

Measuring Jersey's Economy

GVA and GDP - 2014



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Summary

Gross Value Added (GVA)

- **On an annual basis Jersey's economy, as measured by total GVA, grew by 5% in real terms in 2014.**
- Total GVA in 2014 was £3.90 billion (current year values).
- 2014 represents the first year since 2007 that the Island's economy has grown in real terms.
- This latest annual increase in total GVA was driven by real-term growth recorded by the Finance sector. The majority of the non-finance sectors of the economy also recorded real-term growth in 2014.
- In real terms, total GVA in 2014 was more than £500 million below the previous peak recorded in 2007.

Gross Domestic Product (GDP)

- In real terms, GDP in 2014 grew by 4% on an annual basis.
- GDP in 2014 was £3.88 billion (current year values).

GVA per head of population

- GVA per head of population in Jersey in 2014 was £38,800 (current year values).
- 2014 saw the first real-term increase in GVA per head for seven years.
- The average economic standard of living of residents in Jersey, as measured by GVA per head, has declined by a fifth (20%) in real terms since 2001.

Introduction

This report presents estimates of the size and performance of Jersey's economy, measured according to the internationally agreed framework¹. Two aggregate measures are presented (see Note 1):

Gross Value Added (GVA): shows the value of economic activity taking place in Jersey and permits a breakdown by each sector of the economy;

Gross Domestic Product (GDP): the traditional aggregate measure of an economy which requires specific treatment for services indirectly charged by financial services institutions (FISIM).

Each of the above measures are presented in current year values of income (specific to each calendar year, and referred to as "nominal" values) and in constant year values (adjusted for inflation, and referred to as "in real terms").

¹ System of National Accounts 1993 (SNA93): United Nations; European System of Accounts (ESA 1995): Eurostat; UK National Accounts: Concepts, Sources & Methods, 1998: Office for National Statistics.

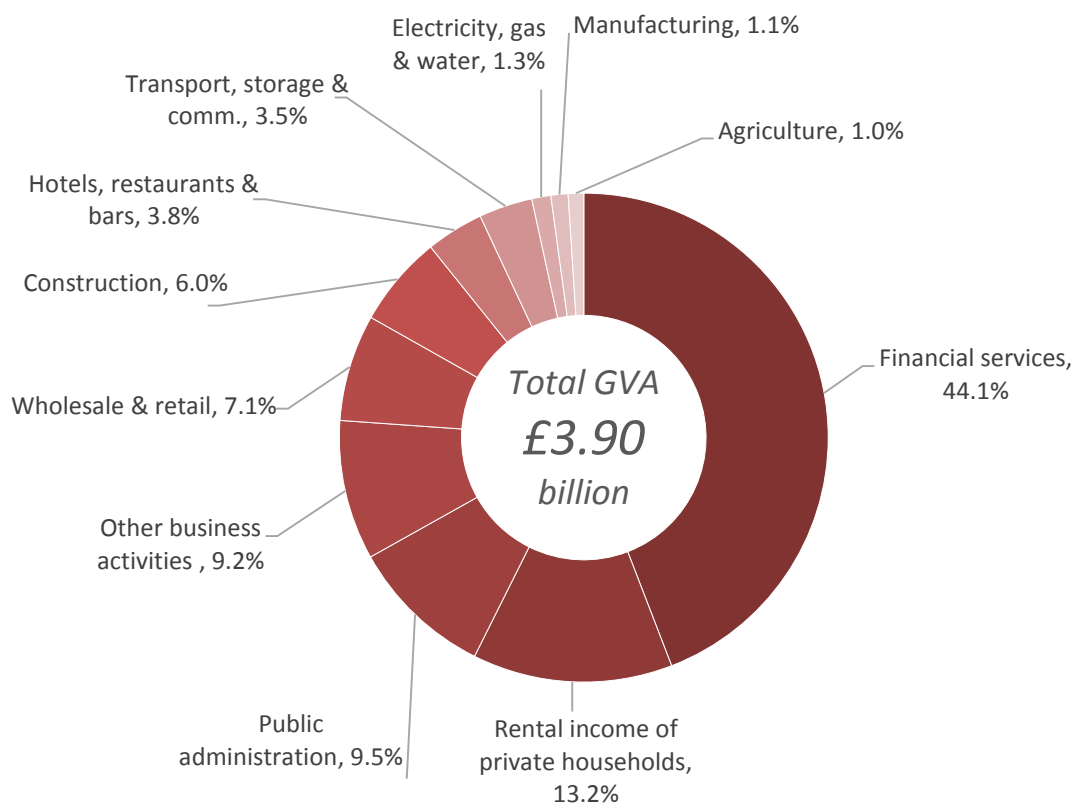
Section 1: Current year values of income

Gross Value Added, GVA

In nominal terms (expressed in current year values of income) the total GVA of Jersey's economy in 2014 was £3.90 billion².

