Jersey Gross Value Added (GVA) and Gross National Income (GNI) 2008

Statistics Unit: www.gov.je/statistics

Headlines

- Jersey's economy, as measured by GVA, grew in real terms by 2% in 2008, a lower rate of growth than seen in each of the previous two years.
- Jersey's total GVA in 2008 was £4.3 billion, representing a nominal annual increase of 6%.
- GNI in 2008 was £4.0 billion.
- the Financial services sector accounted for more than half (53%) of Jersey's total GVA in 2008; this sector has accounted for around half of total economic activity in the Island, as measured by GVA, for at least the last ten years.
- most sectors of Jersey's economy recorded real term growth in GVA of between 1 and 3% in 2008; in contrast, the Transport, storage & communication and Wholesale & retail sectors saw real term decline in 2008.
- the Agriculture, Construction and Finance sectors in Jersey have now recorded four consecutive years of real term growth in GVA, although the growth for each of these sectors in 2008 was the lowest in that period.

Introduction

This report presents estimates of the size and growth of Jersey's economy, measured according to the internationally agreed framework specified by the United Nations[1] and the European Union[2], and as applied to the UK by the Office for National Statistics[3]. The Jersey economy was measured for the first time following this approach in 2003[4].

Two aggregate measures of Jersey's economy are presented (see Notes 1 and 2):

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

Gross National Income (GNI): the measure recommended by the International Monetary Fund (IMF) for enabling comparisons between jurisdictions.

Both of the above measures are presented in current year values of income (specific to each calendar year) and in constant year values (adjusted for inflation, also referred to as "real terms"). The constant value measures of GVA and GNI are expressed in 2003 values[5.]

Throughout this report all estimates for 2008 should be considered provisional.

---

[1] System of National Accounts 1993 (SNA93): United Nations.
[2] European System of Accounts (ESA 1995): Eurostat.
[3] United Kingdom National Accounts: Concepts, Sources & Methods, 1998: Office for National Statistics.
[4] Jersey Gross Value Added (GVA) and Gross National Income (GNI) 1998-2003: States Statistics Unit, Sept. 2004.
[5] 2003 is chosen as the baseline since this year represented the first occasion that the size of Jersey's economy was measured according to the internationally agreed framework.

Section 1: Current year values of income

Gross value added, GVA

In nominal terms, the total GVA of Jersey economy's increased by 6% in 2008. This latest annual nominal growth is less than that recorded in the previous two years (almost 10% in both 2006 and 2007) and is of a similar level to the 5% growth recorded in 2005.

The contribution of each sector to total GVA in 2008 is shown in Figure 1, from which it is clear that the Finance sector accounted for more than half (53%) of total economic activity in the Island. The next largest sectors were: Other business activities (excluding the rental income of private households, see Note 3) and Public administration (each accounting for about 7%), Wholesale & retail (6%) and Construction (5%).

