

GIBA Statement - The Guernsey Economic and Financial Stability Overview

GIBA welcomes the publication of the recent Economic and Financial Stability Overview by the States of Guernsey. It does, however, highlight the difficulty in true analysis.

The report suggests that the finance sector is showing evidence of stress; , with a fall in total employment in the sector by the second quarter of 2020 compared to a year earlier of 4.9%. Some of this decline started in late 2019.

However, to understand what is really going on in the finance sector, you need to look behind the numbers. Our finance sector is not a single sector but made up of a number of different parts that behave differently in different economic times. Some parts of the sector will have seen contraction whilst others will have experienced growth.

The data does show those pockets of growth. For example, captive insurance is seeing an increase in new business as are some areas of the fiduciary sector. In the funds sector, private equity, which is the largest part of that industry are seeing opportunities for strong growth.

On the other hand, as we are near 0% interest rates, banks will be suffering and are experiencing regulatory pressures, both of which can force cost-cutting. There were also a number of mergers and acquisitions among fiduciaries and fund administrators in 2018 and 2019, which can result in job reductions.

It is also important to remember that the international finance sector is hugely competitive and we have suffered from that environment. Rivals such as Luxembourg and Jersey have seen better funded promotional agencies and have a reputation for better transport links than Guernsey. This will have an impact on businesses here.

All that said, it is important to remember that finance received none of the £43m of business support from the States. So, although we may have seen some slight contractions, the finance sector remains the engine room of the Guernsey economy and in the short to medium term, the continued health of the sector is vital to Guernsey's recovery from the effects of the pandemic. Finance itself does not need direct government support, but it does need better funding of Guernsey Finance and improvements to transport links if it is to drive the growth that the Island so badly needs.

Tony Mancini, GIBA Chair