The contribution of each sector of the economy to total GVA in 2014 is shown in Figure 1.

Figure 1 – GVA by sector, 2014



The Finance sector was the largest component of total GVA, accounting for more than two-fifths (44%) of total GVA in 2014, and for more than half (51%) of all economic activity excluding the rental income of private households (see Note 2).

The next largest sectors in terms of GVA (excluding the rental income of private households) were:

- Public administration
- Other business activities; this sector is comprised predominantly of private sector service industries, such as businesses servicing other businesses and businesses servicing households

Each of these sectors accounted for more than 9% of total GVA in 2014.

Table 1 shows the contribution of each sector of the economy to total GVA in 2013 and 2014.

² Throughout this report, all estimates for 2014 should be considered as provisional.

Table 1 – GVA (basic) by sector at current year values of income: £ million

Sector	2013 (r)	2014
Agriculture	47	40
Manufacturing	41	44
Electricity, gas & water (Utilities)	49	49
Construction	221	236
Wholesale & retail	279	275
Hotels, restaurants & bars	138	149
Transport, storage & communications	134	138
Financial services	1,551	1,721
Other business activities	348	360
Rental income of private households	497	516
Public administration	350	371
Total GVA (basic)	3,656	3,898

Figures are shown rounded to the nearest £ million. (r) revised.

In nominal terms (i.e. not adjusted for inflation), total GVA in 2014 was 7% greater than in 2013.

At a sectoral level, most sectors of the economy recorded annual increases in GVA in 2014 in nominal terms. The exceptions were the Agriculture and Wholesale & retail sectors, which recorded decreases in nominal GVA in 2014; both sectors had seen nominal increases in GVA in 2013 of a similar magnitude to these most recent decreases.

The largest nominal increase in GVA in 2014 was recorded by the Financial services sector; the annual increase in GVA of some £170 million recorded by this sector was driven by the total Gross Operating Surplus (GOS) of businesses in the sector being more than a fifth (21%) higher than in 2013.

Gross Domestic Product, GDP

The measures presented in Figure 1 and Table 1 show GVA at *basic* prices, that is excluding taxes (GST and impôts) but including subsidies.

GDP is defined as total GVA at *market prices* adjusted for the allocation of FISIM (see Note 1). In both 2013 and 2014 the difference between total GVA at basic prices and at market prices was around £130 million, whilst the downward FISIM adjustment in 2013 was less than that in 2014.

Table 2 – Total GVA and GDP at current year values of income: £ million

	2013 (r)	2014
Total GVA (basic)	3,656	3,898
Total GVA (market)	3,786	4,031
FISIM adjustment	-122	-152
GDP	3,664	3,879

Figures are shown rounded to the nearest £ million.

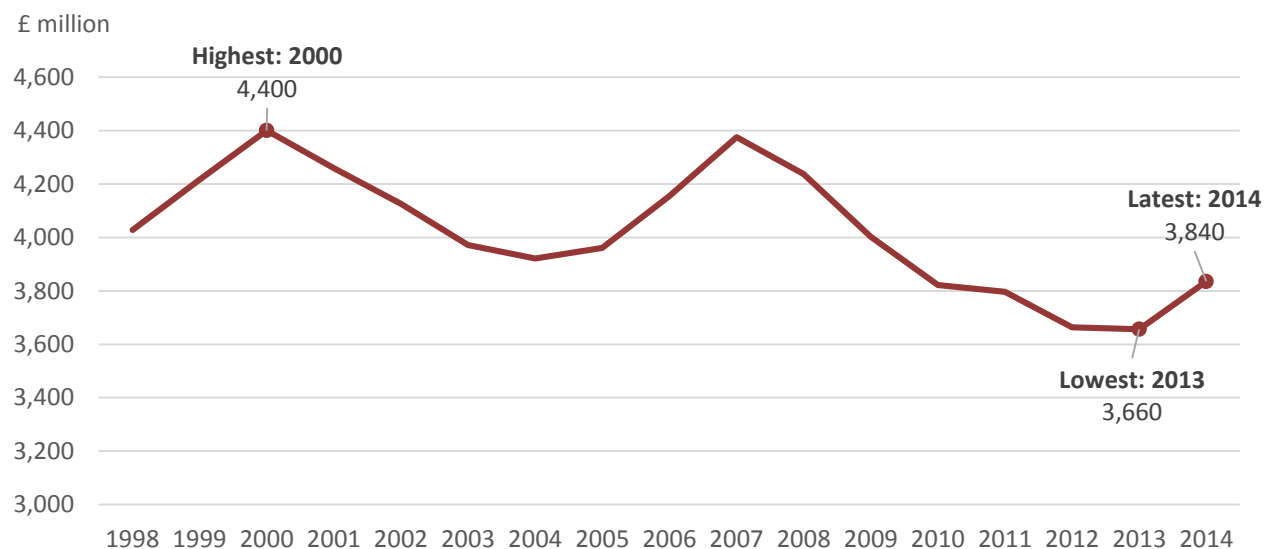
GDP in 2014 is estimated at £3.88 billion, corresponding to a nominal annual increase of 6%.