Figure 1 - GVA by sector, 2008

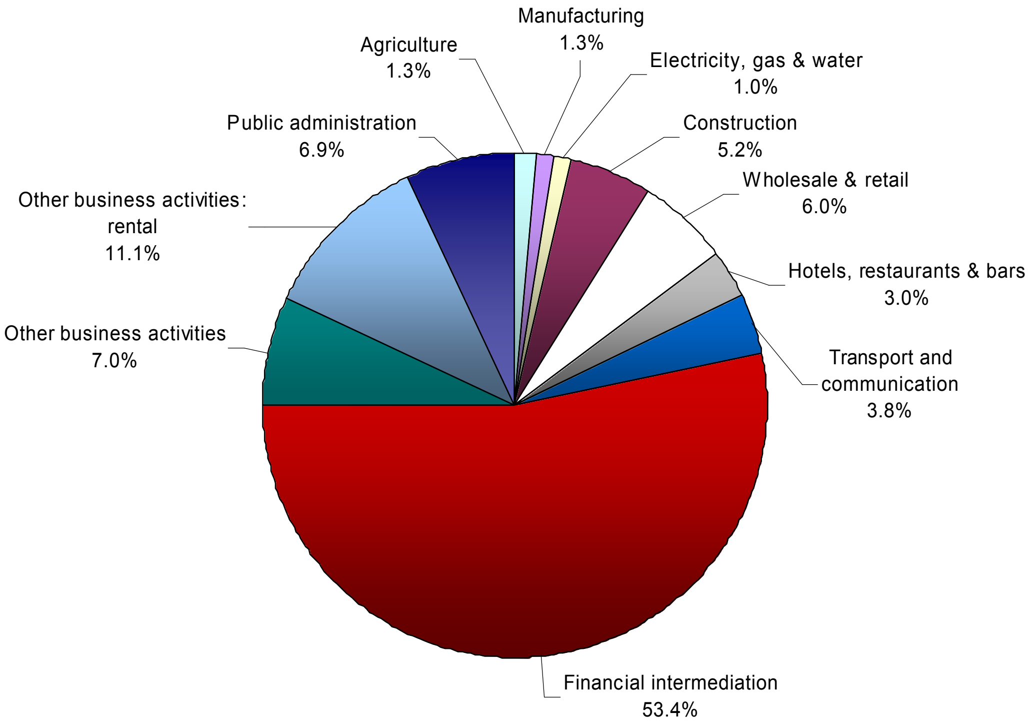


Table 1 shows total GVA (in current year values) for the period 1998 to 2008; the sectoral breakdown for this period is presented in Table A1 of the Appendix.

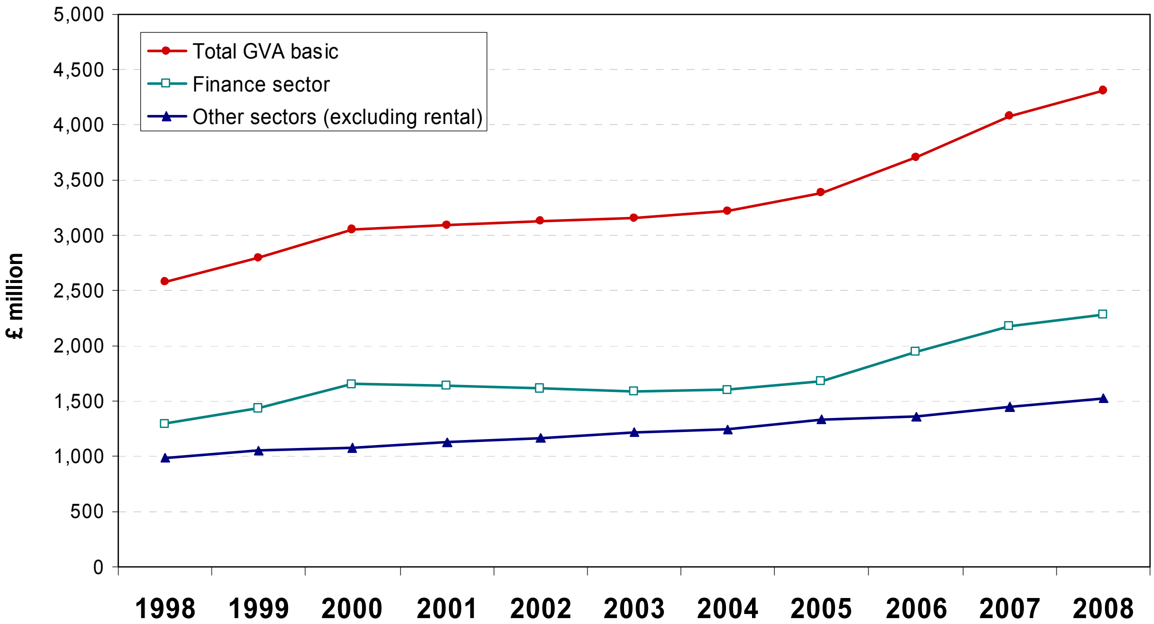
Table 1 – Total GVA (basic) at current year values 1998-2008; *£ million*

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *(r)*	2008 *(p)*
GVA	2,574	2,791	3,051	3,088	3,129	3,153	3,219	3,390	3,711	4,079	4,310

GVA figures are shown rounded to the nearest £ million. (r)revised; (p) provisional.

