JERSEY'S FISCAL POLICY PANEL

Annual Report 2025

November 2025

Fiscal Policy Panel Annual Report 2025

This is the eighteenth annual report of the Fiscal Policy Panel (FPP). The current members of the Panel are:

Sir Jon Cunliffe CB (Chair, appointed 2024)

Professor Richard Davies (appointed 2018)

Amanda Rowlatt CBE (appointed 2024)

Professor Paul Mizen (appointed 2025)

The Panel was placed on a statutory basis in 2014. The FPP's statutory role was reiterated in the Public Finances Law (2019), which requires the Panel to comment on Jersey's fiscal policy with reference to:

a) the strength of the economy in Jersey;
b) the outlook for the economy in Jersey;
c) the outlook for world economies and financial markets;
d) the economic cycle in Jersey;
e) the medium-term and long-term sustainability of the States' finances and the States' financial assets and liabilities; and
f) the advisability of transfers to or from the Strategic Reserve Fund and Stabilisation Fund.

The Panel's work is guided by five key principles, set out in the first Annual Report produced in 2008. These are:

1. Economic stability is at the heart of sustainable prosperity;
2. Fiscal policy needs to be focused on the medium term;
3. Policy should aim to be predictable, with flexibility to adapt to economic conditions to assist in creating a more stable economic environment;
4. Supply in the economy is as important as demand; and
5. Low inflation is fundamental to the competitiveness of the economy.

In making its recommendations, the Panel is guided by its understanding of the preferences of Islanders who want government to be prudent and create the conditions for economic growth while respecting the Island's cultural heritage, maintaining the competitiveness of the economy and keeping inflation low.

In preparing its reports, the Panel draws on discussions with stakeholders and is grateful for the invaluable support provided by the staff of the Government of Jersey, in particular the Economics Unit and Treasury and Exchequer. More information about the Panel, including previous reports, can be found at www.gov.je/FiscalPolicyPanel.

1 Foreword

In recent years, Jersey has benefited from strong economic performance predominantly due to growth in bank profits and the wider financial services sectors. More recently, growth has slowed as banking profits have normalised with the turn in global interest-rate cycles. Tax revenues have remained robust, and while a significant portion of the recent growth has come from personal income tax, boosted by increases in public sector wages and the minimum wage, most of the strength in recent years reflects developments in the financial sector that lie largely outside the influence of the Government of Jersey and cannot be relied upon on a sustained basis. At the same time, the island faces familiar macroeconomic challenges, including low productivity growth and an ageing population.

Jersey benefits from a strong financial services sector. Finance and related professional services account for around half of national income directly and much more indirectly through supply chains and employee spending in the local economy. The prosperity and quality of life enjoyed by islanders remain dependent on the continued strength and competitiveness of this sector.

This dependence is also a source of risk because many of the factors that drive financial sector revenues are external and subject to considerable levels of geopolitical uncertainty. Without its own currency and with comparatively limited tax and benefit levers, Jersey lacks the macroeconomic policy tools that larger economies use to smooth volatility and respond to shocks. To address this, the island has established reserve funds, including the Strategic Reserve and the Stabilisation Fund. Maintaining and where necessary restoring the value and liquidity of these funds is critical for ensuring sustainable economic stability. Absent this, Jersey is vulnerable to economic headwinds and shocks. Maintaining a prudent Social Security Reserve Fund is essential to ensure that Jersey can meet future pension and age-related obligations

Due to a combination of high inflation, wage pressure and real-terms growth in departmental budgets, recent years have seen substantial increases in day-to-day public spending - increases that have significantly outstripped growth in income. Contributions to reserve funds have been much more limited and, in some cases, funds have been drawn down to fill funding gaps in day-to-day spending. The stabilisation fund has been depleted and not rebuilt, leaving the economic and fiscal position more exposed to fluctuations in financial-sector income and external conditions. In view of the uncertain global environment, a faster pace of reserve accumulation, alongside continued value-for-money discipline in day-to-day spending, is necessary to enhance resilience.

The Panel has assessed the outturn for 2024 GVA. The data show that whole-economy output fell modestly in 2024 as banking profits eased. Activity in the rest of the economy improved somewhat, driven primarily by wage growth and growth in the public sector. Jersey's economy remains dependent on the financial sector; this presents risks that require careful management. The Panel's Economic Outlook Spring 2025 highlights the uncertainty and downside risks to economic growth in the near term in the current global environment.

Jersey's labour market typically operates at or near full employment, with migrant workers helping to fill additional and seasonal roles. Recent data suggest that most job growth has been concentrated in the public sector, with limited job growth in private sector employment. Private sector recruitment increasingly comes

from further afield and requires more planning and longer timelines. Together with restrictions that apply to some workers, this can create rigidities that make it harder for businesses to match staffing with actual activity.

Inflation has fallen from its peak, yet there are signs that domestically generated pressures are becoming more persistent. Underlying inflation remained above the UK through 2024. The gap has continued to widen and headline Jersey inflation has edged up again in mid-2025, with wage-cost pressures evident in services. In this environment, and without the levers of monetary policy to address domestic inflation pressures, a Budget that raises day-to-day spending is likely to add to inflation and demand for imports rather than delivering durable gains in real incomes.

The Panel has assessed the Budget in line with the principles that guide its role. The Panel recognises that, despite stronger revenues in recent years, the Government faces difficult choices. It must balance pressures on day-to-day services, particularly after the pandemic and the cost-of-living shocks, with the need to invest for the future and to restore the island's reserves to levels that safeguard resilience. The Panel has a statutory role to assess the medium- and longer-term sustainability of the island's economy and finances. Our overall assessment is that, in making current and future fiscal choices, greater weight should be placed on the medium term and on ensuring the resilience of the island's economy to cyclical and structural shocks.

2 Executive Summary

2.1 Economic Outlook Summary

- **The global outlook remains weak and uncertain.** The IMF's World Economic Outlook highlights that growth is expected to stay below pre-pandemic norms and core inflation is still above target in several economies, including the UK. Financial conditions are tighter than in recent years and geopolitical risks remain elevated. For a small, open, and import-dependent economy, dependent on global capital flows, these factors argue for caution and for preserving room to respond if conditions deteriorate.

- **Jersey's economy contracted by 0.7% in 2024** as banking profits fell back with the reduction in interest rates, driving a -6.2% contraction in financial services. Outside of financial services, the public sector grew by 8.5% and non-finance grew by 3.3%.

- **Underlying inflationary pressures are increasing.** Whilst inflation has fallen from its 2023 peak, underlying inflation has since remained above normal levels, the gap with the UK has widened and headline Jersey inflation is now edging upwards. Domestically generated price increases, particularly in services, are a concern and consistent with wage growth outpacing productivity in parts of the economy.

- **The labour market remains tight, and capacity is constrained**. Recruitment continues to be difficult in some sectors, which adds to cost pressures and may limit growth in output.

- **Housing market activity has slowed further**. House prices fell by 8.2% in 2024, the largest annual fall since 1986, and transactions remain low, although there are tentative signs of a pickup as interest rates continue to fall. Weaker turnover and lower prices weigh on construction and related activity, while also easing some affordability pressures for prospective buyers. Housing market activity has remained subdued in 2025.

2.2 Fiscal outlook (Public finances)

- **Public expenditure continues to rise** driven by increased day-to-day spending rather than investment in productive capacity. Compared to the previous budget, Budget 2026 increases day-today spending by £207 million (5%), facilitated by the proposed cut in the States Grant to the Social Security Fund, while revenue increases by £30million (1%). In 2026 alone, departments receive an extra £53 million for growth allocations (real increases in departmental budgets to fund additional policies). Growth allocations are not for one-off spend and will need funding on a recurring annual basis.

- **The 'operating balance' (the difference between revenues and day-to-day spending) is forecast to move into a £12 million deficit in 2026.** Increases in day-to-day spending continue to outstrip increases in revenue, with a reduction in the States Grant used to fill the funding deficit in departmental budgets and with further borrowing required to finance capital projects. This is despite the additional tax revenues forecast from Pillar Two. Whilst the operating balance is forecast to return to surplus in 2027 this is mainly because of the reduction in the States grant to the Social Security Fund (£42million in 2027). The 'overall balance', total income less day-to-day and capital spending, remains negative each year as capital spending and borrowing costs rise. The faster growth in spending compared to income continues a general trend, which started during the COVID pandemic and continuing thereafter. Since 2019, income has grown by 49% while day-to-day spending has

grown by 58%, producing cumulative overall deficits of £345 million (when combined with capital) that have been financed by reserve drawdowns and borrowing.

- **As with the previous budget spending on health accounts for most of the increase in day-to-day spending.** 58% (£121million) of the increase in day-to-day spending is additional expenditure on health. Including the increase in health spending from Budget 2025, proposed health spending in 2026 is a third higher (£95 million) compared to the level proposed for 2026 in Government Plan 2024. Health has overspent its budget allocation in each of the last two years. On current plans, by 2029 the Long-Term Care Fund will be exhausted and the Health Insurance Fund will have less than a year's expenditure creating further pressures. The planned review of healthcare spending requirements and the proposal to move to 3-year budget planning are welcomed but financial discipline is essential if spending growth is to be managed and overspending avoided.

- **Capital spending is increasing, financed in part by new borrowing**. The Budget proposes an average capital spend of £256 million a year through 2026-2029, including on the New Healthcare Facilities (NHF). Capital spend will, in part, by financed by new borrowing of £43 million - in addition to the £523m of borrowing for NHF. Annual capital spending will equate to around 3.5% of GDP, equal to the average for OECD countries.

- **Total public debt is forecast to peak at £1.3 billion in 2026**, around 17% of GDP, with debt-interest costs approaching £48 million by 2028. This is more than the total funding for some departments. Higher debt servicing costs will absorb a larger share of revenue and increase the sensitivity of the Budget to future movements in interest rates.

- **The Strategic Reserve and Stabilisation Fund remain below the value the Panel regards as prudent for Jersey.** Previous work by the panel examined small and open economies, like Jersey, that were dependent on international capital flows, and recommended a Strategic Reserve between 30% to 60% of GDP (see Fiscal Policy Panel Advice for 2020-23 Government Plan). The Strategic Reserve is currently below 20% of GDP and will fall to 18% as £277 million is used to fund New Healthcare Facilities. The Stabilisation Fund is exhausted. Budget 2026 proposes drawdowns from the Social Security Reserve Fund to help address current year overspends.

In summary, Budget 2026 proposes both an increase in day-to-day spending that exceeds revenue growth and a larger capital investment programme. Total proposed spend exceeds income and relies on borrowing and reducing reserves. Increasing spend at a time when Jersey's economy is operating at capacity is likely to exacerbate domestically generated inflation. It is prudent for governments to save more during periods of strong income so that spending can still be covered during downturns.

3 Recommendations

- **Budget 2026 continues the trend of increasing day-to-day spending seen in previous years.** Day-to-day spending is approaching total income for the period, leaving no headroom for capital spending, and overspends have been frequent in recent years.
  The trajectory of day-to-day spending is unsustainable given Jersey's revenues, and will need to be curtailed in future Budgets. High levels of public spending, especially on services, in a capacity constrained economy is likely to add to existing inflationary pressures.

- **The Strategic Reserve and Stabilisation Fund need rebuilding.** These reserves were specifically created to protect Jersey from economic shocks that can be detrimental to a small island economy. The Strategic Reserve is underfunded, and the Stabilisation Fund is empty. The commitment made in Budget 2025 to use relatively certain Pillar Two revenues to replenish the Stabilisation Fund has been abandoned. Without adequately funded reserves the risks to Jersey and its economy are greater.

- **Drawdowns from the Social Security Reserve Fund should only be made on the basis of a comprehensive actuarial assessment of future pension liabilities.** The decision in Budget 2026 to withdraw funds and cut the contribution to the Fund before the results of the 2025 actuarial review are published is not prudent.

- **The States of Jersey needs to save more.** Compared to pre-COVID-19 pandemic, Jersey's balance sheet has deteriorated significantly (as a percentage of GDP). A weaker balance sheet makes Jersey susceptible to fiscal and economic shocks that would damage public services and employment.

- **Pillar Two income should be used prudently.** Saving should be prioritised over additional spend, particularly day-to-day spending. The Panel recommends that Pillar Two income should be invested in replenishing the Stabilisation Fund and in building the Strategic Reserve to the minimum value advised by the Panel. Some of the income could be used to fund investment in capital, or productivity-enhancing measures, but should not be used to fund day-to-day spend.

4 Fiscal Outlook

4.1 Introduction

This section considers the proposed Budget 2026-29 ('the Budget') and assesses the extent to which it follows the fiscal framework guidelines. The Budget was lodged in September 2025 and is scheduled for debate by the States Assembly on 9th December 2025.

In assessing the Budget, the Panel is guided by its five guiding principles:

1. Economic stability is at the heart of sustainable prosperity;
2. Fiscal policy needs to be focused on the medium term;
3. Policy should aim to be predictable, with flexibility to adapt to economic conditions to assist in creating a more stable economic environment;
4. Supply in the economy is as important as demand; and
5. Low inflation is fundamental to the competitiveness of the economy.