Section 2: Constant year values of income

The previous section presented measures of Jersey’s economy in terms of current year values of income. A more informative perspective of economic performance across time is provided by considering **constant year values** of income (i.e. expressed “in real terms”), by deflating the estimates of GVA and GDP using the underlying rate of inflation (see Note 3).

Figure 2 shows the total GVA of Jersey’s economy in real terms for each year from 1998 to 2014 - see Appendix Table A1.

Figure 2 – GVA (basic) at constant year (2013) values of income, £ million

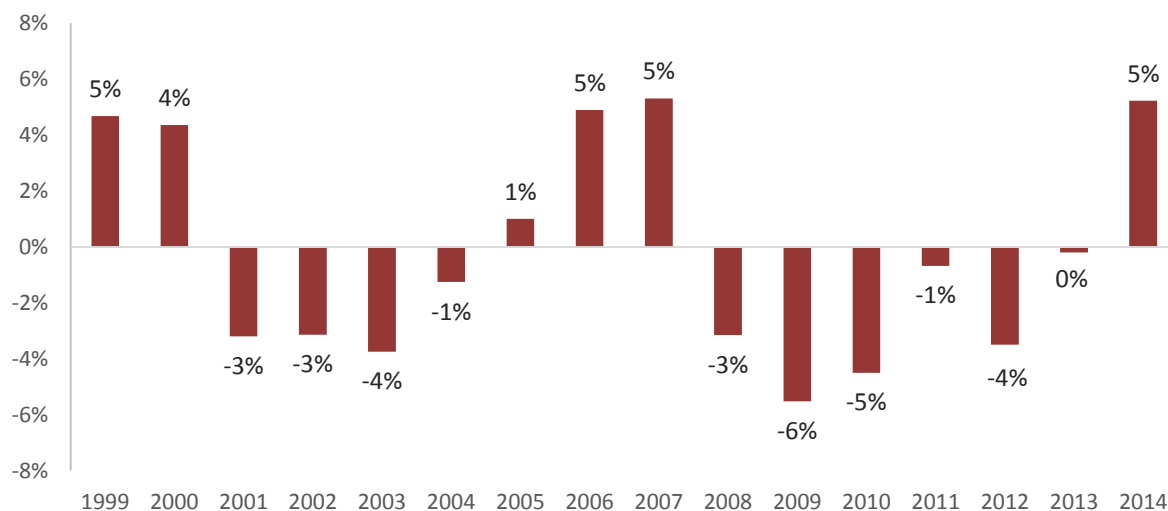


In real terms:

- total GVA increased by some £180 million in 2014 compared with that recorded in 2013, corresponding to an annual increase of 5%
- the level of total GVA in 2014 was more than £500 million below the previous peak in total GVA seen in 2007

Figure 3 shows the annual percentage change of total GVA in real terms since 1999.

Figure 3 - Annual percentage change of GVA (basic) in real terms



During the five-year period from 2007 to 2012 total GVA declined by a sixth (16%) in real terms and was then essentially flat in 2013. The latest year, 2014, represents the first year since 2007 that total GVA has increased in real terms on an annual basis.

Table 3 shows the GVA for each sector of the economy in 2013 and 2014 in constant year (2013) values of income. The annual percentage changes of sectoral GVA in real terms from 1999 to 2014 are shown in Appendix Table A2.