Figure 2 shows the behaviour of total GVA between 1998 and 2008 as well as that for the finance sector (which has accounted for around half of total GVA in each year of the period) and the combined non-finance sectors (excluding rental income of private households).

Figure 2 - GVA in current year values



As a consequence of the proportion which the Finance sector has represented of the Jersey economy throughout the period 1998-2008, the performance of this sector has been central to the overall performance of the Island's economy. The strong growth in total GVA up to 2000, and more recently in 2006 and 2007, was driven by the growth in the Finance sector, whilst the much lower rates of overall growth seen between 2001 and 2004 were a result of a decline in the Finance sector balanced by some growth in the non-finance sectors of the economy. The more moderate overall nominal growth of 6% in 2008 reflects the similar moderate rates of growth seen by both the Finance and non-finance sectors of the economy.

Most sectors recorded an increase in GVA in nominal terms in 2008 (see Table A1) except for the Wholesale & retail sector, which saw GVA at a similar level to the previous year.

The estimates presented in Table 1 show total GVA at basic prices, essentially the underlying cost excluding taxes and including subsidies. In 2008 the difference between total GVA at basic prices and GVA at market prices (including taxes but excluding subsidies) was about £80 million.

Gross National Income, GNI

GNI is defined as GVA *at market prices* plus the net flow of financial income from overseas (see Note 4). In 2008 this flow constituted an estimated net outflow of almost £400 million. The resulting provisional estimate of GNI for 2008 is £4,000 million, corresponding to a nominal annual increase of 7%. The GNI per capita for Jersey in 2008 was almost £44,000.

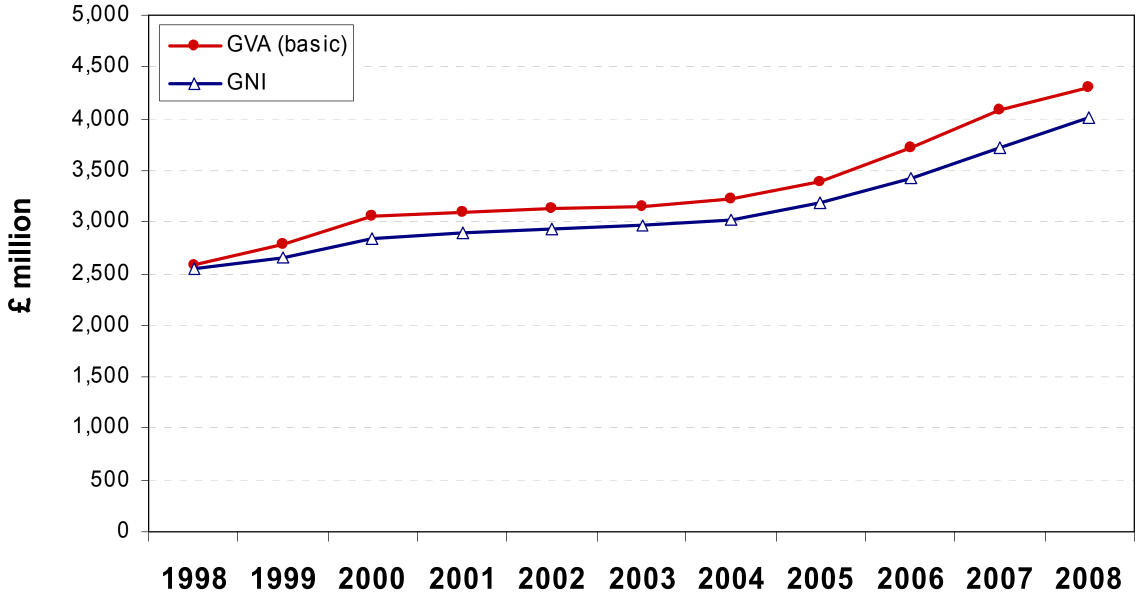
Table 2 – GNI at current year values, 1998-2008; *£ million*

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *(r)*	2008 *(p)*
GNI	2,550	2,660	2,840	2,900	2,930	2,970	3,030	3,180	3,420	3,730	4,000

GNI figures are shown rounded to the nearest £10 million. (r)revised; (p) provisional.

