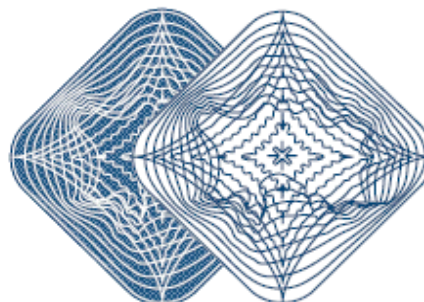
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# News release

## Jersey's Fiscal Policy Panel

1 May 2009

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## Fiscal Policy Panel publishes second annual report

In today's economic climate, fiscal policy should be used to stabilise the local economy, the Fiscal Policy Panel believes. It warns, however, that there are concerns about the long-term sustainability of the public finances and a strategy to address this should be agreed now, which could be implemented once the economy recovers.

Today (6<sup>th</sup> May) the Fiscal Policy Panel has published its 2009 Annual Report, which assesses the economic outlook for Jersey and the implications for the States finances.

The Panel expects the Jersey economy to shrink this year and next as a result of world recession and a squeeze on finance sector profits. It thus reiterates the advice it gave to the Treasury and Resources Minister Philip Ozouf in an open letter in March that the economic outlook merits the implementation of fiscal stimulus measures now.

Although it makes clear that the total size of any stimulus should be based on the economic outlook and the availability of suitable measures rather than by the money available in the Stabilisation Fund, the Panel broadly supports the size of stimulus package now being proposed. It has again stressed that measures should be timely, targeted and temporary, as well as offering value for money.

Taking a longer-term perspective, the report highlights the fact that current forecasts suggest some action may be required when the economic downturn is over to ensure the public finances are sustainable. The Panel does not recommend that any policy changes be made at this stage, however it believes that a strategy must be agreed this year that could be implemented when the economy recovers.

Finally, building on the recommendation in its November 2008 update, the Panel believes it is appropriate to keep the balance in the Consolidated Fund to a minimum at all times by transferring any surplus to the Stabilisation Fund. This is in order to reduce the temptation to commit to spending these funds during the business plan and budgetary process.

[continued overleaf...]

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Panel Chairman Joly Dixon said, “Jersey is in a fortunate position that, in the face of the sharpest global economic contraction in 60 years, it has nearly £160m in the Stabilisation Fund that it can draw upon to help mitigate the impact on the local economy.

“The time is certainly right for using the Stabilisation Fund to support the economy and we think that new policies along the lines of those suggested by the Treasury and Resources Minister should be implemented as quickly as possible. However, it is critical that any policies chosen to stimulate the economy represent value for money and are timely, targeted and temporary. If the States is not fleet of foot and fails to act quickly then this window of opportunity may pass by.

“Concerns about the current economic slowdown in the Island should not mean that the States takes its eye off the ball in terms of keeping finances on a sound footing in the medium-term. The latest financial forecasts suggest that there is a real risk of a significant structural deficit in future years, even once the economy recovers, and we strongly advise that a strategy for corrective action is agreed this year in case these deficits materialise.”

**-Ends-**

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## Contact

Interviews with the Panel can be conducted in person after the Panel's press briefing on 5<sup>th</sup> May, and do not need to be arranged in advance.

For all other enquiries please contact Dougie Peedle, States Economic Adviser (T: 01534 440 446);

## Notes to Editors

1. The Fiscal Policy Panel's role is to give the Treasury and Resources Minister and States members independent economic advice on matters relating to tax and spending policy and in particular on the use of the Stabilisation Fund.
2. The three members of the Fiscal Policy Panel are Joly Dixon CMG (Chairman), Christopher Allsopp CBE and Marian Bell CBE:

**Joly Dixon CMG** chairs Jersey's Fiscal Policy Panel. He is currently the Chairman of the Strategic Advisory Board for Intellectual Property Policy and a senior advisor to the Chief Economist of the European Bank. He worked for nearly 30 years at the European Commission, holding a variety of senior posts. He was Director for International Economic Affairs in the Department for Economic and Financial Affairs from 1992 to 2003. Prior to this he was in the private office of former Commission President Jacques Delors, advising the President on economic and monetary affairs.

**Christopher Allsopp CBE** is Director of the Oxford Institute for Energy Studies, a Fellow of New College, Oxford and a Reader in Economic Policy at the University of Oxford. He is the editor of the Oxford Review of Economic Policy and a Director of Oxford Economic Forecasting. In 2003/04 he conducted the Allsopp Review of Statistics for Economic Policymaking for the Chancellor of the Exchequer. He is a former Member of the Monetary Policy Committee (2000 to 2003) and of the Court of Directors of the Bank of England (1997 to 2000).

**Marian Bell CBE** is an economics consultant and former Member of the Monetary Policy Committee of the Bank of England (2002 to 2005). She has held posts at The Royal Bank of Scotland, where her roles included managing the Treasury and Capital Markets Research function, and at HM Treasury where she worked on modeling and forecasting the UK economy. She is a non-executive director of the Emerging Health Threats Forum and Vice Chair of the Contemporary Dance Trust at The Place.

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3. To view the Panel's previous publications, please see:

- Preliminary Report:

<http://www.gov.ie/TreasuryResources/News/fiscalpolicypanel.htm>

- 2008 Annual Report (September 2008):

<http://www.gov.ie/NR/exeres/F2C36F5C-9C37-4BDD-8B65-224FA9662F67.htm>

- 2008 Update (November 2008):

<http://www.gov.ie/TreasuryResources/Reports/FPPUpdate.htm>

- Response to Treasury Minister's letter concerning fiscal stimulus:

<http://www.gov.ie/TreasuryResources/News/FPPreply.htm>