Table 3 – GVA (basic) at constant year (2013) values of income: £ million and percentages

	2013 (<i>r</i>)	2014	Real-term change, %
Agriculture	47	39	-17%
Manufacturing	41	43	6%
Electricity, gas & water (Utilities)	49	48	-1%
Construction	221	232	5%
Wholesale & retail	279	271	-3%
Hotels, restaurants & bars	138	146	6%
Transport, storage & communications	134	136	2%
Financial services	1,551	1,693	9%
Other business activities	348	354	2%
Rental income of private households	497	507	2%
Public administration	350	365	4%
Total GVA (basic)	3,656	3,835	5%

Figures are shown rounded to the nearest £ million.

The real-term growth of total GVA in 2014 was driven by Financial services. This sector saw GVA increase by 9% on an annual basis, as a result of a real-term increase in the GOS of the sector of almost a fifth (19%).

The majority of the non-finance sectors of the economy also saw real-term growth in GVA in 2014. The exceptions were Agriculture, the Utilities and Wholesale & retail, each of which recorded falls in GVA on an annual basis. Overall, the GVA of the non-finance sectors increased by almost 2% in real terms in 2014.

Figure 4 shows total GVA in constant year (2013) values for Financial services and the non-finance sectors (overall, excluding the rental income of private households) from 1998 to 2014 (see Appendix Table A1).

Figure 4 – GVA (basic) for finance and non-finance sectors in real terms constant year (2013) values of income, £ million

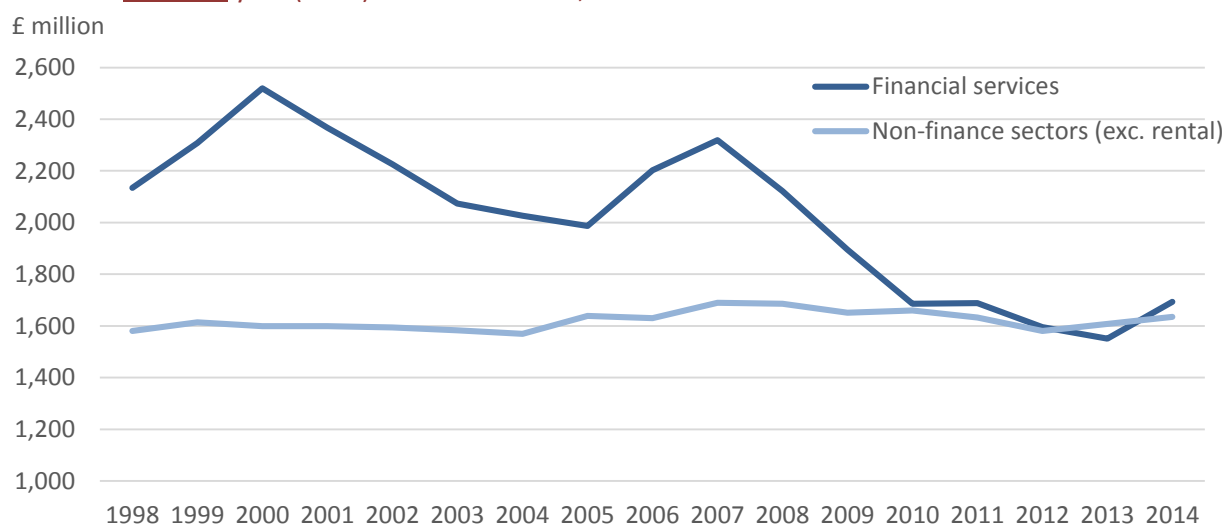


Figure 4 shows that prior to 2010 the GVA of the Finance sector in Jersey was greater than the GVA of the non-finance sectors combined (excluding the rental income of private households). Since 2010, the GVA of the Finance and non-finance components of the economy have been more similar.

The performance of the Finance sector has been central to the overall performance of the Island’s economy during the period covered by Figures 2 and 4. In particular, the peaks in total GVA seen in 2000 and 2007 were driven by the corresponding peaks in the GVA of the Finance sector in these years. Similarly, the decrease in total GVA of a sixth (16%) between 2007 and 2012 was largely a result of the decline of almost a third (31%) in the GVA of the Finance sector over this period.

GDP in real terms

In 2014 Jersey’s GDP increased by 4% in real terms on an annual basis, up from £3,660 million in 2013 to £3,820 million, in constant year (2013) values.