The Panel also comments on how the Budget follows the Fiscal Framework outlined in *Establishment of a Stabilisation Fund and Policy for the Strategic Reserve (October 2006)* – legislation passed by the States Assembly setting out the following objectives of fiscal policy:

- 'Create an effective macroeconomic policy framework that can improve economic stability by containing inflation and maximising the economic potential of the Island'
- 'Put in place a transparent and credible framework that is both pragmatic and understood by everybody in the Island'
- 'Make fiscal policy overall more counter-cyclical and manage the revenue streams in a manner that enhances economic performance'

The Fiscal Framework is specifically concerned with the role of the **Strategic Reserve,** which should include enough capital to allow the Island to mitigate and manage the impact of severe structural decline or major natural disasters, as well as the **Stabilisation Fund** which should enable counter-cyclical fiscal policy to create a more stable economic environment with low inflation in the Island.

4.2 Current Overall Fiscal Position

Since the COVID-19 pandemic, overall spending (the sum of current and capital expenditure) has exceeded the amount of income the States of Jersey generates through tax and other revenues.

In recent years, the growth in day-to-day spending ('net revenue expenditure') has been significantly greater than the growth in income. This has been a departure from the pre-COVID trend. Over 2013-2019, general income increased by 33% (5% annual average), and day-to-day spending increased by 23% (4% annual average). In contrast, 2022-2025 saw income growth of 22% (7% annual average), while day-to-day spending grew by 42% (13% annual average) over a period half as long (3 years). Over the same period the annual capital expenditure budget also increased by £55million (49%). **Figure 1.1** shows how the increase in current spending has created overall deficits since the COVID-19 pandemic.

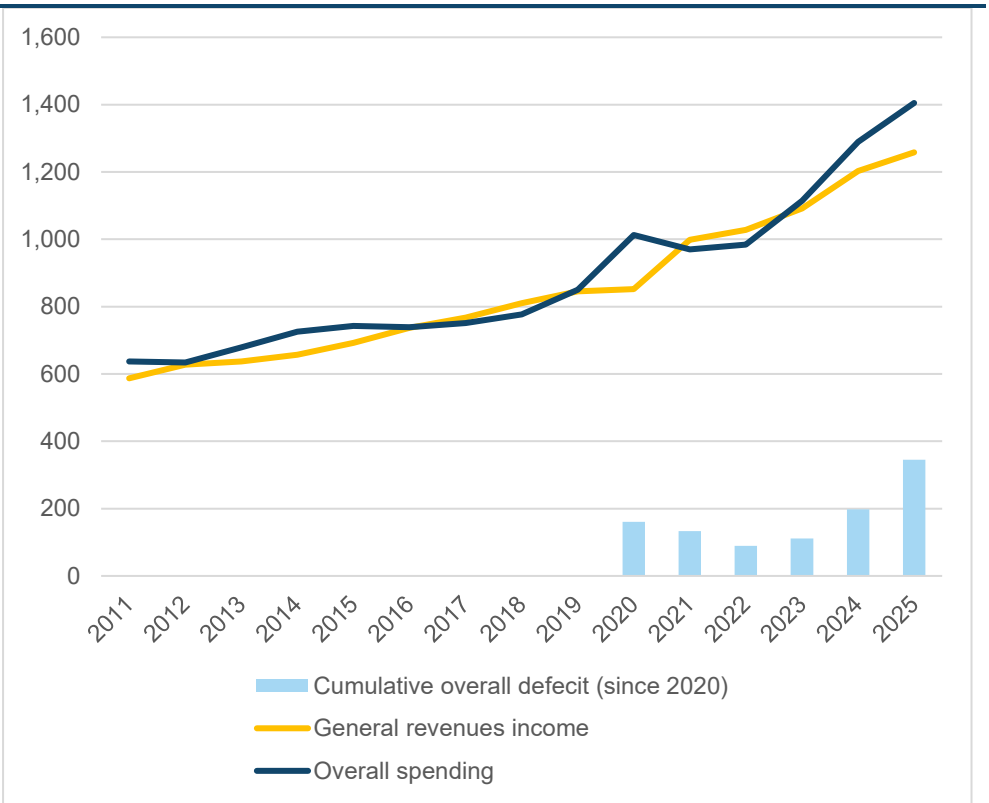
Figure 1.1

Consolidated Fund Income, Overall Spending and Cumulative Overall Deficit since 2019

£ million

The overall deficit is the difference between total income and the aggregate of net revenue expenditure and capital expenditure

Source: Statistics Jersey, Treasury and Exchequer



Since 2022, tax receipts have grown strongly, buoyed by higher-than-average earnings growth and strong growth in banking profits. Total income has increased by £230 million (22%). Day-to-day spending, however, has increased by £366 million (42%).

Since 2020, costs associated with the pandemic, strong day-to-day spending growth, as well as some increases in the capital expenditure budget, has created a cumulative overall deficit of £345 million.

The overall deficits in recent years have been funded by reserve drawdowns and borrowing. In 2026, approved borrowing will reach £1,293 million or 17% of GDP, its highest ever level.

The Panel recognises that some spending pressures have been created by factors outside of government's control (imported inflation, demographics and rising health costs). However, there has been significant expansion in the size of the public sector and an increase in spend in real terms on policy choices. Whilst the growth in headcount has been curbed, day-to-day spending has continued to grow at a faster rate than income. This has limited the ability to invest in reserves and has led to drawdowns and borrowing to help fund capital expenditure and support current spending budgets. As a result, the net financial position of the States of Jersey funds have deteriorated as a % of GDP and has not been able to recover to pre-pandemic levels despite high levels of income generated from the investments of the funds themselves. In 2019, the net position of the States of Jersey financial assets was 68% of GDP, in 2025 this has fallen to 44% and is set to deteriorate slightly further to 42% in 2029. In addition, total borrowing has increased significantly **(Figure 1.2)**.

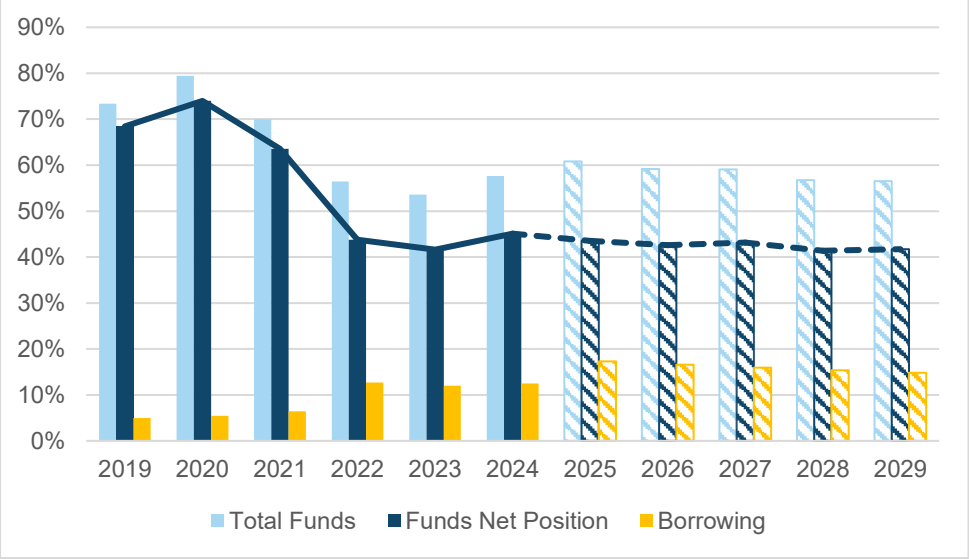
Figure 1.2

Net Financial Position of States of Jersey Funds

% of GDP

Total value of all funds and reserves net of non-current liabilities (government borrowing)

Source: Treasury and Exchequer



4.3 Budget 2026 Overall Balance and Fiscal Position

The overall balance is the difference between all the Government's general income and all its spending - both the Consolidated Fund (current account) and capital spend. **Figure 1.3** shows the total overall balance is negative in each year of the Budget. The combination of mostly expenditure growth, but some capital programme expansion has increased the overall deficit by 67% to £247 million in 2026, when compared to the previous budget. In 2029, once capital spend on the New Healthcare Facilities is complete, the deficit is greatly reduced. Deficits are being funded by borrowing and transfers from investment income generated in the reserves.

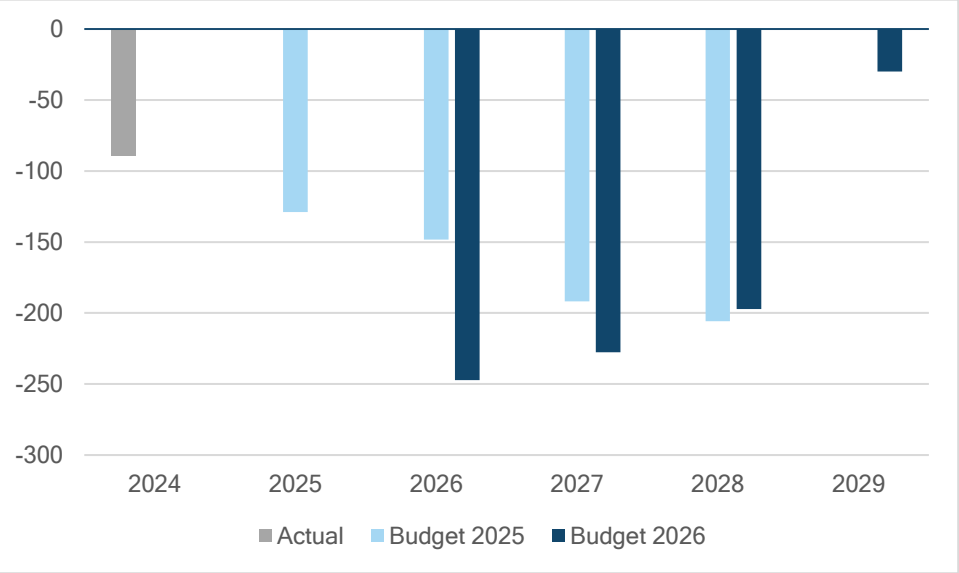
Figure 1.3

Overall balance

£ million

Budget 2025 has been adjusted to include Pillar Two income and NHF borrowing costs

Source: Treasury and Exchequer



The increase in the overall deficit shows that this Budget is prioritising current spending over saving in reserves or fiscal consolidation (limiting increases in expenditure). The savings position is weakened because the spending proposals in the Budget exceed revenues and require reserve transfers and extra borrowing. The

Plan to rebuild reserves in Budget 2025 has been weakened and rebuilding of the reserves now depends on uncertain upside Pillar Two revenues.

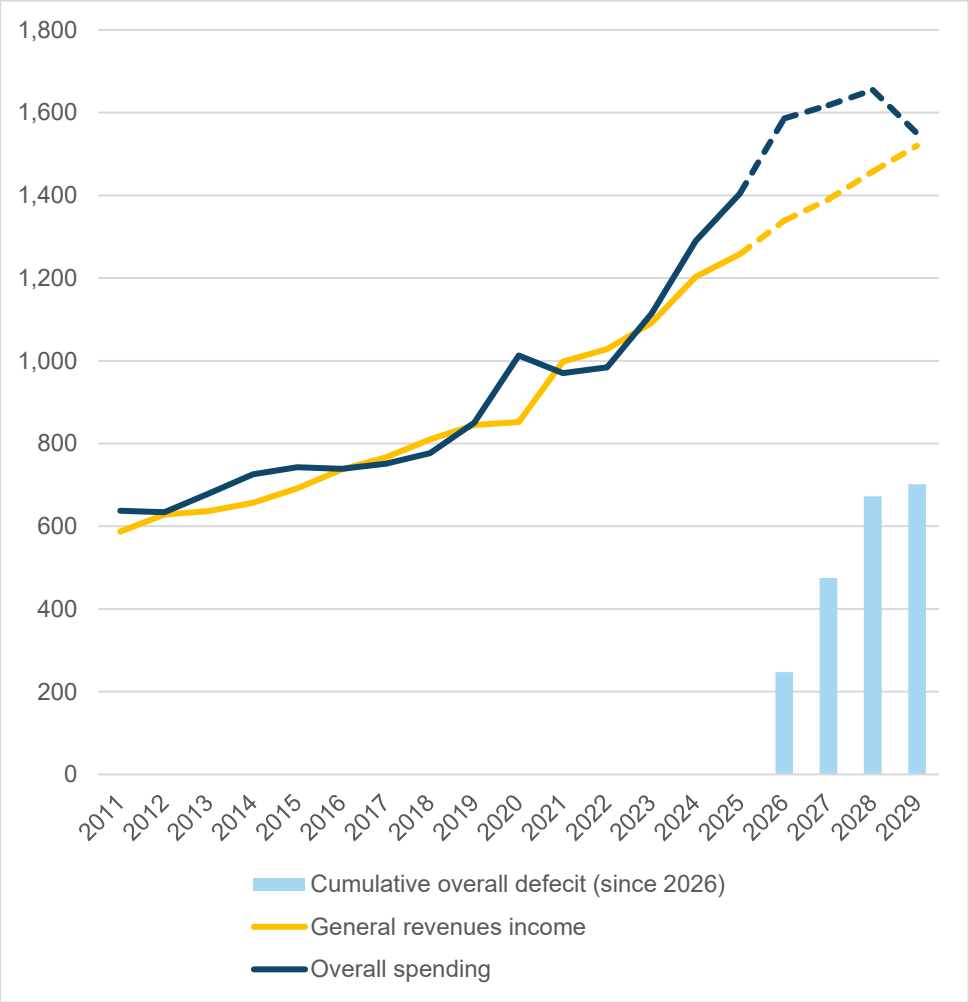
Figure 1.4

Consolidated Fund Income, Overall Spending and Cumulative Overall Deficit over Budget 2026

£ million

The overall deficit is the difference between total income and the aggregate of net revenue expenditure and capital expenditure

Source: Statistics Jersey



The cumulative overall deficit for Budget 2026 (2026-2029) reaches £702 million. £632 million of which is being driven by capital expenditure on the New Healthcare Facilities, funded by a mixture of borrowing (£523million) and drawdowns from the Strategic Reserve (£277million)). The States grant to the Social Security Fund has been cut to fund day-to-day budget increases created by 2025 overspends. Further borrowing (£43million) is needed to fund additional capital projects – Fort Regent.

