

Media Release

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Policy & Resources Committee seeks support for plan to fund the financial response to the coronavirus economic impact

The Policy & Resources Committee has worked quickly to produce a Policy Letter to ensure funds are available for an ongoing financial response to the economic consequences of the COVID-19 pandemic.

If the States of Deliberation agrees, a total of £500m could be borrowed to fulfil this need.

Public finances are already being significantly impacted by the need to provide financial support measures for the many individuals and businesses who have lost income as a result of the necessary public health restrictions in place to prevent the spread of the coronavirus.

While the exact extent of the pandemic's impact on the economy and public finances is not as yet known and will be dependent on a number of factors, early modelling indicates that the States of Guernsey have a requirement of up to £250million in order to provide immediate liquidity and fund the business support measures, replace income lost as a result of the COVID-19 pandemic, service cash-flow requirements as payments to the States are deferred, and make overdraft facilities available to trading assets to finance losses and support cash-flow.

As the States looks to enable an economic recovery, public finances will also play a key role in making this happen, through support and investment. For this reason, the States are being asked to delegate authority to the Policy & Resources Committee to obtain additional borrowing facilities of up to a further £250million.

Deputy Lyndon Trott, Vice-President of the Policy & Resources Committee said:

“Our economic recovery and future prosperity will require us to be vigorous and bold. This is the right time with the right reasons to look at borrowing, to make sure we can support our community and help it bounce back from a crisis that puts both our health and our economy at risk. We are working hard to prevent the health crisis turning into a deep recession. Governments around the world have the same focus, the difference here is that we cannot print money to the extent seen elsewhere.

"The cost so far to our public purse is expected to be just shy of £200 million this year and this is likely to grow. As such the relevant question for the States this week is not whether we can, or should, borrow up to £500 million to fund our continuing route through this crisis, but rather can we afford not to?"

The policy letter can be read at www.gov.gg/statesmeetings.

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Notes to Media

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