Section 3: GVA and GDP per head of population

Expressing national accounting aggregates such as GDP and GVA on a per capita basis (i.e. per head of population) provides a broad indicator of the average economic standard of living of the resident population.

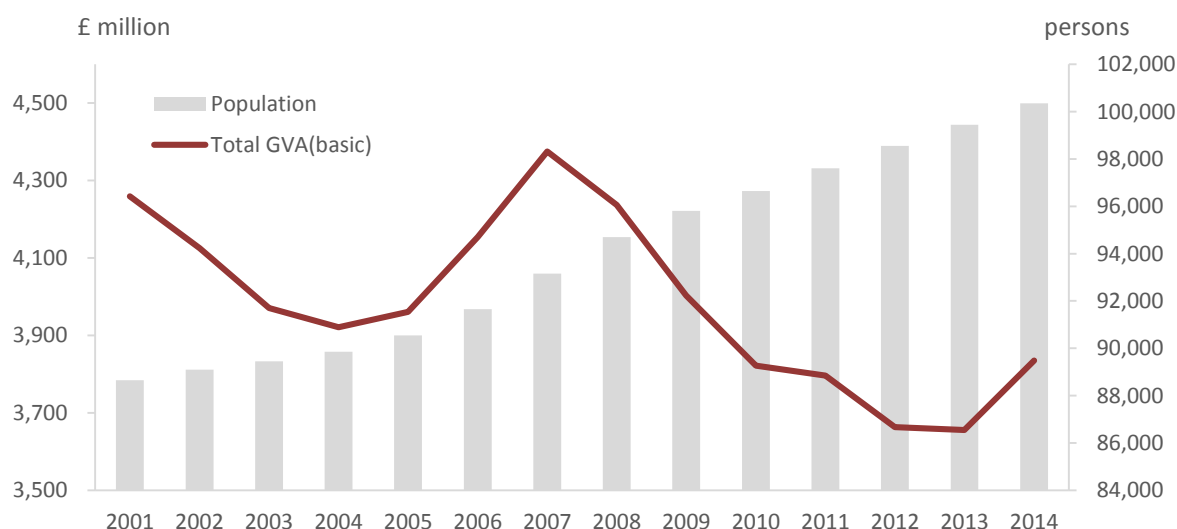
For Jersey in 2014, in current year values of income³:

- GVA per head was £38,800
- GDP per head was £38,700

The real-term change in the average economic standard of living of Jersey residents may be determined by considering GVA per head in constant year values of income over a longer period.

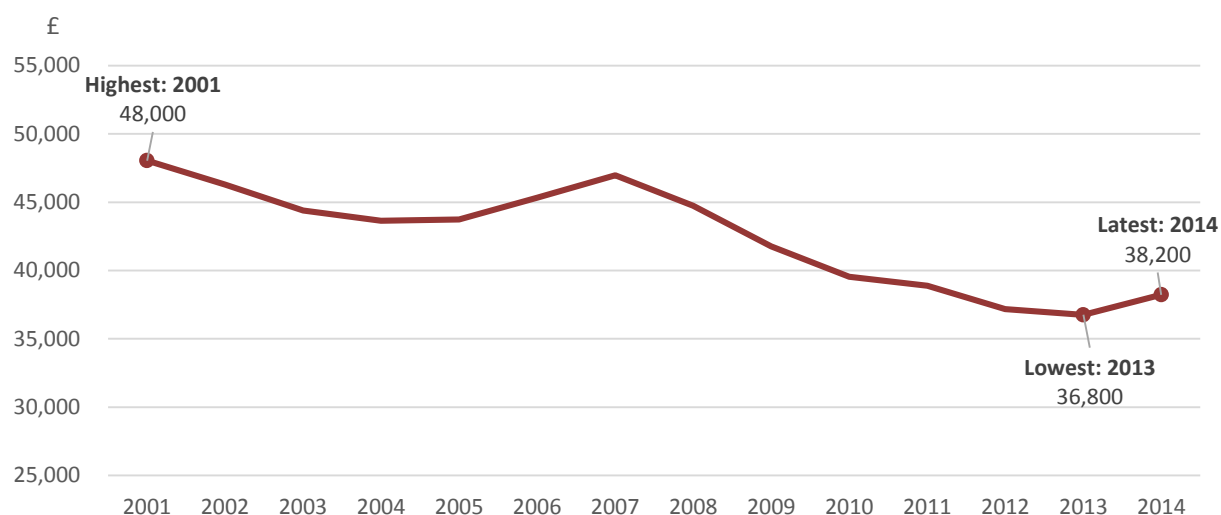
The two components of this analysis are shown in Figure 5 for the period 2001 to 2014: the mid-year resident population; and the total GVA in constant year (2013) values. Figure 6 shows the resulting GVA per head in constant year (2013) values over this period (see Appendix Table A3).