Maintaining a strong balance sheet and protecting reserves are crucial to fiscal stability and to meeting future liabilities. Jersey is naturally susceptible to higher levels of fiscal risk as it lacks independent monetary policy and because tax revenues are dependent on the financial services sector. To ensure Jersey is effectively protected against these risks, it is crucial that the State's balance sheet and reserves are rebuilt and that funds to meet future liabilities are maintained at an actuarially prudent level. This can only be achieved by limiting growth in day-to-day spending. reducing borrowing and increasing the levels of saving and investment.

4.4 Government Income Forecast

The Budget forecasts lower income in 2025 and 2026 compared to the previous Budget. Whilst the net effect is small (- £25 million, or a 1% decrease in total general tax revenue), given the Budget is in an operating deficit over the near term – where total expenditure is greater than total income – even small reductions to income forecasts matter.

A downward revision to the corporate income tax forecast is offset by an upward revision to personal income tax following strong earnings growth of 6.4% in 2024 and 4.5% in 2025. The Panel forecasts that earnings will continue to grow at a higher-than-average rate over the Budget term – in tax terms, this will help improve the operating position in the later years of the Budget though it is likely to have an adverse spending effect through inflation as set out in **Section 5.2.4**.

There have also been downward revisions to the stamp duty and Impots (customs) forecasts. As set out in the Economic Outlook 2025, global uncertainty is high and Jersey is unlikely to be immune from the volatility this creates.

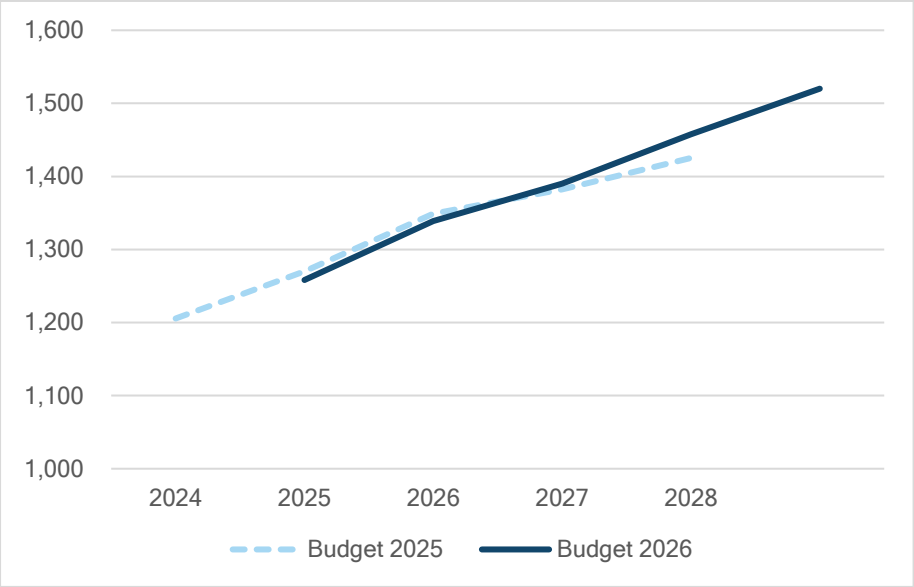
Figure 1.5

Total States Income forecast

£ million

This includes the general tax revenue forecasts as well as other budget measures, which are expected to increase or decrease income

Source: Treasury and Exchequer



4.5 Government Expenditure

Headline day-to-day spending has increased by £55 million over 2026-2028 compared to the previous budget. Expenditure growth includes significant additional funding for health and for children's services; it also includes additional spend for new policies (growth in allocations) across other departments.

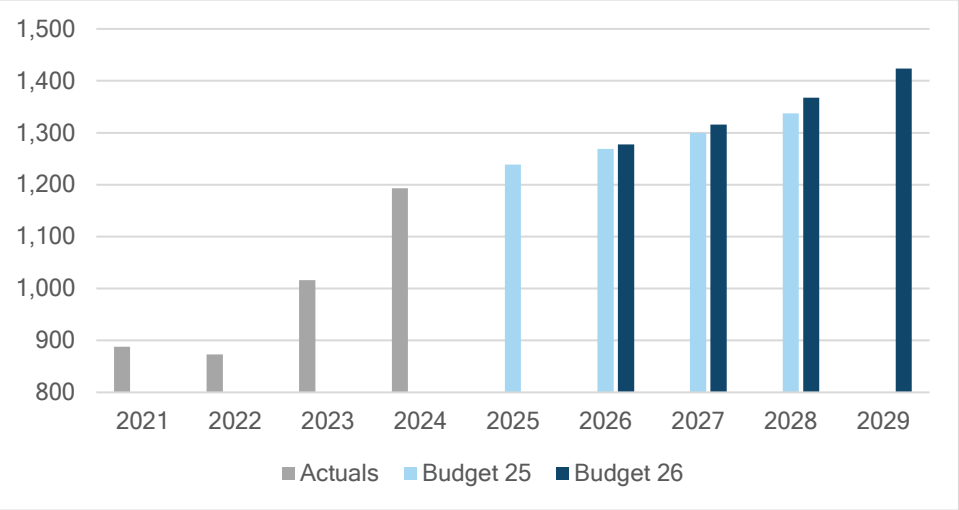
Figure 1.6

Day-to-day spending proposed in Budget 2026

£ million

Net Revenue Expenditure Budget 2025 vs Budget 2

Source: Treasury and Exchequer



Additional departmental spend (growth allocations) of £53 million is proposed for 2026, growing to £67 million in 2029. This is a real terms spending increase on additional services.

Increases in headline day-to-day spending set out in in Budget 2026 do not, however, show a true picture of the overall increase in expenditure as £198 million of the gross day-to-day spending over 2026-2029 has been financed by a reduction in the annual contribution to the Social Security Fund – effectively a decrease in saving to finance spending. Adjusted for this, day-to-day spending increases by £207 million over the 3-years compared to the previous budget (see **Figure 1.7**). Health is the main beneficiary with a £37 million (11%) increase in 2026 spending alone, year-on-year, with spend on Education and Children growing by £20 million (9%)

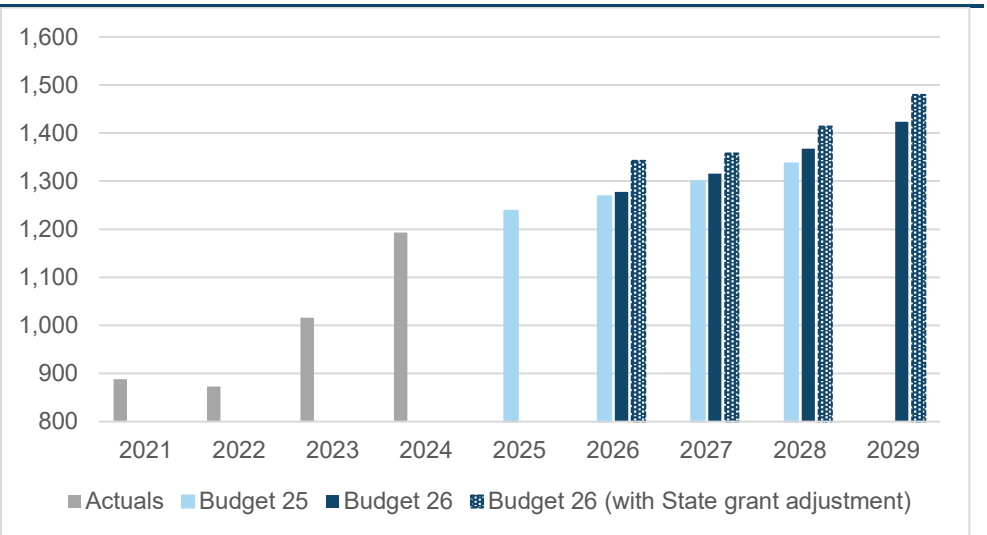
Figure 1.7

Day-to-day spending adjusted for the reallocation of the States grant to current spend

£ million

The States grant is being rebased in 2026 and allows current spending to increase at the expense of savings

Source: Treasury and Exchequer



In addition to real increases in day-to-day spending budgets, driven by policy choices, spending also increases in Budget 2026 due to inflation. Inflation is forecast to be higher in the near term which will mean higher public sector pay as well as further non-pay inflation costs. Inflation provisions have added £41 million to expenditure in 2026.

Formula driven spending growth – budgets linked to economic or fiscal measures – also creates spending growth of £25 million in 2026 via:

- A standard 2% increase in Health budgets to maintain services and meet healthcare inflation. An additional 1% has been allocated to address ongoing health deficits from 2026 onwards.
- Maintaining the Jersey Overseas Aid (JOA) budget at 0.3% of GVA
- Formula driven increases for the States grant to the Long-Term Care Fund
- Maintaining the budgets for arts, culture and heritage across government at 1% of revenue expenditure
- Financing costs including overdraft charges and debt servicing
- Technical adjustments to increase budgets for Financial Services regulation and increases in contingency funds for court and case costs

The Panel continues to highlight the risks that formula driven budgets may lead to spending targets that are inefficient or undeliverable.

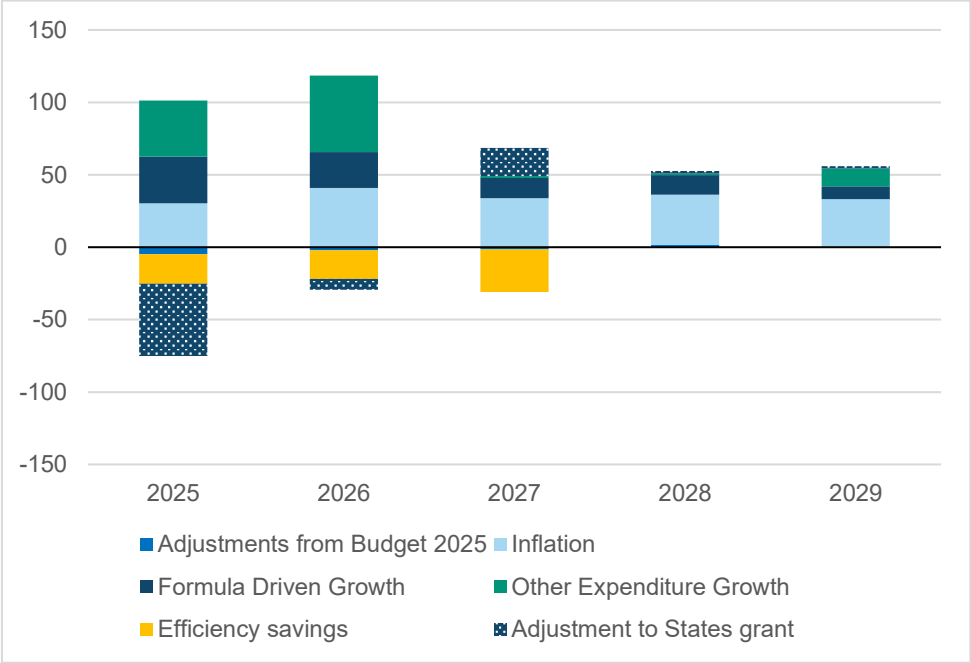
Figure 1.8

Annual changes in day-to spending

£ million

Year-on-year changes to spending (net revenue expenditure) proposed in Budget 2026

Source: Treasury and Exchequer



Budget 2026 includes efficiency savings targets (see **Figure 1.8**). £20 million in efficiency savings are proposed for 2026 (£4 million less than agreed in the previous Budget) and £27 million of new savings targets are proposed for 2027. £17 million of these new savings will be delivered through public sector pay management, leaving £11 million of savings unallocated.

