

# Measuring Jersey's Economy

## GVA and GDP - 2013



Statistics Unit: [www.gov.je/statistics](http://www.gov.je/statistics)

### Headlines

#### Gross Value Added (GVA)

- In 2013 Jersey's economy, as measured by total GVA, was essentially unchanged in real terms on an annual basis.
- 2013 represents the first occasion in six years that total GVA has not recorded a significant fall in real terms on an annual basis.
- The relative stability of total GVA in 2013 compared with the previous year was driven by the real-term growth recorded by several **non-finance** sectors:
  - Agriculture, Hotels, restaurants and bars, the private sector service industries, the Public sector, Transport, storage and communications and the Utilities sector each recorded real-term growth of GVA in 2013;
  - in contrast, the GVA of the **Finance** sector, which accounted for more than two-fifths (42%) of all economic activity in the Island, decreased by 3% in real-terms in 2013; Construction and Manufacturing also recorded real term falls of GVA in 2013.
- Since the global economic downturn in 2008, the total GVA of Jersey's economy has decreased by a sixth (16%) in real terms. Over this period, the GVA of the Finance sector has decreased by a third (33%) in real terms, whilst that of the non-finance sectors, overall, has decreased by 5%.
- total GVA in 2013 was £3.7 billion (current year values).

#### Gross Domestic Product (GDP)

- GDP in 2013 was £3.7 billion (current year values).
- In real terms, GDP in 2013 was essentially unchanged on an annual basis.

### Introduction

This report presents estimates of the size and performance of Jersey's economy, measured according to the internationally agreed framework<sup>1</sup>. 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")<sup>2</sup>.

<sup>1</sup> 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.

<sup>2</sup> Throughout this report, all estimates for 2013 should be considered as provisional.

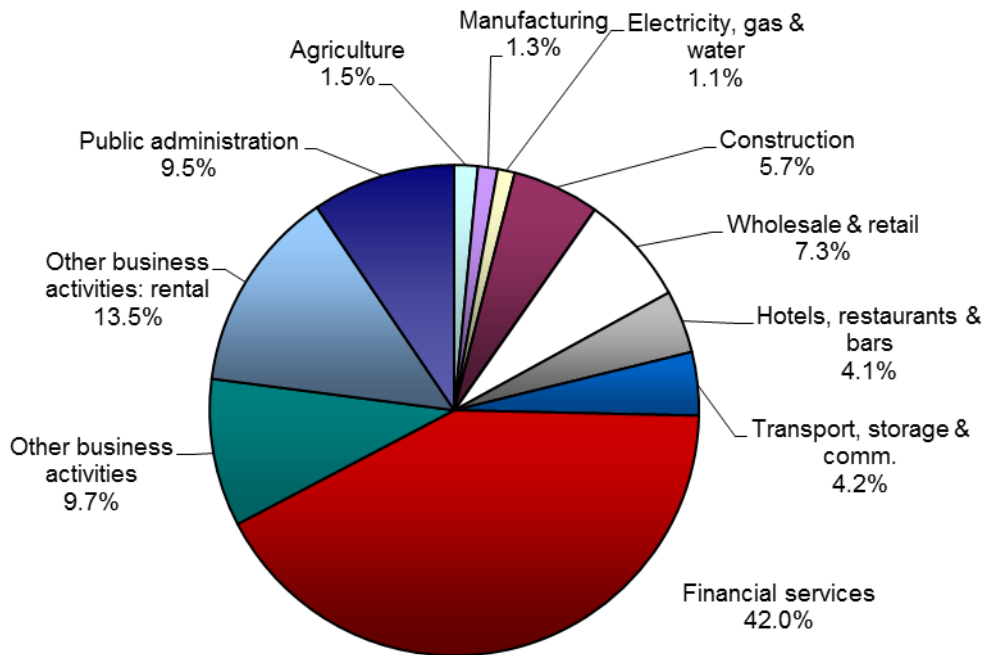
## Section 1: Current year values of income

### Gross Value Added, GVA

In nominal terms (expressed in current year values of income) the total GVA of Jersey's economy in 2013 was £3.7 billion.

The contribution of each sector of the economy to total GVA in 2013 is shown in Figure 1.