From the perspective of current year values of income, the picture of the Jersey economy since 1998 is one of strong growth up to 2000, a period of slower growth to 2004, followed by greater rates of increase since 2005 (Figure 3).

Figure 3 - GVA and GNI at current values



Section 2: Constant year values of income

The previous section presented the measures of Jersey's economy in terms of current year values of income. A more tangible sense of economic performance is provided by considering the economic metrics in constant year values (i.e. excluding the effect of inflation, also known as "real terms"). For Jersey this can be achieved by putting the aggregate estimates onto a constant value basis using the underlying rate of inflation as the deflator[6].

Table 3 shows total GVA in constant 2003 year values for the period 1998 to 2008; the sectoral breakdown for this period is presented in Table A2 of the Appendix.

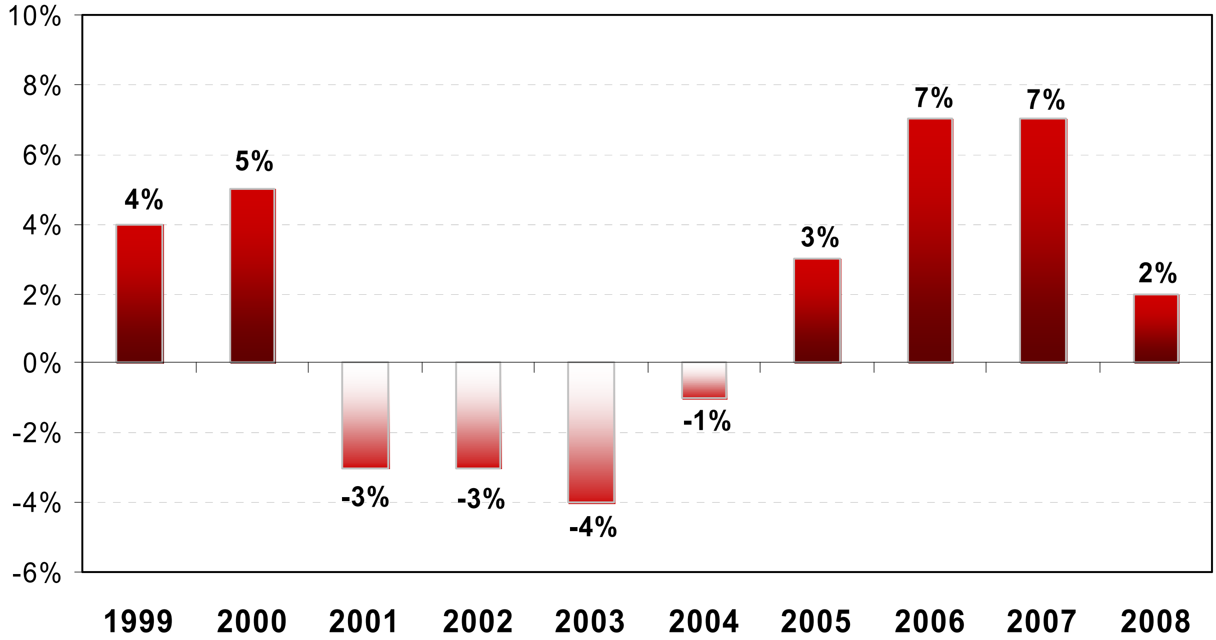
Table 3 – Total GVA (basic) at constant (2003) values: *£ million*

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 (r)	2008 (p)
GVA	3,168	3,286	3,455	3,367	3,270	3,153	3,115	3,205	3,416	3,658	3,726

As Figure 4 shows, Jersey's GVA increased by 2% in real terms in 2008, a lower rate of growth than seen in each of the two previous years.