The Panel acknowledges the successful delivery of targets delivered through headcount management in 2024-2025 and supports the ambition to curb public sector growth via further efficiency savings targets. However, financing expenditure in the budget with unidentified savings should be avoided as this risks creating a funding gap if the necessary savings cannot be identified and implemented.

4.6 Health and Community Services

58% of the additional day-to-day spending proposed in the Budget is being committed to health. The total 3-year increase compared to the previous budget is £121million (with a £37 million (11%) increase in 2026). Health not only sees the strongest budget growth, but it is also receiving significantly more growth allocations (expansion in budgets for new policies) than any other department.

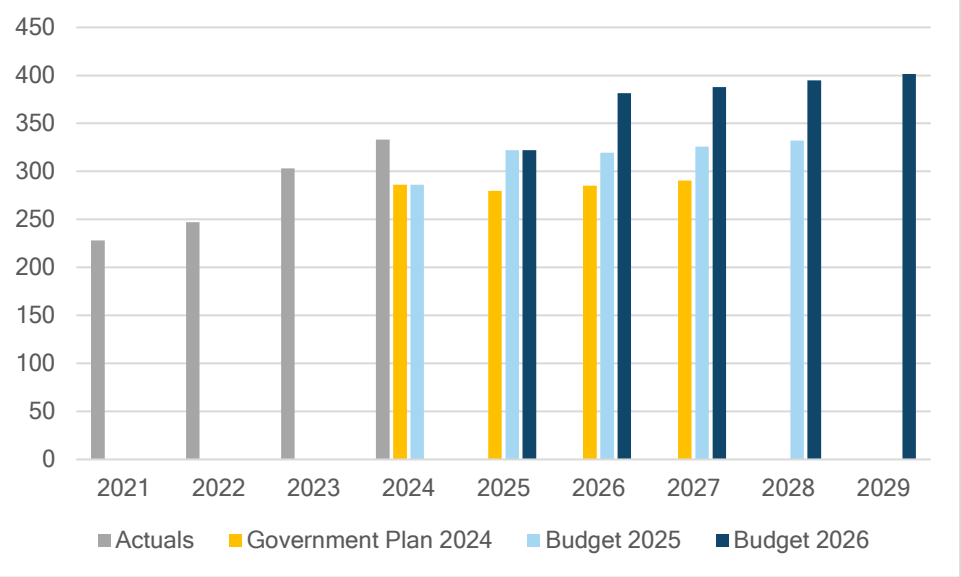
Figure 1.9

Health budgets since Government Plan 2024

£ million

Proposed Health Net Revenue Expenditure

Source: Treasury and Exchequer



Some of this growth is to fund new activities and includes investment in a digital health initiative (£8 million in 2026, £32 million over the 4-year Budget term) and investment in preventative health (£4 million in 2026 and £16 million across the 4-year Budget term). Inflation and formula driven increases account for £10 million and a further £16 million is being allocated to address the ongoing deficit in health spending. **Figure 1.9** shows 2024 actual spend was £47 million higher (overspend) than budgeted. Recurring overspends in 2025 contributed to the decision to reduce the States grant. The Budget acknowledges the 'growing future funding gap' for Jersey's health service and states that a health forecast for future funding will be developed in early 2026 to inform the options for change.

Accurately forecasting health budgets is crucial to prudent financial planning and maintaining fiscal discipline. Recurrent overspends have forced funding to be reprioritised from other services like the States grant. They also mean that the Budget presents a misleading picture of future spending. The Panel emphasises the need for accurate health spending forecasts and fiscal discipline in year to ensure budgets are not regularly overspent.

While Jersey's current health spending represents around 7% of GDP, comparable to other OECD countries, data produced by Statistics Jersey (see **Figure 1.10**) shows that at 29%, Jersey's share of spend on health is significantly higher than other OECD countries (all of which have a broader tax base than Jersey). Conversely, spend in Jersey on general public services and economic affairs is low relative to other OECD countries.

The Panel supports the development of a health forecast for future funding. However, current spending growth in health cannot be sustained into the future without cuts to other areas of the public sector.

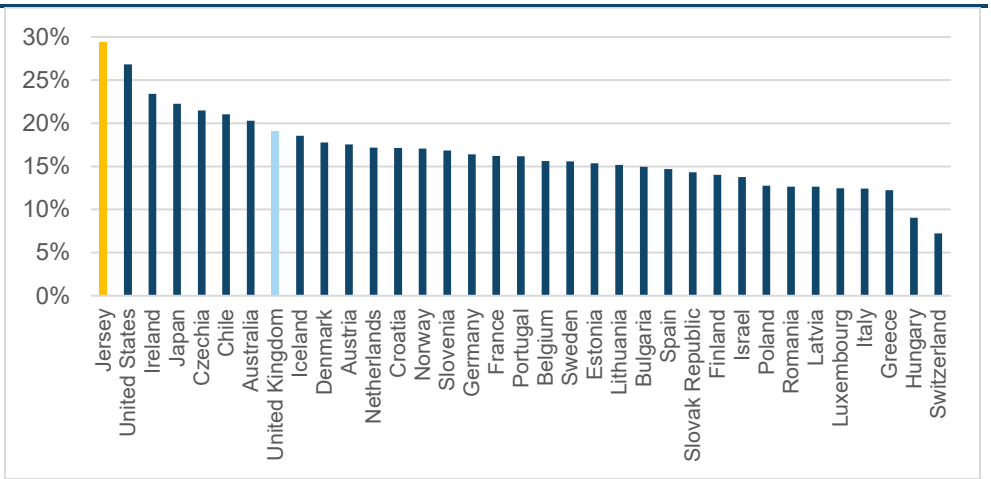
Figure 1.10

OECD Health spend comparison 2023

£ million

Health spend measured as per the Classification of Functions of Government

Source: Statistics Jersey



4.7 Health Funds and Additional Spending

The provision of health and care in Jersey is supported by two funds that remain separate to the current account and are not included in total Net Revenue Expenditure. The Health Insurance Fund (HIF) subsidises GP visits, the costs of prescriptions and other primary care services and the Long-Term Care Fund (LTCF) provides benefits to adults with long-term care needs.

Over 2026-2028, HIF expenditure is set to increase by £11 million (6%) and by 2029 the fund will hold a balance of £60m equivalent to less than one year of spending – shown in **Figure 1.11**.

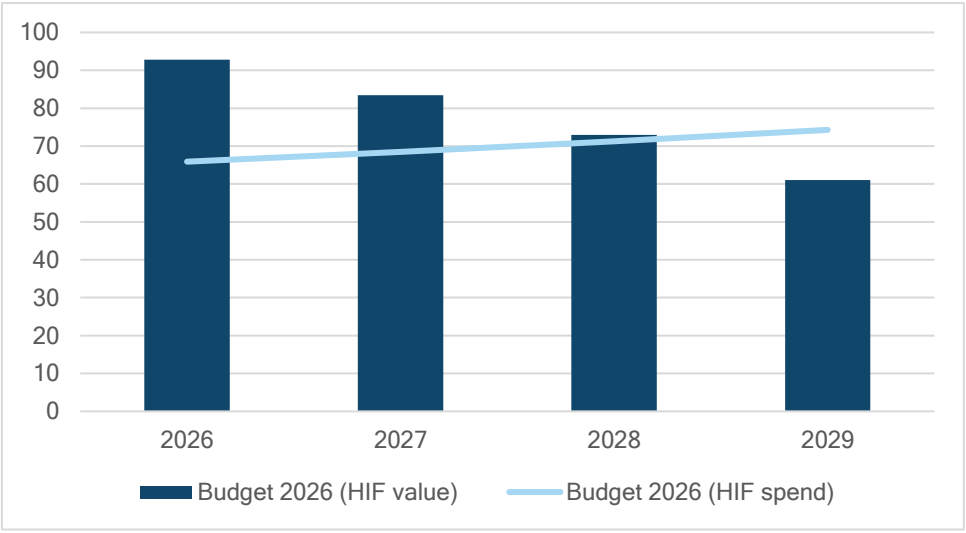
Figure 1.11

Health Insurance Fund balance and expenditure

£ million

Budget 2025 compared to Budget 2026

Source: Treasury and Exchequer



Proposed expenditure from the LTCF has increased significantly in Budget 2026, driven by a combination of demographic changes and the increasing cost and complexity of care packages. Spending will be £10 million higher in 2026 and growing to £25 million higher in 2028 – 27% more than proposed in the previous budget. The Budget recognises that urgent action is needed to maintain the LTCF and that this can only be achieved by reducing the services it provides or by increasing the contribution rate paid by the taxpayer.

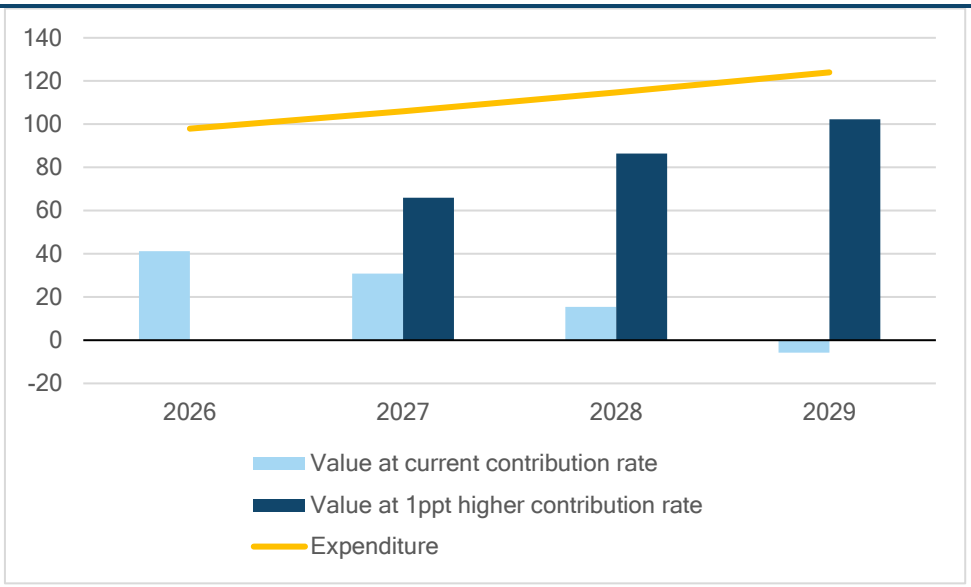
Under the proposed spending, the LTCF will be fully exhausted by 2029. Budget 2026 includes a 1 percentage point increase in the long-term care contribution rate and this is included in the for the estimated value of the fund. However, as there is not a formal proposal to the States in the budget to increase the long-term care contribution rate, the estimates of the fund shown in budget 26 should be viewed as illustrative of possible future policy decisions only. The next government will need to consider future funding options for the LTCF and whether to implement the illustrative 1 percentage point increase in the contribution rate.

Figure 1.12

Long Term Care Fund
£ million

Budget 2026 proposed expenditure and annual closing balance under current and a 1 percentage point higher contribution rate

Source: Treasury and Exchequer



Combined, the HIF (£11 million) and LTCF (£47million) contribute another £58 million to health spending compared to the previous Budget. However, the balances of both funds are declining and at current rates will be exhausted, if action is not taken.

Jersey now faces difficult decisions on future health spending. As set out in the Budget, by 2029 the value of the HIF will be less than one year of expenditure from it and the States of Jersey will not be able to maintain current levels of service without higher contributions/taxes or cuts to other public services or further depletion of the reserve funds or borrowing. The Panel welcomes the development of forecasts for future health funding requirements but cautions that the government either needs to take urgent action to control the growth of health spending or else face difficult decisions over cutting other public services, or further weakening the island's resilience.

4.8 Education

Education and children (£246 million) is the States of Jersey's second largest spending category after health (£381 million). Budget 2026 proposes an increase of £20 million (9%) of spend on education and children in 2026, compared to previous budget. Jersey's changing demographics means that the number of young people

is falling, however, **Figure 1.13** shows that education spending has continued to increase in nominal terms - the children and education budget has grown by 44% since 2021.