Figure 5 – Jersey’s resident population and total GVA (basic) in real terms (£ million), 2001 to 2014



³ The resident population figures used to calculate GVA per head and GDP per head for Jersey are mid-year estimates derived from year-end figures published in: “Jersey Resident Population – 2014 estimate”, Statistics Unit, June 2015. The 2001 Jersey Census provides the basis for the estimate of the resident population at year-end 2000; hence, the first mid-year estimate available for determining GVA per head is for calendar year 2001.

Figure 6 – Jersey’s GVA per head of population in real terms, 2001 to 2014
constant year (2013) values



Over the period from 2001 to 2014, the GVA per head of population in Jersey decreased by a fifth (20%) in real terms. Most of this overall decline occurred after 2007; between 2007 and 2014 the GVA per head of population in Jersey decreased by almost a fifth (19%).

The latest year, 2014, saw the first increase in GVA per head for seven years, up by 4% on that in 2013.

Comparison with the UK, 2001 to 2014

The measures GVA per head and GDP per head for Jersey and the UK in 2014 are shown in Table 4, in current year values of income⁴.

Table 4 – GVA and GDP per head for Jersey and UK in 2014 (current year values, £)

	GVA	GDP
Jersey	38,800	38,700
UK	24,700	27,800

In 2014, the GVA per head of population Jersey was almost three-fifths (57%) greater than in the UK and GDP per head was almost two-fifths (39%) greater in Jersey than in the UK⁵.

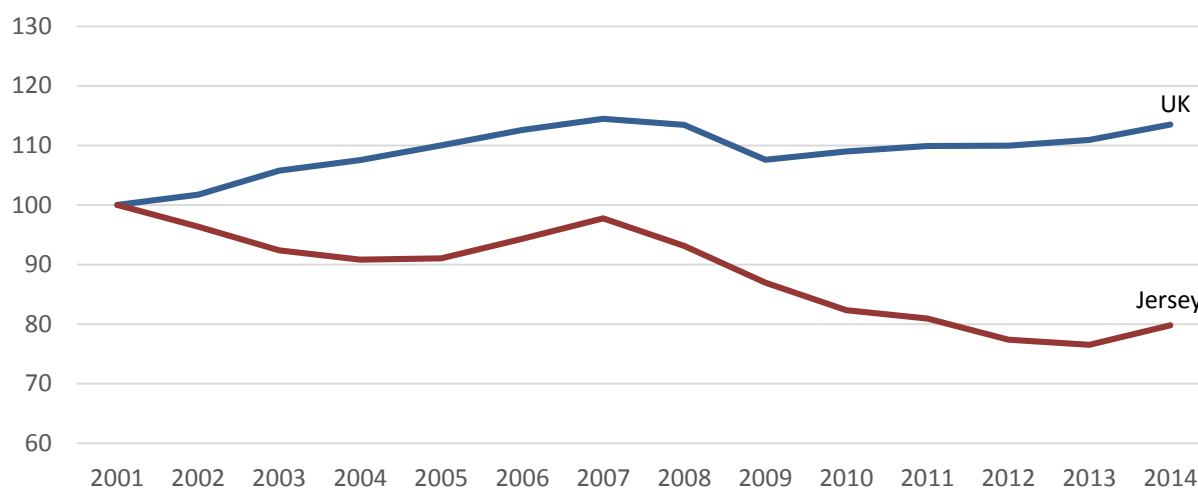
Between 2013 and 2014, GVA per head and GDP per head increased by 4% and 3%, respectively, in real terms in Jersey, whilst both measures saw annual increases of 2% in the UK.

The real-term relative performance of GVA per head in the two jurisdictions since 2001 is shown in Figure 7. Since 2001, GVA per head in Jersey has decreased by a fifth (20%); in contrast, GVA per head in the UK has increased by 13%.

⁴ Measures for the UK are from, or derived from, datasets published by the UK Office for National Statistics; “Second Estimate of GDP, Quarter 2 (Apr-June) 2015”, August 2015.

