

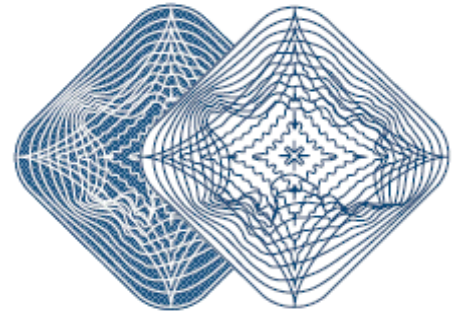
News release

Jersey's Fiscal Policy Panel

26 March 2009

Embargoed until 00.01 on 26 March 2009

Jersey's Fiscal Policy Panel reply to Minister



The States' independent economic advisors the Fiscal Policy Panel (FPP) has published its response to a request from the Minister for Treasury and Resources Senator Philip Ozouf this month asking for advice on using the Stabilisation Fund. The letter confirms that the economic conditions merit use of the Stabilisation Fund this year.

Panel Chairman Joly Dixon said it is the Panel's view that: 'It is important to get the timing and content of any discretionary policy right. Although the cyclical impact of the downturn on the States finances will fall mainly in 2010 and 2011, the time to act is now.'

In a letter to the Treasury & Resources Minister the FPP confirm their view that Jersey will experience a significant cyclical downturn this year and next that will put Island jobs at risk. The FPP's own research suggests that the financial services industry will be affected by the global economic turmoil and Jersey's retail, construction and tourism are likely to see a fall in activity this year. In addition there are recent signs that housing market activity has stalled.

The Panel write: 'If our assessment of the economic outlook is correct, such conditions merit offsetting policy action, which the Stabilisation Fund, as part of the new Fiscal Framework, is designed to facilitate. We consider that discretionary policy is necessary, if your intention is to mitigate the adverse effects of the international crisis on the Jersey economy in the near term.'

'The Panel also cautions that any discretionary policy action should not allow the States to be distracted from its longer term strategy. The preliminary forecasts that we have seen from the Treasury and Resources Department show not only a significant deterioration in the States finances going forward as a result of the economic cycle but also a risk that once the economy recovers the States could be running a structural (i.e. underlying) deficit.'

On behalf of the Panel Joly Dixon added: 'Policy should be timely, targeted and temporary. Priority should be given to ensuring that policies should not aggravate medium-term fiscal problems either by narrowing the tax base or widening the expenditure base.'

The FPP will expand on many of the issues they raise in their letter in their annual report which will be published on 5 May 2009.

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Contact

Joly Dixon is available for telephone interview on 26 March 2009 and interviews should be booked through Kate Kirk, States of Jersey Communications Unit (T: 01534 440 421)

Dougie Peedle, States Economic Adviser (T: 01534 440 446)

Notes to Editors

The Fiscal Policy Panel's role is to give the Treasury & 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.

Senator Philip Ozouf formally asked for advice on what action to take to mitigate the impact of the economic downturn on the worst affected individuals and businesses on 13 March 2009. Specifically, he asked how and when cash from the £140m Stabilisation Fund should be used to support the local economy.

During their visit to Jersey in March the FPP met local businesses and their representatives and discussed new economic forecasts produced by the States Economics Unit.

The three members of the Fiscal Policy Panel are Joly Dixon CMG (Chairman), Christopher Allsopp CBE and Marian Bell CBE.

Joly Dixon CMG worked for nearly 30 years at the European Commission, holding a variety of senior posts. He was Director for International Economic Affairs in the Directorate General for Economic and Financial Affairs from 1992 to 2003. For the previous five and a half years, he was a member of the cabinet of President Jacques Delors, concentrating on economic and monetary issues.

Christopher Allsopp CBE is Director of the Oxford Institute for Energy Studies. He is a Fellow of New College and Reader in Economic Policy at the University of Oxford. He has recently completed a Review of Statistics for Economic Policymaking (the 'Allsopp Review'). He is a former Member of the Monetary Policy Committee (2000-2003) and of the Court of Directors of the Bank of England (1997-2000). He is the Editor of the Oxford Review of Economic Policy and a Director of Oxford Economic Forecasting.

From June 2002 to June 2005, Marian Bell CBE was an external Member of the Monetary Policy Committee of the Bank of England, appointed by the Chancellor of the Exchequer, to set interest rates to meet the UK Government's inflation target. Prior to that, Marian 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 modelling and forecasting the UK economy for fiscal policy purposes. She set up Alpha Economics in September 2000 to undertake independent research and consultancy.