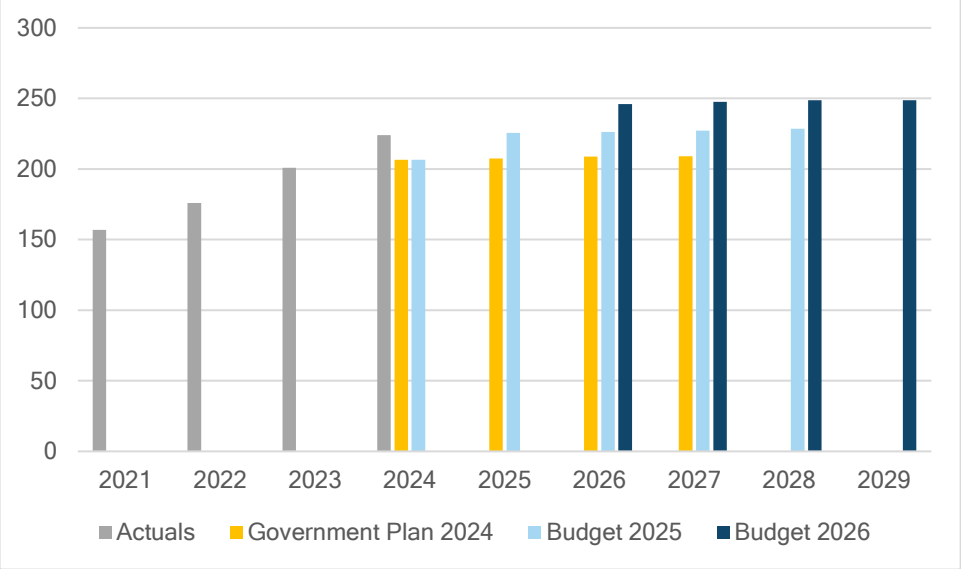
Figure 1.13

Education and Children budgets since Government Plan 2024

£ million

Proposed Education and Children Net Revenue Expenditure

Source: Treasury and Exchequer



4.9 Operating Balance

The 2026 operating balance – the difference between revenue and day to day spending - moves from a surplus (forecast in Budget 2025) to a deficit of £12 million. Budget 2026 forecasts a return to an operating surplus in in 2027. However, this is only achieved because of the reduction in the States Grant to the Social Security Fund. Without this, (see **Figure 1.14**) there would be sizeable operating deficits for all 4-years of the Budget.

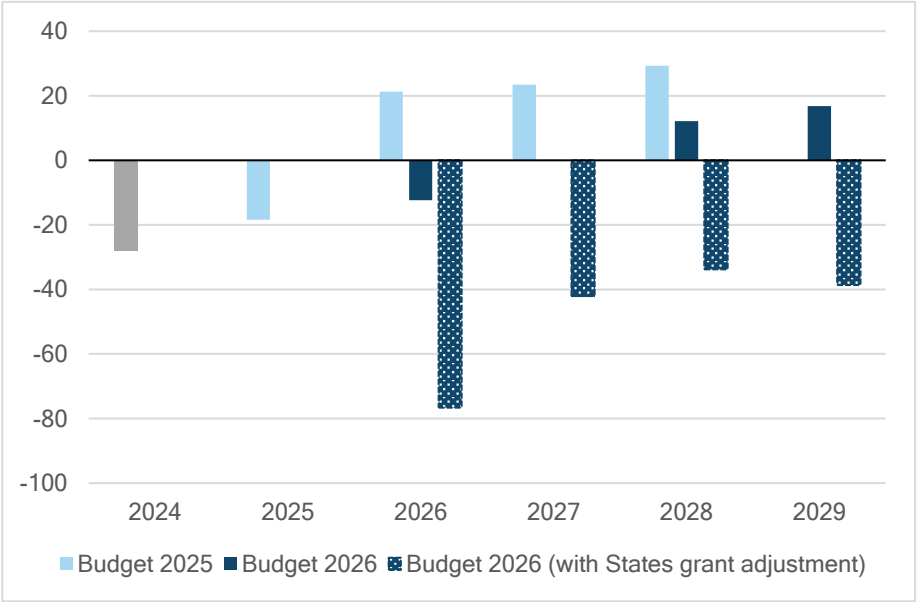
Figure 1.14

Operating balance

£ million

Outturn vs proposed balance in 2024. Budget 2025 has been adjusted to include Pillar Two income and NHF borrowing costs

Source: Treasury and Exchequer



4.10 Capital Expenditure

The Budget confirms the intention to create the Jersey Capital Investment Fund (JCIF). This fund, initially funded by transferring existing capital budgets, is intended to protect capital investment from short-term pressures and to provide a long-term approach to maintaining and enhancing Jersey's core infrastructure.

The Budget proposes a capital programme of £308 million in 2026, £303 million in 2027, £287 million in 2028 and £126 million in 2029. Over 2026-2028, total planned capital spend (including New Hospital Facilities) (NHF) increases by £102 million (12.8%) compared to Budget 2025.

Excluding NHF, the capital programme increases by £93 million (44.1%).

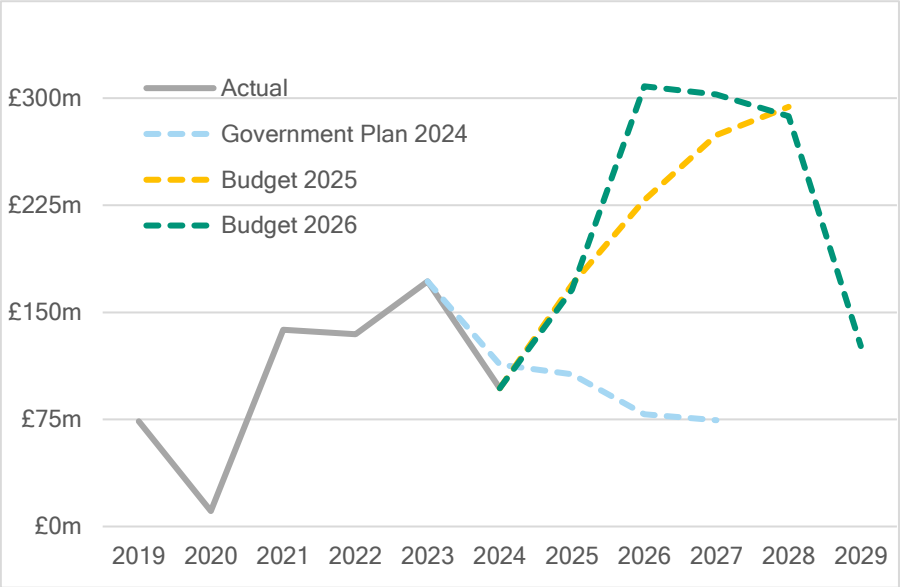
Capital spending is now both materially higher than programmed in previous budgets and occurs earlier, peaking at £308m in 2026 (see **Figure 1.15**)

Figure 1.15

Capital Expenditure Budgets
£ million

Proposed funding for the capital spending budget varies year to year, before dropping in 2029 in line with NHF completion.

Source: Treasury and Exchequer



4.10.1 Capital programme by category

The Budget increases capital spending on feasibility, estates and infrastructure.

Capital programme area	2026	2027	2028	2029	Total 2026-2029
Feasibility	£1.9m	£0.5m	£1.0m	£0.0m	£3.4m
Estates	£60.8m	£41.6m	£33.7m	£38.5m	£174.5m
Infrastructure	£34.1m	£29.6m	£27.9m	£37.9m	£129.4m
Information Technology	£25.2m	£14.9m	£1.0m	£0.3m	£41.5m
Replacement Assets and Minor Capital	£11.6m	£10.6m	£10.6m	£10.6m	£43.3m
Subtotal (before NHF)	**£133.6m**	**£97.1m**	**£74.1m**	**£87.3m**	**£392.1m**
NHF	£174.7m	£205.4m	£213.2m	£39.1m	£632.4m
Total	**£308.3m**	**£302.5m**	**£287.3m**	**£126.4m**	**£1,024.5m**
NHF as % of Total	57%	68%	74%	31%	62%

Excluding New Healthcare Facilities, the largest areas of individual spending/projects in the Budget include:

Capital Spend	Description	Spend	Category
Liquid Waste Key Infrastructure	Expand drains, pumps and sewers to deliver the Liquid Waste Strategy and support housing growth.	£51.3m	Infrastructure
Fort Regent Redevelopment	Transform Fort Regent into a modern leisure and entertainment hub, with enabling works and major building-services and fabric repairs.	£43.0m	Estates
Mont à l'Abbé Secondary (new school)	New secondary for pupils with moderate-to-severe learning difficulties, creating a 0-25 campus.	£41.0m	Estates
Fire & Rescue Headquarters	New headquarters for the fire and rescue service.	£24.4m	Estates
Digital Care Strategy	Continue digital health upgrades, including the Electronic Patient Record	£18.3m	Information Technology
North of St Helier Youth Centre	Flagship youth hub at the Ann Street site.	£16.1m	Estates

Loving Homes Estate	Expand and modernise children's residential care (new homes and specialist provision).	£11.9m	Estates
Cyber Programme 2.0	Strengthen government cyber security.	£10.6m	Information Technology

The Panel supports investment in productive capacity and recognises that the creation of a ringfenced Capital Fund may protect capital investment budgets from being reprioritised and used to fund other, non-investment, spending pressures.

4.11 Borrowing

The Budget proposes £43 million of additional borrowing to expand the capital programme. This is in addition to the £523 million of borrowing to partly fund the New Healthcare Facilities project. In 2026, total borrowing will reach its highest level, £1,293 million - equal to 17% of GDP. This is a £1 billion increase in borrowing since 2020 when total public borrowing was 5% of GDP.

By 2028, borrowing costs, the interest paid on debt, are expected to reach £48 million and will be greater than some departmental budgets (Economic Development, Tourism, Sport & Culture 2028 budget is £39 million)

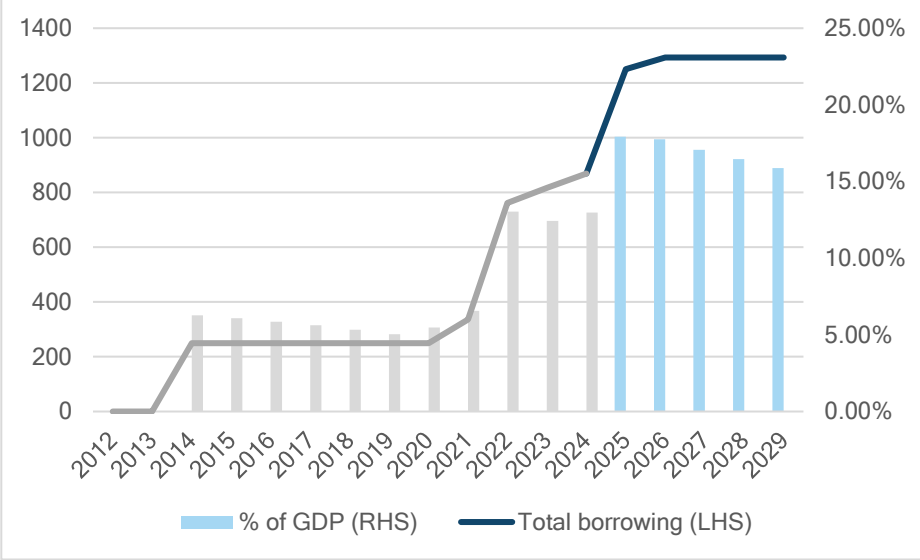
Figure 1.16

Total public borrowing: nominal (left hand side) and as a % of GDP (right hand side)

£ million

Outturn vs proposed borrowing levels in Budget 2026

Source: Treasury and Exchequer



The Panel notes that total borrowing has increased significantly in recent years. Higher debt service will absorb a larger share of revenue and will increase sensitivity of the Budget to future movements in interest rates.

4.12 Reserves

Reserves are an essential part of the government's balance sheet. The total value of the States of Jersey reserves **(Figure 1.17)** is forecast to grow by 5% over two years to £4,636 million by 2027 (59% of GDP), before seeing a net decrease of £19 million (-0.4%) in 2028, before growing again by 3% to £4,768 million in 2029. **Figure 1.17** shows that the 'liquidity' value (ie the money that is available to be drawn from the funds) of States Funds is materially lower than the accounting value as the prior year basis (PYB) asset included in the accounting value of the Strategic Reserve is only realised in income terms over time and the Long Term Care

Fund value is projected using an illustrative 1ppt increase in the contribution rate. Adjusting for this the 'liquidity' value of the States Fund - £277 million less in 2026 or 4% lower as a proportion of GDP.

Figure 1.17

States Funds

£ million (current prices)

Source: Treasury and Exchequer

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Consolidated Fund	479	336	122	100	95	59	47	2	0	8	7
Strategic Reserve	906	968	1,032	992	1,090	1,183	1,514	1,575	1,621	1,466	1,489
Stabilisation Fund	50	1	1	1	1	1	1	1	1	1	1
Social Security Reserve Fund	1,983	2,093	2,264	2,031	2,179	2,452	2,542	2,620	2,735	2,845	2,962
Social Security Fund	92	76	66	70	85	108	108	109	111	120	128
Health Insurance Fund	108	108	100	105	112	111	101	93	83	73	61
Long Term Care Fund	26	37	41	49	45	47	47	41	66	86	102
Total (inc smaller funds)	**3,676**	**3,654**	**3,660**	**3,384**	**3,651**	**3,999**	**4,395**	**4,462**	**4,636**	**4,617**	**4,768**
as a % of GDP	*73%*	*79%*	*70%*	*56%*	*54%*	*58%*	*61%*	*59%*	*59%*	*57%*	*57%*
Total (without PYB asset or LTC increase)	**3,676**	**3,654**	**3,660**	**3,384**	**3,651**	**2,816**	**4,006**	**4,185**	**4,323**	**4,269**	**4,383**
as a % of GDP	*73%*	*79%*	*70%*	*56%*	*54%*	*41%*	*55%*	*55%*	*55%*	*52%*	*52%*

4.12.1 Strategic Reserve

In order to fulfil its aims and objectives, the Panel has previously estimated that the Strategic Reserve needs to equal 30-60% of GDP. It is currently at 20% and Budget 2026 proposes no formal additional action to improve the position of the Strategic Reserve. The Strategic Reserve, in the panel's assessment, is likely be insufficient in size to respond should an economic or financial shock affect Jersey. There is also a liquidity risk for the Strategic Reserve: its total asset value includes PYB assets and the total could not be withdrawn in the event of a financial emergency - **Figure 1.18** shows the position of the reserve as the PYB asset becomes realised.

