

Survey of Financial Institutions GVA and productivity - 2015



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Summary for Jersey's Finance sector in 2015

Gross Value Added (GVA)

- **Jersey's Finance sector, as measured by total GVA, declined by 1% in real terms in 2015**
- this latest annual decrease in total GVA was driven by a real-term decline recorded by the Banking sub-sector
- in contrast the Trust and company administration and Legal sub-sectors both recorded real-term increases in GVA
- in real terms, total GVA in 2015 was more than £600 million below the previous peak recorded in 2007
- total GVA in 2015 was £1.71 billion in current year values

Productivity

- **productivity, as measured by total GVA per Full Time Equivalent (FTE) employee, decreased by 3% in real terms in 2015**
- this latest annual decrease in productivity was driven by a real-term decline in productivity recorded by the Banking sub-sector
- in contrast the Trust and company administration and Legal sub-sectors both recorded increases in productivity

Other measures

- total **expenditure on goods and services** was £710 million in current year values, a nominal decrease of 4% compared with 2014, with over two-fifths of expenditure spent in Jersey
- total **expenditure on employment** was £780 million in current year values, a nominal increase of 8% compared with 2014
- mean **employment costs** per FTE employee was £65,000 in current year values, a nominal increase of 8% compared with 2014
- the mean **bonus payment** per FTE employee was £5,500 in current year values, a nominal increase of 12% compared with 2014
- the number of **local staff recruited directly from school and university** was 360 FTEs; the number of local new recruits was 30 lower than in 2014

Introduction

The States of Jersey Statistics Unit has run an annual survey of Jersey's financial institutions since the mid-1990s. Topics explored by the survey during this period have included: gross value added, revenue, expenditure on employment, expenditure on goods and services, and recruitment of local school leavers and university graduates.

Throughout this report results are presented for Jersey's finance sector overall and also for individual sub-sectors: Accountancy, Banking, Fund management, Trust & company administration and Legal. Businesses are allocated to sub-sectors according to their main area of business using the Standard Industrial Classification (SIC) of economic activity.

Gross Value Added, current year values of income

Figure 1 and Table 1 show the total GVA of Jersey's financial services sector, broken down by sub-sector in current year values.

Figure 1 - GVA of finance sub-sectors in real terms, current year values, £ million

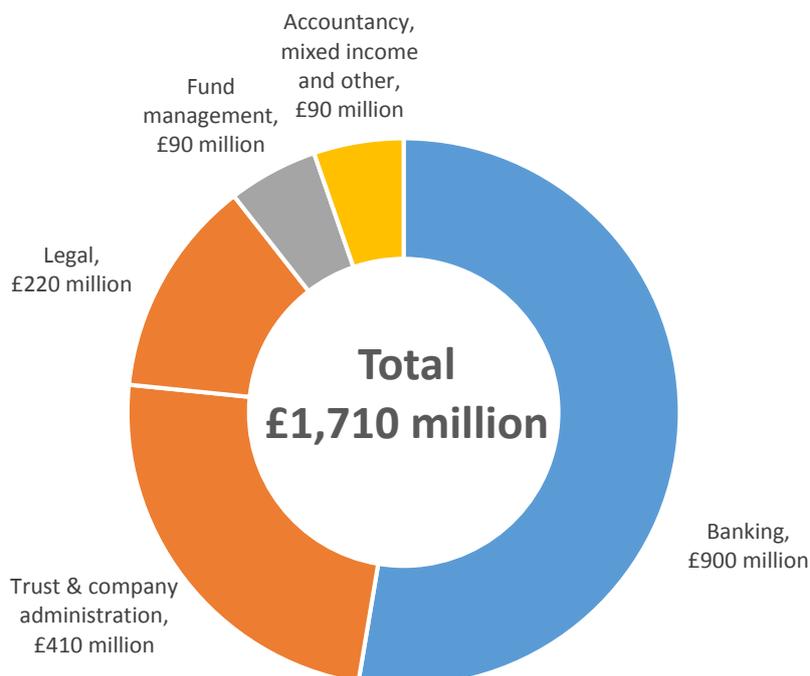


Table 1. GVA of finance sub-sectors in current year values, £ million

Sub-sector	2014	2015	Change
Banking	940	900	-4%
Fund Management	90	90	0%
Trust & company administration	390	410	+5%
Legal	210	220	+5%
Accountancy, mixed income and other	80	90	+13%
Total GVA	1,720	1,710	-1%

In current year (nominal) values:

- total GVA for the Finance sector decreased by 1% compared with 2014
- the Banking sub-sector recorded a 4% decrease in GVA in 2015 compared with 2014
- the Fund management sub-sector saw GVA essentially unchanged compared with 2014
- the other sub-sectors all recorded increases in GVA in 2015 compared with 2014

Gross Value Added in real terms (constant year values of income)

The previous section presented measures of Jersey's Finance sector 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 using the underlying rate of inflation.