[6] A GDP deflator is normally used to deflate national accounting aggregates as it is a measure of the inflation in the whole economy. In the absence of this measure for Jersey, RPI(X) provides an appropriate proxy deflator, and specifically RPI(Y) during periods which include the introduction of new consumption taxes, as in Jersey in 2008 (a Goods and Services Tax, GST, was introduced in May 2008).

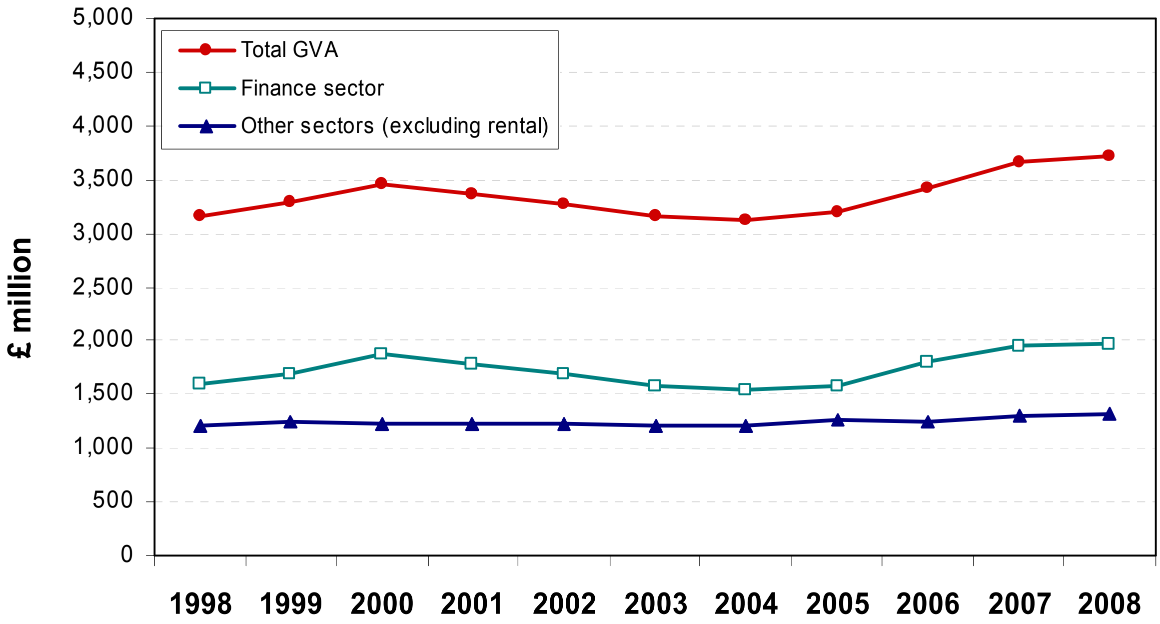
Figure 4 - Annual percentage change of GVA (basic) in real terms



During the last ten years, the period covered by Figure 4, Jersey's economy saw strong real term growth up to 2000, followed by four years of real term decline from 2001-2004, followed by four years of real term growth from 2005 onwards.

The real term behaviour of total GVA and of the finance and non-finance components of the economy (shown in Figure 5) reflects that previously discussed for current year values. The overall real term growth recorded up to 2000 was driven by the finance sector, and the subsequent period of decline resulted from falling GVA in the finance sector and essentially stable real term GVA for the non-finance part of the economy. As is apparent from Figure 5, the key driver behind the strong growth seen in 2006 and 2007 was that recorded by the finance sector.

Figure 5 - GVA in constant (2003) values



Most sectors of Jersey's economy saw real term growth in 2008 of between 1 and 3% (see Table A3 of the Appendix). The exceptions were the Electricity, gas & water sector, which saw a larger increase of 8%, whilst, in contrast, the Transport, storage & communication and Wholesale & retail sectors saw real term decline of 1% and 3%, respectively.