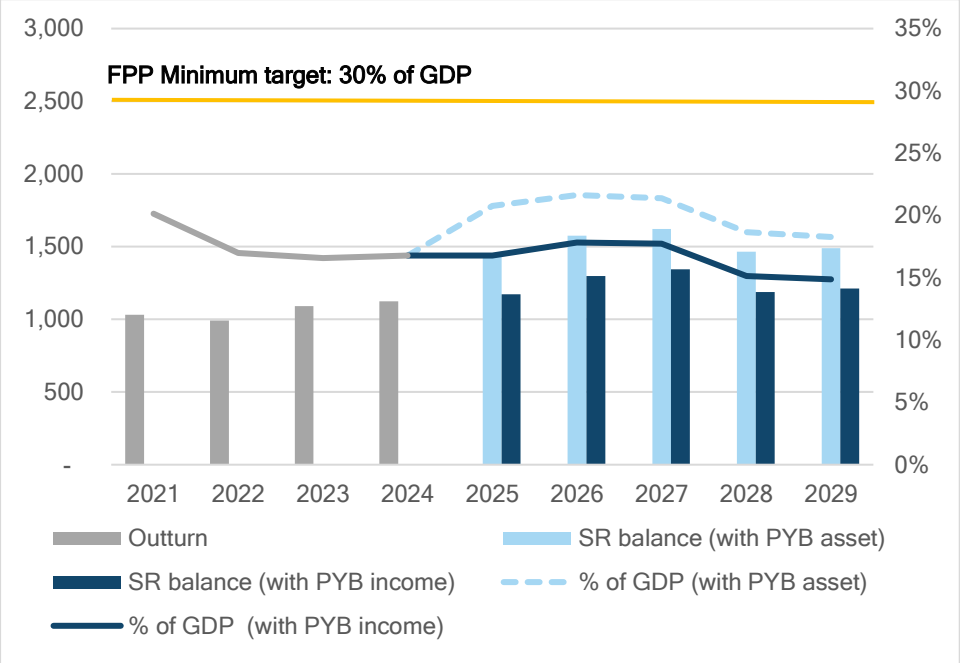
Figure 1.18

Strategic Reserve balance, with asset and cash value of PYB

£ million (current prices)

SR balance (LHS), % of GDP (RHS) with the minimum FPP recommended target indicated in yellow

Source: Treasury and Exchequer



As agreed in Budget 25, the value of the Strategic Reserve will deteriorate over the near term with £277 million being withdrawn for the funding of the New Healthcare Facilities. Budget 2026 proposes that should Pillar Two income received from 2026 exceed the base case forecast, deposits will be made to the Strategic Reserve to offset the planned withdrawal. However, these additional Pillar Two revenues are highly uncertain.

The Panel strongly supports the proposition that any Pillar Two income in excess of the base case forecast be used to improve the position of the reserves or invested via capital expenditure that improves Jersey's productive base. There should be a formal commitment by the States to this effect.

4.12.2 Stabilisation Fund

Stabilisation funds are particularly important in economies, such as Jersey, that lack both monetary policy levers and the powerful tax and benefit regimes that can act to help stabilise the economy in a downturn. Unlike the Strategic Reserve, which is a permanent "rainy day" reserve only for exceptional shocks such as severe structural decline or natural disasters, the Stabilisation Fund is a counter-cyclical tool to be built up in good times and drawn down in downturns to support the economy. The Stabilisation Fund continues to be effectively exhausted and in spite of strong growth in tax revenues in recent years it has not been replenished. Without replenishment the Stabilisation Fund will not be able to fulfil its purpose of providing funding injections in case of downturn in Jersey's Economy.

Budget 2025 agreed a transfer of £42 million from the Pillar Two base-case forecast to rebuild the Stabilisation Fund, Budget 26, however, now allocates that £ 42 million to spending and proposes instead a transfer of up to £50 million into the Stabilisation Fund, only in much more uncertain event that that Pillar Two income *exceeds* the base case forecast.

Jersey's economy and the State's income have grown strongly over the period 2021-2023. In its previous annual report, the Panel estimated that between £50-80 million should have been contributed to the Stabilisation Fund to maintain effective counter cyclical fiscal policy. The Stabilisation Fund remains unfunded.

4.12.3 Social Security Funds

The States of Jersey has two funds for the provision of state pensions and other benefits. The Social Security Fund (SSF) receives social security contributions (via the States grant) and pays out pensions and benefits, The Social Security Reserve Fund (SSRF) holds £2.5 billion in investments to help fund demographic pressures on pensions in the long-term. The SSRF is the States of Jersey's largest fund and has benefitted from strong investment gains in recent years.

The States grant is being cut, and Budget 26 proposes that funds will be drawn down from the SSRF and paid into the SSF to support current social security payments. **Figure 1.19** shows the extent of the reserve transfers and the closing balance of the SSRF increasing over time.

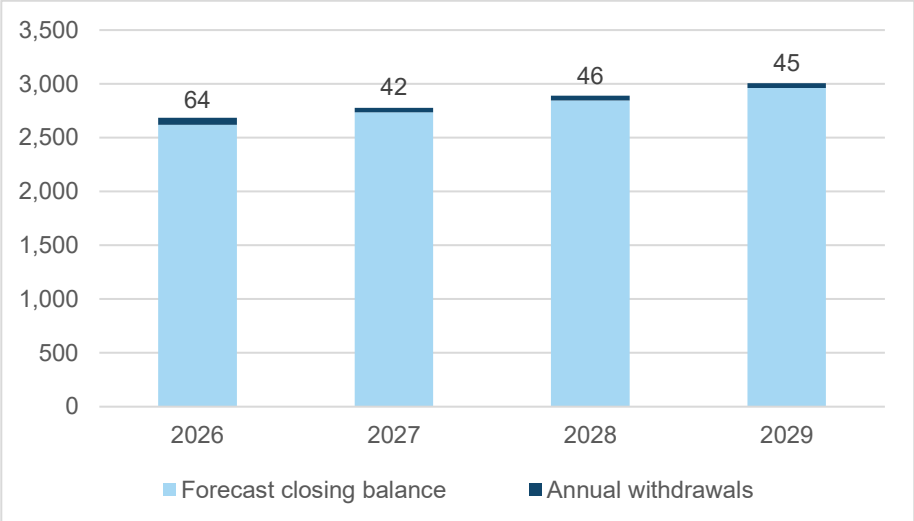
Figure 1.18

Social Security Reserve Fund and withdrawals

£ million

Proposed transfers out of the Social Security Reserve Fund

Source: Treasury and Exchequer



The SSRF has benefited from the high investment returns in the past year. This means that the drawdown is smaller than the fund's investment returns, and its value is expected to remain higher than previously forecast. This is shown in **Figure 1.19**. The SSRF will be reviewed by an independent actuary at the end of 2025, who will provide a current assessment of the funds position and its long-term funding requirements.

Maintaining the SSRF at an actuarially prudent level is essential if Jersey is meet its future pension liabilities and to maintain sound public finances. Higher than expected returns on investments may have led to a surplus in the SSRF but a comprehensive actuarial assessment is required to determine this. It would be prudent to wait for such an assessment before drawing down on the SSRF. Moreover, a drawdown from a fund typically cannot be repeated often and using it to support recurring current spending creates a funding gap in future years. The FPP recommends that if the proposed actuarial review confirms that there is a surplus in the SSRF, the surplus is used to rebuild the Stabilisation Fund and begin the restoration of the island's financial resilience.

5 Economic Outlook (update on Spring 2025)

5.1 International outlook

The global outlook remains weak and uncertain, with trade policy and economic policy uncertainty remaining high. In its latest forecast (October 2025), the IMF has revised up short-term global growth slightly to 3.2% (2025) and 3.1% (2026) relative to its long-term trend of around 3.7% (pre-pandemic average). US growth has been revised up slightly to 2.1% (2025) and 2.0% (2026), whilst growth in the euro area is forecast at 1.2% (2025) and 1.1% (2026). The IMF forecasts that UK growth 1.3% in 2025, significantly below trend: the fact that the UK GDP growth will be the second highest amongst G7 economies underlines the general weakness of growth in advanced economies.

However, the IMF cautions that whilst the impact of tariffs has so far been less than feared, this is in part because of temporary factors – households and businesses brought forward spend and investments in anticipation of tariffs and businesses absorbed a proportion of the higher costs. As these temporary factors fade, negative effects on economic growth, employment and prices are to be expected. The IMF highlights two other factors that have helped the world economy remain robust both of which might prove temporary. Financial conditions, including a buoyant stock market, have been supportive. First, the stock market boom has been driven by investment in AI, and the IMF cautions that it remains to be seen whether AI investment will deliver the transformation and innovative benefits expected. Second, whilst policy fundamentals have improved, especially in emerging economies which have pursued disciplined fiscal and monetary policies, external conditions are unlikely to ease for any of them.

In addition, the IMF's October 2025 Global Financial Stability Report notes that asset valuations have returned to stretched levels, and a range of valuation models estimate that risk-asset prices are significantly above fundamentals, leaving markets vulnerable to sharp corrections.

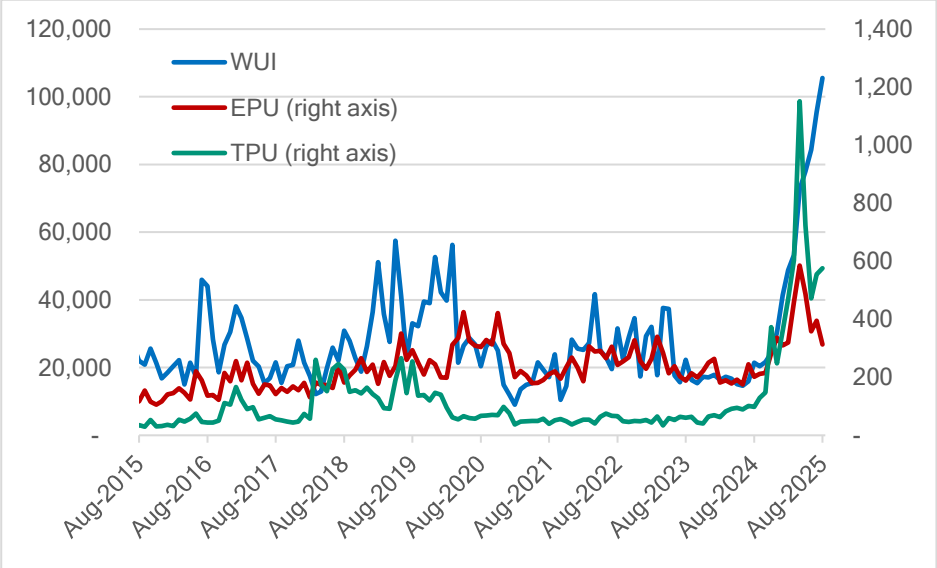
Core inflation has risen in the US and is stabilising above central bank targets in several other countries (including the UK) and inflation expectations remain fragile. The trade-offs for monetary policymakers are worsening as uncertainty, and tariffs are expected to negatively affect economic growth.

Figure 2.1

Uncertainty Indices

Uncertainty measures used by the IMF are news and media-outlet-based indices that quantify media attention to global news related to overall world uncertainty (WUI), economic policy uncertainty (EPU), and trade policy uncertainty (TPU).

Source: Ahir, Bloom, and Furceri 2022; Caldara and others 2020; Davis 2016;



Uncertainty about economic policies, notably tariffs, is again testing the resilience of the global financial system and may affect capital flows. Jersey's economy and economic growth is dependent on its financial services sector. There are risks on both the downside and the upside. Jersey might benefit from global capital flows seeking secure jurisdictions amid international uncertainty. On the other hand, Jersey will be impacted by lower global growth and may be adversely impacted by broader changes in global capital flows and increasing fragmentation of the global financial sector which may change international financial firms' business models. Maintaining Jersey's reputation as a stable, responsible and attractive jurisdiction and financial centre will be crucial in these circumstances.

A weak UK economy, higher UK inflation and higher uncertainty abroad could drive up inflationary pressures locally. Since Jersey imports much of its food, fuel and consumer goods, any sustained UK inflation or sterling weakness would raise import costs and squeeze households and businesses if not passed on in inflation. At the same time, Jersey's tourism sector may be squeezed if consumer spending and travel from source markets (UK, Europe and beyond) soften, which could exacerbate the current decline in the hospitality and retail sectors. For Jersey, this suggests that policymakers and firms should prepare for a more subdued economic environment and should build up capital and liquidity cushions, and plan for weaker demand.

