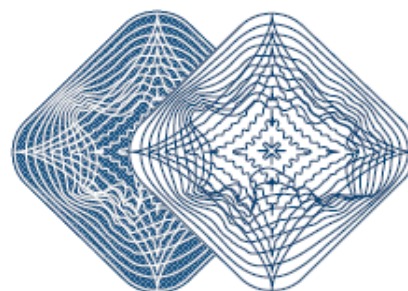

News release

Jersey's Fiscal Policy Panel

10 November 2009

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Fiscal Policy Panel voices concern

Recent spending decisions by the States risk undermining Jersey's successful record of good economic management, according to Jersey's Fiscal Policy Panel in an Update to its 2009 Annual Report published today (Wednesday 11 November 2009). Because of previous prudence, Jersey was well placed to mitigate very difficult economic circumstances by implementing a significant fiscal stimulus. However, unexpected tax revenues in 2009 are being used for extra spending in 2010 and 2011 rather than being set aside for a "rainy day", as the Panel had advised.

Despite optimism that the US and UK will be out of recession by the end of the year, the Panel continues to believe that the local economy will still experience a significant recession in 2009, which will last into 2010. In the spring the Panel recommended a timely, targeted, and temporary fiscal stimulus and this report praises the procedures that have been put in place to ensure that additional stimulus expenditure meets these criteria. It warns that other new spending depletes the Stabilisation Fund, putting at risk Jersey's ability to counteract further economic weakness, and may reduce the ability of the States to run balanced budgets over the medium-term. Decisions about spending and revenues are particularly crucial now since an on-going deficit is forecast, and there are significant medium-term pressures as well, such as an ageing population and threats to the 0/10 company tax system.

Panel Chairman, Joly Dixon, said: "While we believe that the States needs to be more careful in approving extra expenditure, it is encouraging that significant efforts are being made to strengthen the way that public finances are controlled. The worst of this crisis is hopefully behind us. Now is the time to make sure that the States' finances are again put on a more secure footing from which to face some potentially difficult challenges in the years ahead."

- Ends -

Contact

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

Notes to Editors

1. The Fiscal Policy Panel exists to provide independent economic advice to the Treasury and Resources Minister and States members on matters relating to tax and spending policy, and in particular on the use of the States reserve funds (the Stabilisation Fund and Strategic Reserve).
2. The three members of the Fiscal Policy Panel are Joly Dixon CMG (Chair), 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.

3. The Panel's 2009 Annual Report, published in May, can be found at <http://www.gov.je/TreasuryResources/Reports/FPP.htm>