The Agriculture, Construction and Finance sectors in Jersey have now recorded four consecutive years of real term growth in GVA, although the most recent growth, in 2008, was at lower rates than seen in each of the previous three years.

As is apparent from Table A3, the Public sector in Jersey has seen small ongoing real term growth in GVA in each of the last ten years. Under the income approach to measuring GVA, the gross operating surplus (essentially gross profit) of the public sector is defined to be zero, i.e. the Public sector is considered to consume all of its own output. Hence, real term growth in GVA for this sector represents the real term growth in the total earnings of all employees working in the sector.

Table A1 - GVA (basic) by sector at current year values of income; *£ million*

Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *(r)*	2008 *(p)*
Agriculture	46	47	47	44	47	48	44	47	50	53	56
Manufacturing	60	63	64	65	64	63	59	56	55	53	56
Electricity, gas & water	33	36	36	35	36	34	34	37	36	36	41
Construction	127	137	143	153	165	160	161	177	192	212	224
Wholesale & retail	182	189	194	197	200	210	215	228	239	256	256
Hotels, restaurants & bars	106	111	107	107	107	113	113	112	116	123	129
Transport & communication	112	121	120	128	131	133	138	146	150	159	164
Financial intermediation	1,299	1,439	1,654	1,636	1,619	1,584	1,603	1,677	1,954	2,179	2,285
Other business activities	453	474	499	524	551	585	617	666	662	732	805
of which business activity	*163*	*174*	*185*	*199*	*212*	*232*	*247*	*284*	*267*	*283*	*301*
of which rental income	*290*	*300*	*314*	*325*	*339*	*353*	*370*	*382*	*394*	*449*	*504*
Public administration	157	174	186	199	210	223	235	244	257	276	294
Total GVA	**2,574**	**2,791**	**3,051**	**3,088**	**3,129**	**3,153**	**3,219**	**3,390**	**3,711**	**4,079**	**4,310**

GVA figures are shown rounded to the nearest £ million. (r)revised; (p) provisional.

Table A2 - GVA (basic) by sector at constant (2003) values of income; *£ million*

Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *(r)*	2008 *(p)*
Agriculture	56	56	53	48	49	48	43	44	46	47	48
Manufacturing	74	74	73	71	67	63	57	53	50	47	48
Electricity, gas & water	40	42	41	38	38	34	33	35	33	33	35
Construction	156	161	162	167	173	160	156	168	177	190	194
Wholesale & retail	224	223	220	214	209	210	209	216	220	229	222
Hotels, restaurants & bars	130	131	121	116	112	113	109	106	107	110	112
Transport & communication	138	142	136	140	137	133	133	138	138	143	142
Financial intermediation	1,598	1,694	1,873	1,784	1,692	1,584	1,551	1,585	1,799	1,954	1,975
Other business activities	557	558	565	571	575	585	597	630	609	657	696
of which business activity	*200*	*205*	*210*	*217*	*221*	*232*	*239*	*269*	*246*	*254*	*260*
of which rental income	*357*	*353*	*355*	*354*	*354*	*353*	*358*	*361*	*363*	*403*	*436*
Public administration	193	205	211	217	219	223	227	230	237	247	255
Total GVA	**3,168**	**3,286**	**3,455**	**3,367**	**3,270**	**3,153**	**3,115**	**3,205**	**3,416**	**3,658**	**3,726**

GVA figures are shown rounded to the nearest £ million. (r)revised; (p) provisional.