⁵ When comparing these measures for the two jurisdictions, it should be acknowledged that the most recent (2013) estimate of the overall relative price level for consumer goods and services (including housing, health and education costs) for Jersey was a fifth (20%) greater than the UK average; see: “Jersey-UK Relative Consumer Price Levels for Goods and Services, 2013”, Statistics Unit, March 2014.

Figure 7 – GVA per head for Jersey and the UK, in real terms; 2001 to 2014
(Indexed 2001 = 100)



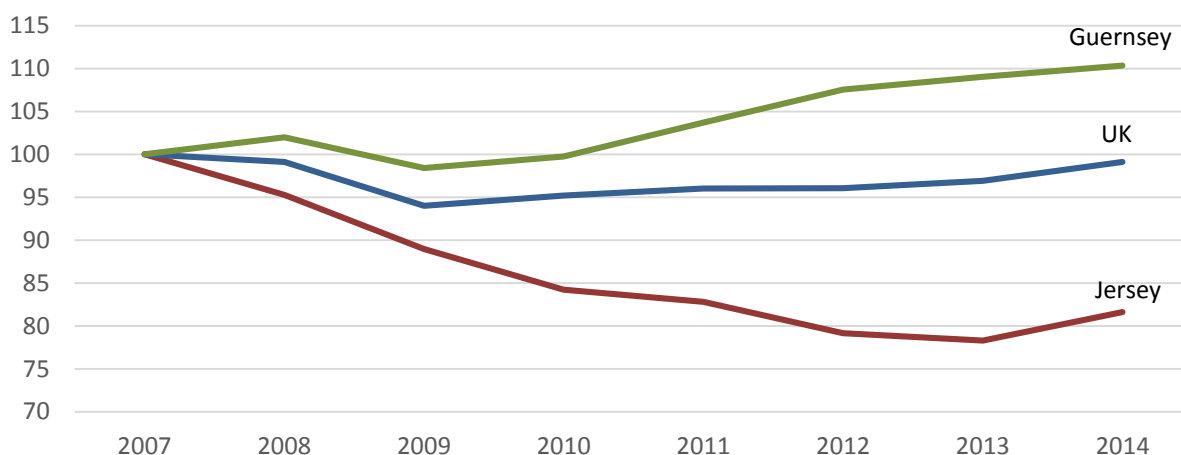
Comparison with Guernsey and the UK, 2007 to 2014⁶

GDP per head of population in Guernsey in 2014 was £37,500 (current year values). This measure for Guernsey was slightly (3%) below the level of GDP per head for Jersey in 2014 but more than a third (35%) higher than that of the UK.

Between 2013 and 2014, GDP per head in Guernsey increased by 1% in real terms, compared with increases of 4% in Jersey and 2% in the UK.

Figure 8 shows the real-term relative performance of the indicators of average economic standard of living in the three jurisdictions since 2007⁷.

Figure 8 – Indicators of average economic living standards in real terms; 2007 to 2014
(Indexed 2007 = 100)



Over the seven year period from 2007 to 2014, the average economic standard of living:

- increased by 10% in Guernsey
- was essentially unchanged in the UK (down by less than 1%)
- decreased by almost a fifth (19%) in Jersey

⁶ Guernsey publishes an annual estimate of the resident population from 2006 onwards, from which a mid-year estimate for 2007 can be derived; see Guernsey Facts and Figures 2015, States of Guernsey Policy and Research Unit.

⁷ For Jersey and the UK the indices shown are derived from GVA per head whilst that for Guernsey is derived from GDP per head since Guernsey does not explicitly publish a time series for total GVA (basic).

APPENDIX

Table A1 - GVA (basic) in constant year (2013) values of income; £ million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ^(r)	2014 ^(r)
Total GVA	4,030	4,220	4,400	4,260	4,130	3,970	3,920	3,960	4,150	4,370	4,240	4,000	3,820	3,800	3,660	3,660	3,840
Financial services	2,130	2,310	2,520	2,370	2,230	2,070	2,030	1,990	2,200	2,320	2,120	1,890	1,690	1,690	1,600	1,550	1,690
Non-finance sectors*	1,580	1,610	1,600	1,600	1,590	1,580	1,570	1,640	1,630	1,690	1,690	1,650	1,660	1,630	1,580	1,610	1,630

*Overall, excluding the rental income of private households.