5.2 Jersey's Economy

5.2.1 Introduction

In 2024 Jersey's economy contracted by -0.7% in real terms to £6,905 million, £50 million lower than in 2023. The decrease was caused by a fall in banking profits. Excluding the financial services sector the rest of the economy grew by 3.1% in real terms, with one-third of this coming from the public sector. Since 2019, the economy as a whole has grown by 12.8%. Labour productivity (measured as GVA per full-time equivalent (FTE) worker) fell by 1.2% in real terms from £104,000 per FTE (2023) to £103,100 per FTE (2024); excluding financial services productivity in the rest of the economy increased by 2.3%.

The Financial Services sector is the largest sector of Jersey's economy and accounts for 39% of output. Banking is the largest sub-sector within financial services, accounting for 21% of whole economy GVA in 2024. The banking sub-sector saw strong profits growth in the period 2021-2023 on the back of increases in the UK, US and EU central bank interest rates, which allowed Jersey banks to generate greater profits from widening net interest margins (the difference between lending and deposit rates) on sterling, dollar and euro deposits. The combination of reductions in the UK, US and EU interest rates and changes in deposit levels culminated in a fall in banking profits in 2024, compared with 2023. This fall in profits was sufficient to result in a fall in whole economy GVA.

All considered, the 2024 fall in GVA was a product of lower interest rate rather than weaker activity in the financial sector overall. As such, it is not an indication that the underlying strength of the financial sector is worsening – inflows have held up, deposit levels have increased recently and non-banking finance (including related services) saw GVA growth. On the other hand, comparatively strong non-finance economic performance (3.1%) does not convey the economic challenges faced by some areas of the local economy. Public sector continues to be a driver of non-finance growth (see **Figure 2.3**) and the most recent Business Tendency Survey results shows weakening workloads in some sectors which may not be operating at full overall capacity (see **Figure 2.5**).

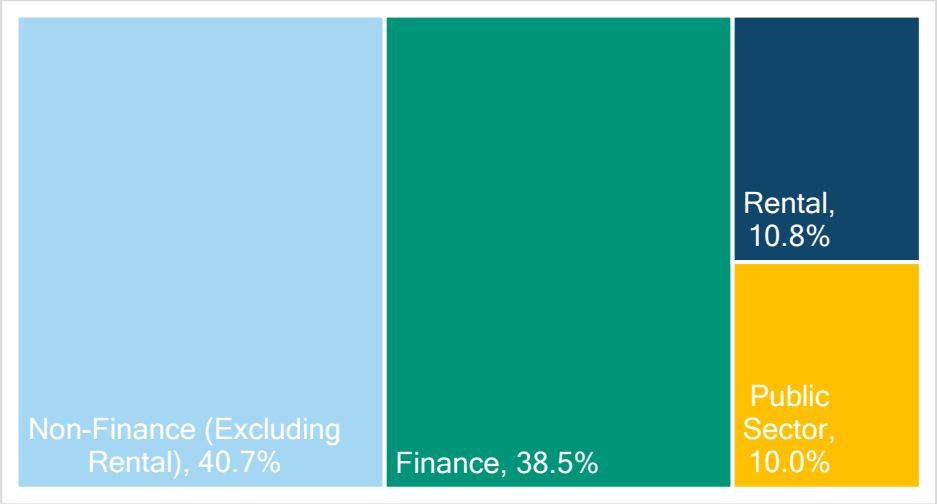
Figure 2.2

Composition of Jersey's Economy in 2024

The breakdown of contributions to gross value added for Jersey in 2024.

Of which Banks made up 21.2%, representing over half of the finance contribution.

Source: Statistics Jersey



5.2.2 Sector Breakdown

In contrast to 2023, growth in the non-financial services sector of 3.1% was greater than that of financial services (-6.2%).

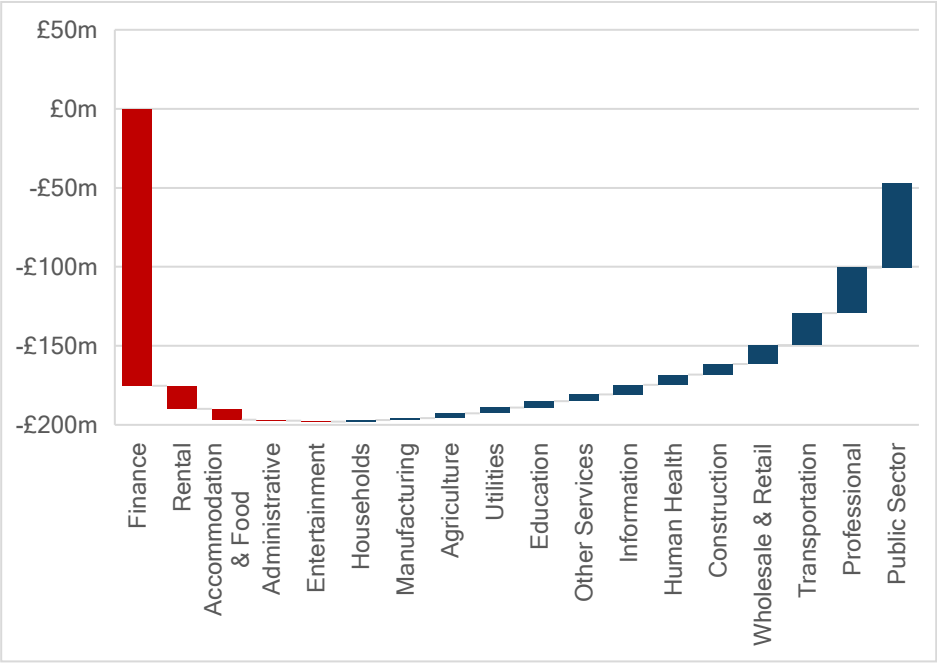
Figure 2.3

Composition of Jersey's Economic Growth in 2024

The breakdown of contributions to the growth of gross value added for Jersey in 2024.

Red denotes contractions while blue denotes growth relative to 2023. The Finance Sector provided the overwhelming majority of all GVA contraction, driven by falling bank profits.

Source: Statistics Jersey



Fastest Growing Sectors

- Excluding financial and related professional services (FRPS), Jersey's economy grew by 3%; excluding FRPS and public sector growth was 1.9%
- Transportation and storage grew by 15.7% (£20 million), following strong growth in 2023. At 2.2% of total GVA, it remains a small sector of Jersey's economy.
- The second fastest growing sector, other service activities, grew by 9.2% (£4 million) to account for 0.7% GVA.
- Public services grew by 8.5% (£54 million), driven by an increase in employment (+488 FTEs)
- Private sector education grew by 7.8% (£4 million)
- Agriculture, forestry and fishing grew by 5.9% (£3 million).

Slowest Growing Sectors

- Financial services contracted by -6.2% (-£175 million). Within this, some financial services sub-sectors (trust administration, funds administration and all other finance) saw strong growth (6.3%, 4.2% and 5.5%) totalling £64 million whilst banking contracted by 14% (-£240 million).
- The accommodation and food sector contracted by 3.1% (£7 million) following a similar reduction in 2023. The contraction is likely to have been driven by higher costs of both wages (minimum wage increases) and inputs coupled with lower on island spend by both Islanders (higher costs of living).

Financial and related professional services sector

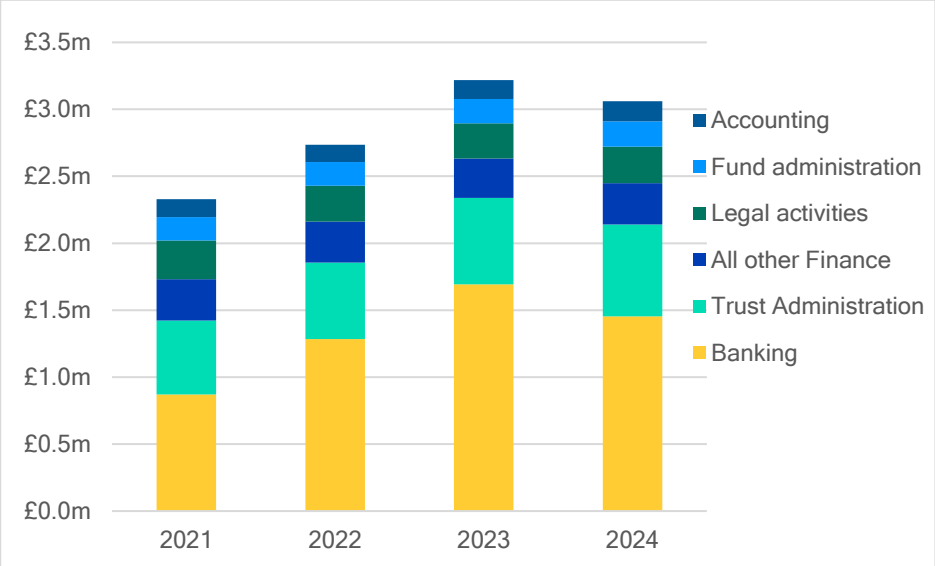
FRPS comprise the financial services sector and the sub-sectors of legal and accountancy, bookkeeping and auditing activities, tax consultancy and regulatory and compliance activities. In 2024 FRPS accounted for 45% of whole economy GVA (£3 billion), having grown by £717 million since 2021.

Figure 2.4

GVA Breakdown of financial and related professional services

The breakdown of contributions to the GVA of Jersey in 2024.

Source: Statistics Jersey



5.2.3 Business Tendency Survey

The Business Tendency Survey has been reinstated and latest results (September 2025) show that the all-sector activity balance was moderately negative (-12pp) in September, while expectations for Q4 were mildly positive (+9pp).

Cost pressures exist with both labour and non-labour input costs rising (+36pp and +29pp respectively), while selling prices increased by less (+17pp).

Spare capacity is concentrated in hospitality (-23pp), construction (-19pp), and wholesale/retail (-18pp), with finance broadly neutral, the most common constraint is staff/skills shortages (54%).

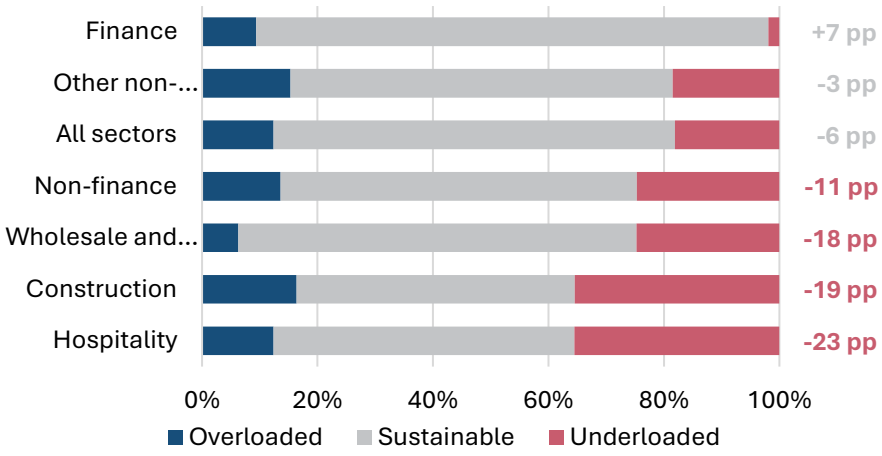
Profitability remains moderately negative (-17pp) but is better than a year ago and is expected to improve slightly into December.

Figure 2.5

Current Workload (business capacity)

Business Tendency Survey Results September 2025 - current workload is a measure of business capacity

Source: Statistics Jersey



5.2.4 Inflation

The Retail Price Index (RPI), Jersey's headline measure of inflation, stood at 2.8% (September 2025). RPI(X), which excludes mortgage interest rates and is a measure of Jersey's underlying inflation remained relatively high at 4.0%. Underlying inflation has remained high in Jersey over the last 2 years and has not fallen unlike in other developed countries. **Figure 2.5** shows UK CPI falling from its peak to 2% in 2024 before rising gradually, in contrast RPI(X) has not returned to more normal levels and has remained at an elevated level for a prolonged period. Higher than normal levels of underlying inflation reflect the increasing operating costs challenging businesses and add to the cost of living pressures facing households.