**Figure 1 – GVA by sector, 2013**



The Finance sector was the largest component of total GVA, accounting for more than two-fifths (42%) of total GVA in 2013, and for almost half of all economic activity excluding the rental income of private households (see Note 2).

The next largest sectors in terms of GVA were:

- Other business activities<sup>3</sup> (excluding the rental income of private households);
- Public administration;

each of these sectors accounted for almost 10% of total GVA in 2013.

Table 1 shows the contribution of each sector to total GVA in each of the last two calendar years, 2012 and 2013.

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<sup>3</sup> "Other business activities" is comprised predominantly of private sector service industries: businesses servicing other businesses; and businesses servicing households.

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

	<b>2012 (r)</b>	<b>2013</b>
Agriculture	50	57
Manufacturing	52	48
Electricity, gas & water	40	42
Construction	214	212
Wholesale & retail	266	269
Hotels, restaurants & bars	148	153
Transport, storage & communications	143	154
Financial services	1,570	1,548
Other business activities (excluding rental income of private households)	343	359
Rental income of private households	479	496
Public administration	338	350
<b>Total GVA (basic)</b>	<b>3,643</b>	<b>3,690</b>

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

In nominal terms (not adjusted for inflation), total GVA in 2013 was 1% greater than in 2012. At a sectoral level, most sectors of the economy saw an increase in GVA in nominal terms in 2013. The exceptions were the Construction, Finance and Manufacturing sectors, each of which saw nominal GVA lower in 2013 than in 2012.

### **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) and including subsidies. GDP is defined as total GVA at *market prices* adjusted for the allocation of FISIM (see Note 1). As Table 2 indicates, in both 2012 and 2013 the difference between total GVA at basic prices and market prices was around £130 million, whilst the downward FISIM adjustment in 2012 was greater than that in 2013.

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

	<b>2012</b>	<b>2013</b>
<b>Total GVA (basic)</b>	3,643	3,690
<b>Total GVA (market)</b>	3,775	3,820
<b>FISIM adjustment</b>	-141	-117
<b>GDP</b>	<b>3,635</b>	<b>3,703</b>

Figures are shown rounded to the nearest £ million.

GDP in 2013 is estimated at £3.7 billion, corresponding to a nominal annual increase of 2%.

## 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 is provided by considering **constant year values** of income (that is "in real terms"), achieved by deflating the estimates of GVA and GDP using the underlying rate of inflation<sup>4</sup>.

Table 3 shows total and sectoral GVA for each of the last two calendar years in latest year (2013) values of income.

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

	2012	2013	Real-term change, %
Agriculture	51	57	12%
Manufacturing	53	48	-9%
Electricity, gas & water	41	42	3%
Construction	217	212	-2%
Wholesale & retail	270	269	0%
Hotels, restaurants & bars	150	153	2%
Transport, storage & communications	145	154	6%
Financial services	1,593	1,548	-3%
Other business activities (excluding rental income of private households)	348	359	3%
Rental income of private households	486	496	2%
Public administration	343	350	2%
<b>Total GVA (basic)</b>	<b>3,697</b>	<b>3,690</b>	<b>0%</b>

Figures are shown rounded to the nearest £ million..

In real terms, total GVA in 2013 was essentially unchanged on an annual basis, down by £7 million and differing by 0% compared with that in 2012.

The real term stability of total GVA in 2013 relative to 2012 was driven by the non-finance sectors of the economy which (overall, and excluding the rental income of private households) recorded a growth in GVA of almost 2% on an annual basis.

<sup>4</sup> 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 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 calendar years 2008-2011 RPI(Y) has been used as the deflator.

At an individual level, the majority of non-finance sectors saw real term increases in GVA in 2013:

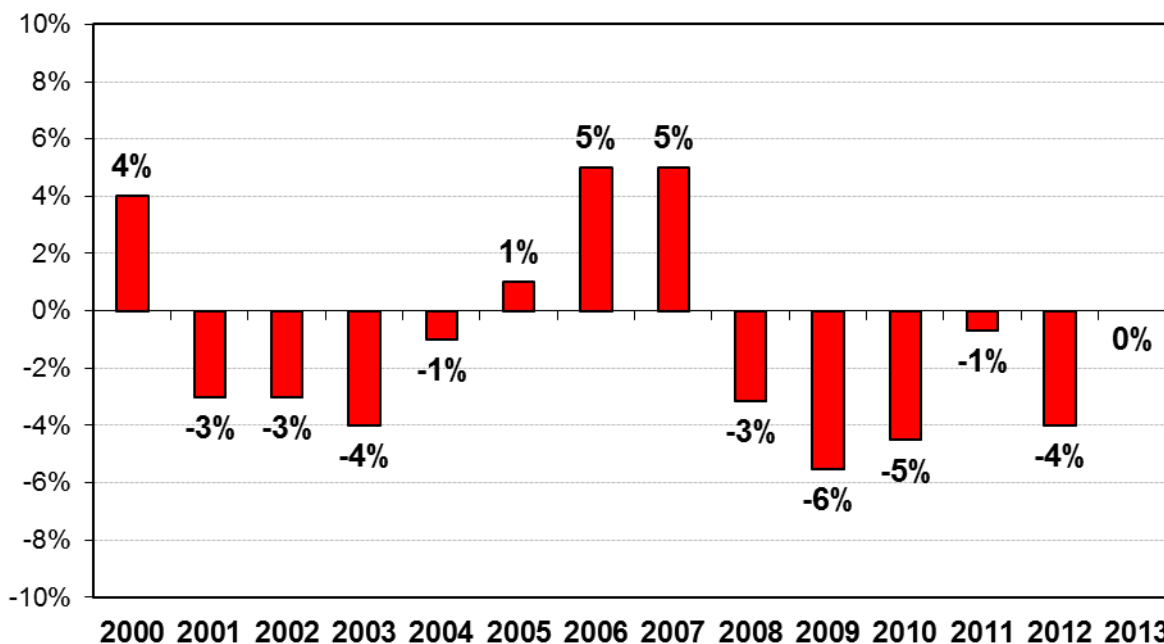
- the Agriculture and Transport, storage and communications sectors recorded the largest increases, with GVA up by 12% and 6%, respectively, on an annual basis;
- the Hotels, restaurants and bars, Other business activities (excluding rental), the Utilities and Public administration sectors recorded smaller annual increases in GVA, of around 2 to 3%.

In contrast to the other non-finance sectors, Construction and Manufacturing recorded decreases in real term GVA in 2013, down by 2% and 9%, respectively, whilst the GVA of the Wholesale and retail sector was essentially unchanged on an annual basis.

The upward contribution to the annual change of total GVA from the non-finance sectors, overall, was counter-balanced by the fall in GVA of the Finance sector. In 2013, the GVA of the Finance sector decreased by 3% in real terms.

Figure 2 shows annual percentage changes of total GVA in real terms since 2000. Annual percentage changes of total and sectoral GVA in real terms from 2000 to 2013 are shown in Appendix Table A1.

**Figure 2 - Annual percentage change of GVA (basic) in real terms**



2013 represents the first occasion in six years that total GVA has not recorded a significant fall in real terms on an annual basis.

As a consequence of the proportion of Jersey’s economy represented by the Finance sector, the performance of this sector has been central to the overall performance of Jersey’s economy in recent years. Since the global economic downturn in 2008, total GVA has decreased by a sixth (16%) in real terms; over this period the GVA of the Island’s Finance sector has decreased by a third (33%) in real terms, whilst that of the non-finance sectors (overall, and excluding the rental income of private households) has decreased by 5%.

### **GDP in real terms**

In 2013 values of income, GDP is estimated as £3,688 million and £3,703 million in 2012 and 2013, respectively. In real terms, GDP in 2013 was essentially unchanged on an annual basis, differing by 0% from that in 2012.

## APPENDIX

**Table A1 - Real-term annual change in GVA (basic) by sector; percentages**

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

Percentage changes are calculated from the unrounded figures. (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 “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). Essentially OOIR is an estimate of the rental costs that home owners would pay themselves to rent their own property. This payment does not actually occur but it 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, to be included within the Other business activities sector but are shown separately throughout this report in order that the size of the underlying business activity sector can be ascertained.

### 3) Revisions

The numbers published in this report for calendar year 2012 include some revisions compared with those previously published and are predominantly due to revised estimates of the Gross Operating Surplus of corporations and the compilation of more recent earnings data.

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