Table A3 - Real-term annual change in GVA (basic) by sector; ***percentages***

Sector	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agriculture	-1%	-5%	-10%	2%	-3%	-10%	3%	4%	3%	2%
Manufacturing	0%	-1%	-3%	-5%	-7%	-9%	-7%	-6%	-6%	2%
Electricity, gas & water	3%	-3%	-6%	-1%	-9%	-4%	8%	-6%	-3%	8%
Construction	3%	1%	3%	4%	-8%	-3%	8%	5%	7%	2%
Wholesale & retail	0%	-1%	-3%	-2%	0%	0%	3%	2%	4%	-3%
Hotels, restaurants & bars	1%	-8%	-4%	-3%	1%	-4%	-3%	1%	3%	1%
Transport & communication	3%	-4%	3%	-2%	-3%	0%	4%	0%	4%	-1%
Financial intermediation	6%	11%	-5%	-5%	-6%	-2%	2%	14%	9%	1%
Other business activities (excluding rental)	2%	2%	3%	2%	5%	3%	13%	-9%	3%	2%
Public administration	6%	3%	3%	1%	2%	2%	1%	3%	5%	3%
Total GVA	**4%**	**5%**	**-3%**	**-3%**	**-4%**	**-1%**	**3%**	**7%**	**7%**	**2%**

Percentage changes are calculated from the unrounded figures.

NOTES

1) Definition of terms

The size of an economy can be measured in three ways: <u>income</u> (the sum of profits and earnings), <u>output</u> (the difference between output and intermediate purchases) and <u>expenditure</u> (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 only exists in Jersey to enable calculation of the income measure. Under this approach, GVA and GNI are defined as:

GVA the sum of gross operating surplus (including "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 (e.g. impôts) but including subsidies.

GNI total GVA modified to incorporate the net transfer of financial income to/from outside of the Island. However, as this measure includes overseas earnings it is affected by the strength of economies elsewhere in the world.

In calculating these economic aggregates it has been necessary to take a number of assumptions for measures such as the degree of non-Jersey ownership of businesses. These estimates have been taken on an informed basis and have been set at levels that do not affect year on year comparisons.

2) Gross Domestic Product, GDP

Gross Domestic Product (GDP), the traditional measure of a national economy, requires special treatment for profits made through interest rate differences. The System of National Accounts (SNA) does permit a flexible treatment. However, SNA68 (involving a negative adjustment) leads to an unrealistically low measure of GDP for Jersey whilst the more complete treatment specified by SNA93 (allocation by user sector) is not currently feasible.

Therefore, GDP determined under the SNA framework is considered to be a less representative measure of the Jersey economy than either GVA (*before FISIM adjustment*) or GNI. Any future modification or addition to the SNA relating to the measure of GDP for small economies dominated by offshore financial services could provide further guidance.

3) Owner-occupiers' imputed rent, OOIR

The international framework governing the calculation of National Accounts (and therefore GVA and GNI) is defined so that it can be applied to all countries and thereby measure economic growth regardless of differences between countries. This approach requires the inclusion of some theoretical concepts. One such concept is Owner-Occupiers Imputed Rent (OOIR). Essentially OOIR is an estimate of the rental cost that home owners would pay themselves to rent their own property. Of course this payment does not happen, but it is needed 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 both rental income, net of expenses, earned by non-corporations and OOIR are included within the Other business activities sector and are shown on a separate line in Table A1 (so that the size of the underlying business activity sector can be observed.

4) GNI: including net transfer of financial income from overseas

GVA measures economic activity in Jersey regardless of who ultimately are the owners of the means of production. In order to measure the wealth of Jersey people and businesses, and how this compares with other countries, GVA has to be adjusted to account for ownership. This means that income earned in Jersey by non-Jersey owned companies and individuals is subtracted from total GVA but income earned overseas by Jersey businesses and individuals is added; the sum of these two numbers is known as net transfer of financial income from overseas.

GNI is then defined as the aggregate of total GVA and the net transfer of financial income from overseas. For Jersey, GNI is calculated by subtracting from GVA the income after tax of companies operating in Jersey but owned elsewhere, and adding the investment income earned overseas by business, individuals and government.

5) Revisions

The numbers published in this report for 2007 show some small differences from those published previously. Such revisions are principally due to revised estimates of corporate profits from Income Tax returns and the compilation of more recent earnings data.

Statistics Unit

30 September 2009