Figure 2.6

Inflation in Jersey and United Kingdom 2021-2025

Annual percentage change in the Jersey Retail Price Indexes and UK Consumer Price Index

Source: Statistics Jersey

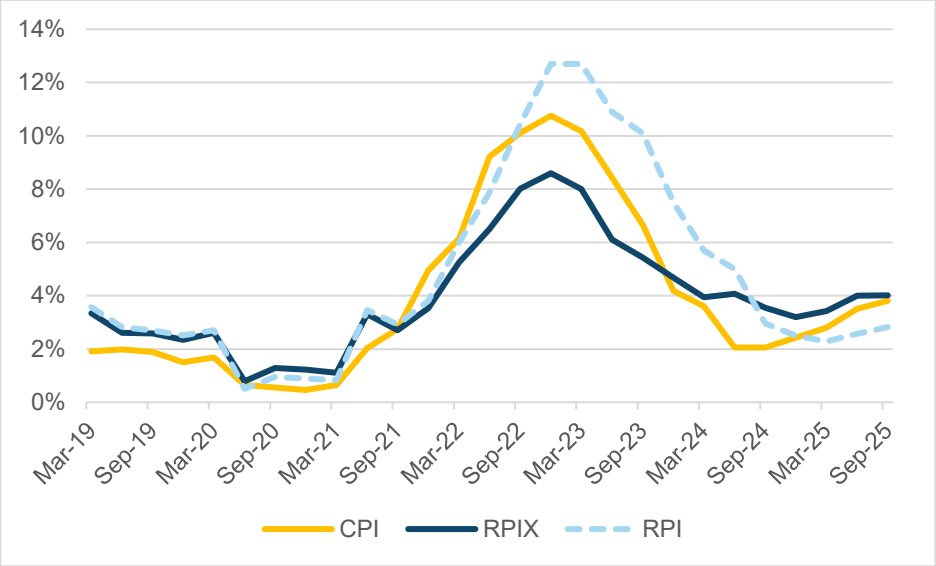


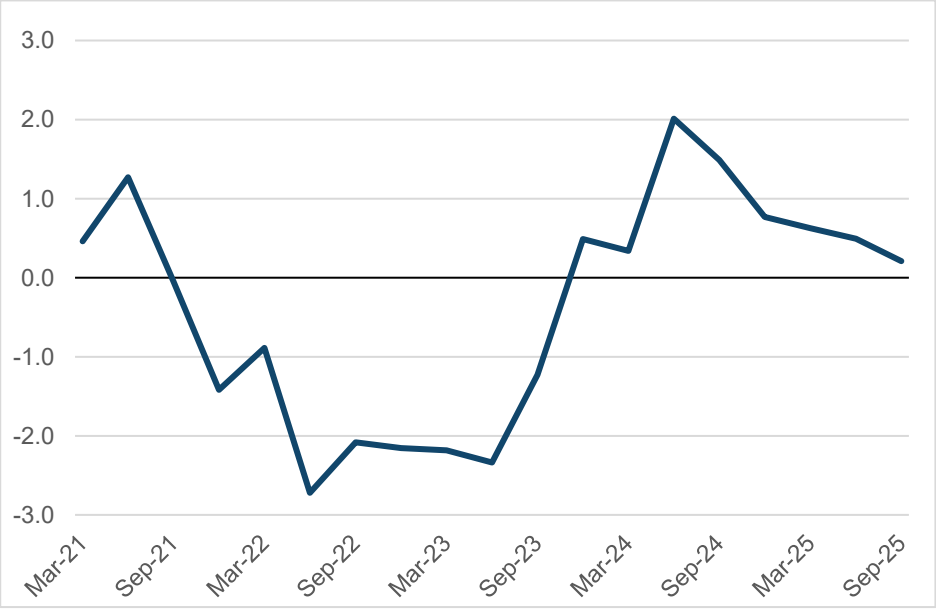
Figure 2.5 compares Jersey's RPI and RPI(X) measures of inflation with UK CPI. In 2024, average annual RPI(X) inflation (3.7%) was consistently above annual CPI inflation (2.6%). As most of the goods sold on Jersey are imported from the UK, any increase in the difference between RPI(X) and CPI is suggestive of on-island inflationary pressures. Jersey and the UK both experienced significant services inflation across the year. The impact was more pronounced in Jersey, where wage pressures contributed to sharp annual price rises in household services (4.4%) and leisure services (8.6%). In the last quarter of 2024, Jersey also saw a higher rate of annual food inflation (3.8%) compared to the UK (2.0%), providing further evidence of inflationary pressures building on-island.

Figure 2.7

Difference between Jersey and UK underlying inflation

Percentage point (ppt) difference between Jersey RPI(X) and UK CPI

Source: Statistics Jersey, Bank of England



5.2.5 Labour Market

Jersey's labour market remains tight. The total number of jobs in Jersey grew by 0.8% in 2024 with 530 new jobs. However, this employment growth was largely limited to the public sector. Only 100 new jobs were created in the private sector. Private sector employment growth of 0.1% in 2024 was lower than 2022 (2.0%) and 2023 (1.3%), comparing June to June.

Figure 2.8

Total Employment December 2024

Total number of jobs in the private and public sector and total number of those registered unemployed or actively seeking work.

Source: Statistics Jersey

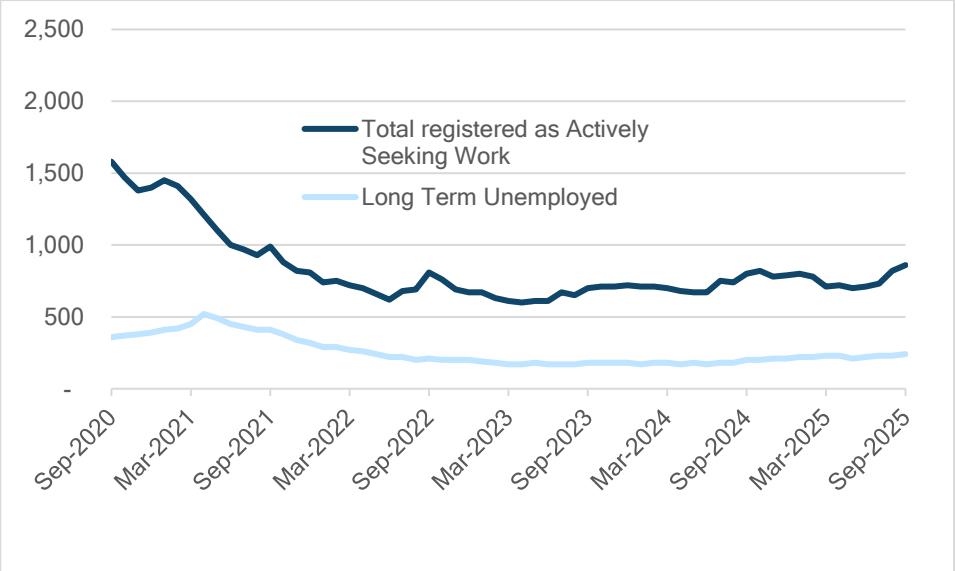
Jersey's economic activity rate (the proportion aged 16-64 years that are working or actively looking for work) is high. According to 2024 population data, Jersey's economic activity rate was estimated at above 80%, higher than the UK (78%) and the EU average (75%). Jersey's high activity rate reflects a strong labour market but also policy decisions affecting who can live and work in Jersey. Unemployment remains low but has been increasing. The number of those registered as 'Long-term unemployed' remained low and stood at 240 people in September 2025. The number of people registered as 'Actively seeking work' was 860 (September 2025), 60 more than the previous year.

Figure 2.9

Total Unemployment

Number of those registered as 'Long-term unemployed' or 'Actively seeking work'

Source: Statistics Jersey



Employment fell in several sectors over 2024. Overall, the number of jobs decreased in non-finance sectors with a net loss of 180 FTE (full-time equivalent) jobs, comparing June 2024 to June 2023. The construction sector experienced the largest decrease in FTE employees (-160), the hospitality sector also had a reduction in FTE roles (-90) for the first time since the COVID-19 pandemic. Employment decline continued in the wholesale and retail sector (-130) for the third consecutive year.

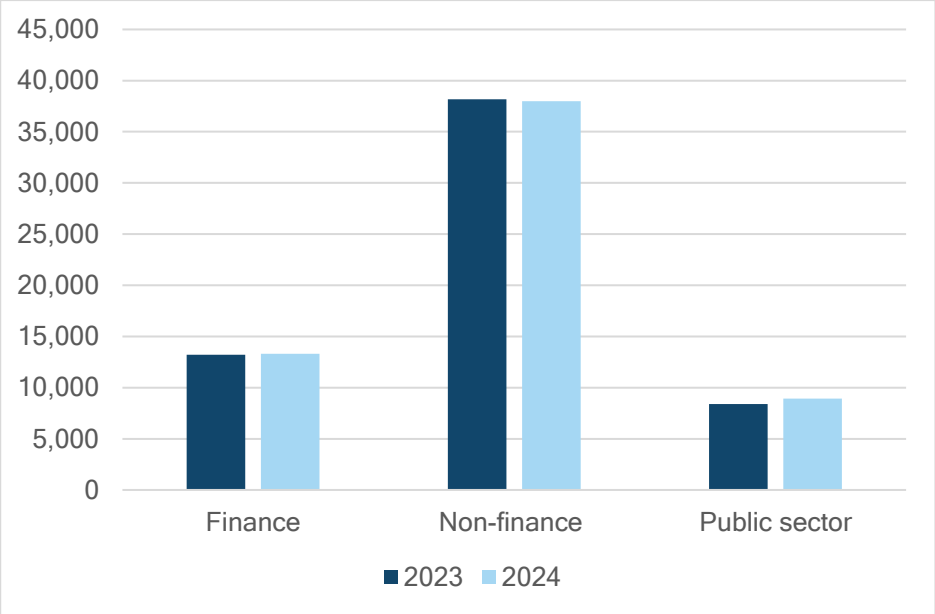
Falling employment in non-finance sectors was offset by growth in financial services (+110) and the public sector (+470). Net employment growth for financial services reflected the long run industry trend. The number of FTE roles grew by 6.4% in the public sector for 2024, which is above the long run trend. The majority of this growth came from within the Health and Community department, which saw an increase of 580 FTE roles. Most other areas of the public sector saw an overall fall in the number of jobs.

Figure 2.10

Number of Jobs (Full-time equivalised) by Sector

Number of full time equivalent (FTE) employees by sector

Source: Statistics Jersey



5.2.6 Earnings and Wages

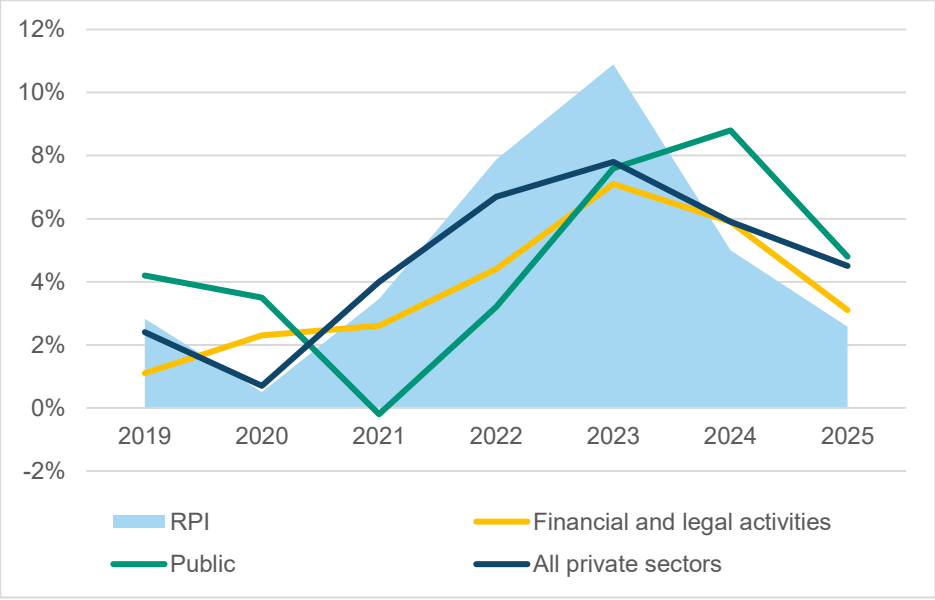
Inflation-adjusted average earnings grew in 2025, rising by 1.9%. All sectors, except for construction, saw real earnings growth. This was the second consecutive year of real earnings growth and corresponds with falling inflation. Outside the financial services sector, growth in real earnings was not matched by growth in productivity. As a result, real unit costs have increased for many Jersey businesses.

Figure 2.11

Average Earnings Index Growth and Annual Inflation

Annual percentage increases in the Average Earnings Index and Retail Price Index

Source: Statistics Jersey



Real wage growth can stimulate economic growth as it increases spending through higher disposable incomes. However, wage growth in Jersey is mostly due to increases in the Minimum Wage (which increased to £13ph (+£1.14 per hour) from 1.1.2024, rather than wage increases driven by increases in productivity. Higher wage costs have led to higher prices (and reduced employment), which in turn has generated higher domestic inflation and has led to higher spending on imports, creating leakage from Jersey's economy.

5.2.7 Housing Market

Jersey's housing market followed an upward trend in both prices and transactions between 2011-2021, but since then the housing market experienced a flattening off in 2022 and then a significant downturn in 2023. This downturn has persisted, and the House Price Index fell by 8.2% in 2024, which is the largest annual decrease since 1986.

The total number of housing transactions also reached its lowest levels since 2002. There are signs that activity in the housing market is beginning to pick up.

Figure 2.12

Quarterly House Price Index and Turnover Index

Index: Q1 2011 = 100

Average house prices and total number of housing sales per quarter

Source: Statistics Jersey