Numbers are rounded to the nearest £10 million. ^(r) = revised; ^(p) = provisional

APPENDIX

Table A2 - Real-term annual change in GVA (basic) by sector; percentages

Sector	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ^(r)	2014 ^(r)
Agriculture	-1	-5	-10	2	-3	-10	3	4	3	5	5	-14	-15	-3	12	-17
Manufacturing	0	-1	-3	-5	-7	-9	-7	-6	-6	1	-9	1	-8	-9	-9	6
Electricity, gas & water	3	-3	-6	-1	-9	-4	8	-6	-3	8	-13	5	-3	0	3	-1
Construction	3	1	3	4	-8	-3	8	5	7	0	-1	4	-5	-8	-2	5
Wholesale & retail	0	-1	-3	-2	0	0	3	2	4	-6	-1	-1	2	-9	0	-3
Hotels, restaurants & bars	1	-8	-4	-3	1	-4	-3	1	3	-2	-7	2	2	3	2	6
Transport, storage & communication	3	-4	3	-2	-3	0	4	0	4	-4	-1	-3	-2	-3	6	2
Financial services	8	9	-6	-6	-7	-2	-2	11	5	-8	-11	-11	0	-5	-3	9
Other business activities (excluding rental)	2	2	3	2	5	3	13	-9	3	3	-3	3	0	1	3	2
Public administration	6	3	3	1	2	2	1	3	5	3	0	1	-2	-1	2	4
Total GVA	5	4	-3	-3	-4	-1	1	5	5	-3	-6	-5	-1	-4	0	5
Non-finance sectors (overall, excluding rental)	2	-1	0	0	-1	-1	4	0	4	0	-2	1	-2	-3	2	2

Percentage changes are calculated from unrounded figures. ^(r) = revised; ^(p) = provisional

Table A3 - GVA per head of population in constant year (2013) values; £

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ^(r)	2014 ^(p)
GVA per head	48,000	46,300	44,400	43,600	43,700	45,300	47,000	44,700	41,800	39,500	38,900	37,200	36,800	38,200

Numbers are rounded to the nearest £100. ^(r) = revised; ^(p) = provisional

NOTES

1. Definition of terms

The size of an economy can be measured in three ways: income (the sum of profits and earnings); output (the difference between output and intermediate purchases); and expenditure (the sum of all final expenditure in the economy e.g. consumer and government spending, capital investment, imports and exports). The income and output measures both derive estimates of value added. At present, data exists in Jersey to enable calculation of the income measure only. Under this approach GVA and GDP are defined as:

GVA the sum of gross operating surplus (including the “mixed income” of sole traders) and compensation of employees. GVA is evaluated separately for each sector of the economy and is specified in terms of basic prices, i.e. excluding taxes on products and production (GST and impôts) but including subsidies.

GDP the traditional aggregate measure of an economy requires specific treatment for services indirectly charged by financial services institutions. As specified by the System of National Accounts (SNA93), such services (designated as FISIM, Financial Intermediation Services Indirectly Measured) are estimated through net interest income and are allocated by user sector. The majority of FISIM generated by financial services institutions operating in Jersey comprises the export of a service.

2. Owner-occupiers’ imputed rent (OOIR) and rental income of private households

The international framework governing the calculation of National Accounts (and therefore GVA and GDP) is defined so that it can be applied to all countries and thereby measure economic performance regardless of differences between countries. This approach requires the inclusion of some theoretical concepts. One such concept is Owner-Occupiers’ Imputed Rent (OOIR), which is essentially an estimate of the rental costs that home owners would pay themselves to rent their own property. This payment does not actually occur but is required in order to make meaningful comparisons between countries in which owner-occupation is high (such as the UK) and countries where owner-occupier rates are lower, such as Germany.

Estimates of OOIR, net of expenses, and also of rental income earned by private households and non-corporations are, in principle, included in the “Other business activities” sector but are shown separately throughout this report so that the size and performance of the underlying businesses can be ascertained.

3. Deflators

A GDP deflator (in essence, a measure of inflation in the whole economy) is normally used to deflate national accounting aggregates. In the absence of such a measure for Jersey, RPI(X) provides an appropriate proxy deflator and RPI(Y) during periods which include the introduction or change in the rate of consumption taxes (a Goods and Services Tax, GST, was introduced in May 2008 at 3%; the rate of GST was increased to 5% in June 2011). For years prior to 2008 RPI(X) has been used as the deflator and RPI(Y) from 2008 onwards.

4. Revisions

The numbers published in this report for calendar year 2013 include some revisions compared with those previously published; these revisions are predominantly due to revised estimates of the Gross Operating Surplus of corporations and the compilation of more recent manpower and earnings data.

Statistics Unit

30 September 2015