Figure 2 shows how these figures have changed since 1998 with all figures presented in constant 2013 values.

Figure 2 - GVA of finance sub-sectors in real terms, constant 2013 values, £ million

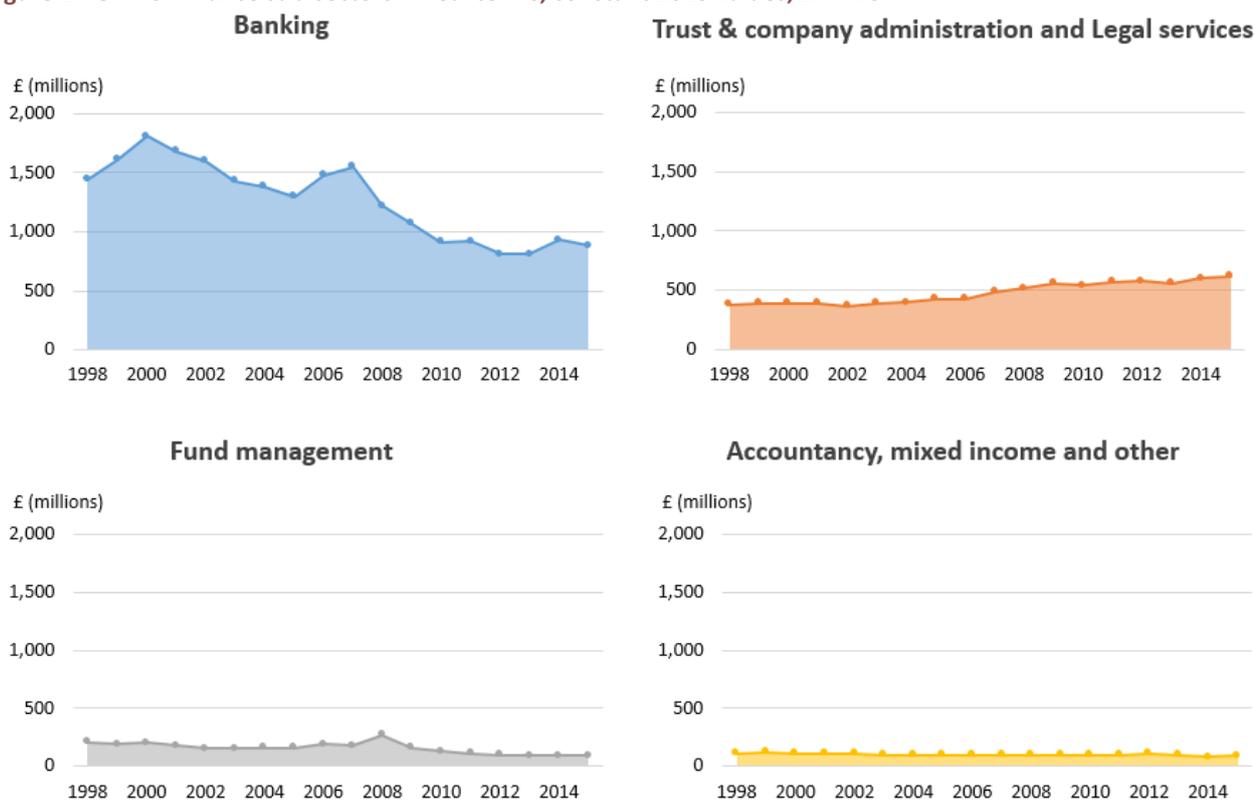


Table 2. GVA of finance sub-sectors in real terms, constant 2013 values, £ million

Sub-sector	2014	2015	Change
Banking	930	880	-5%
Fund Management	90	90	0%
Trust & company administration	390	400	+3%
Legal	210	220	+5%
Accountancy, mixed income and other	80	90	+13%
Total GVA	1,690	1,680	-1%

In real terms:

- total GVA for the Finance sector decreased by £10 million in 2015 compared with that recorded in 2014, corresponding to an annual real-term decrease of 1%
- the level of total GVA of the Finance sector in 2015 was more than £600 million below the previous peak in total GVA seen in 2007
- this latest annual decrease in total GVA was driven by a real-term decline of 5% recorded by the Banking sub-sector
- in contrast, the Trust and company administration, Legal and Accountancy, mixed income and other sub-sectors all recorded real-term increases in GVA

Productivity

Labour productivity is one of the main drivers that influence national living standards, as greater labour productivity means a greater output of goods and services can be produced from a given set of labour inputs. Labour productivity is defined as:

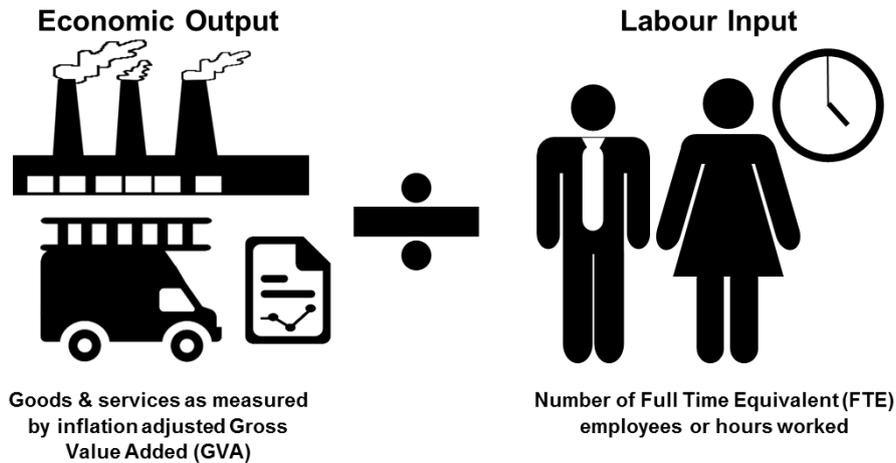


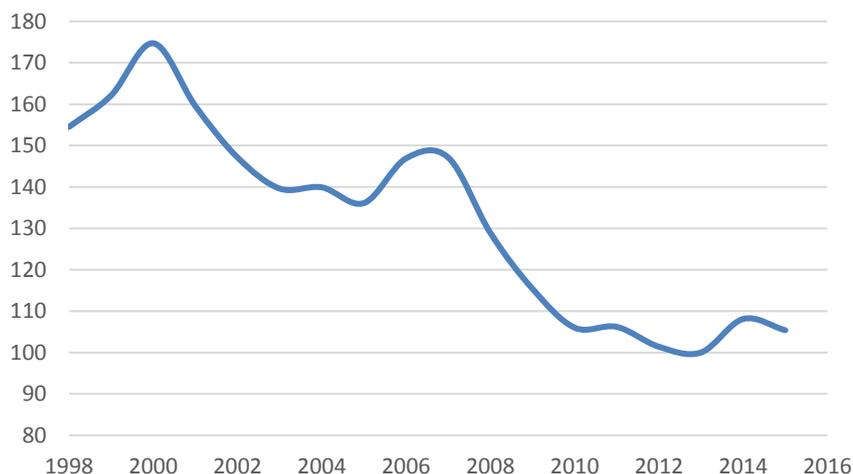
Table 3 details the labour productivity of Jersey's financial services sector, broken down by sub-sector in current year values and showing the annual real-term change.

Table 3. GVA per FTE of finance sub-sectors, current year values, and real-term change, £ thousand

Sub-sector	2015	Annual real-term change
Banking	197	-5%
Fund Management	202	-4%
Trust & company administration	102	+5%
Legal	117	+2%
Accountancy (excluding mixed income and other)	70	-1%
All Finance	137	-3%

Since 1998 there has been an overall decline in labour productivity in Jersey's finance sector, particularly since the economic downturn of 2008. Figure 3 shows how productivity has changed in real terms since 1998.

Figure 3. GVA per FTE of Finance sector in real terms, 1998-2015, index numbers (2013=100)



Revenue sources

The total revenue generated by Jersey's financial services sector in 2015 was estimated to be £2.38 billion.

Revenue by activity type

In the rest of this report businesses are allocated to sub-sectors according to their main area of business using the Standard Industrial Classification (SIC) of economic activity. In order to provide a potentially more useful breakdown based on the actual activities being performed, respondents were asked to estimate the amount of revenue generated from various different business activities.

Figure 4. Revenue by activity type for Jersey's Financial Services sector, 2015

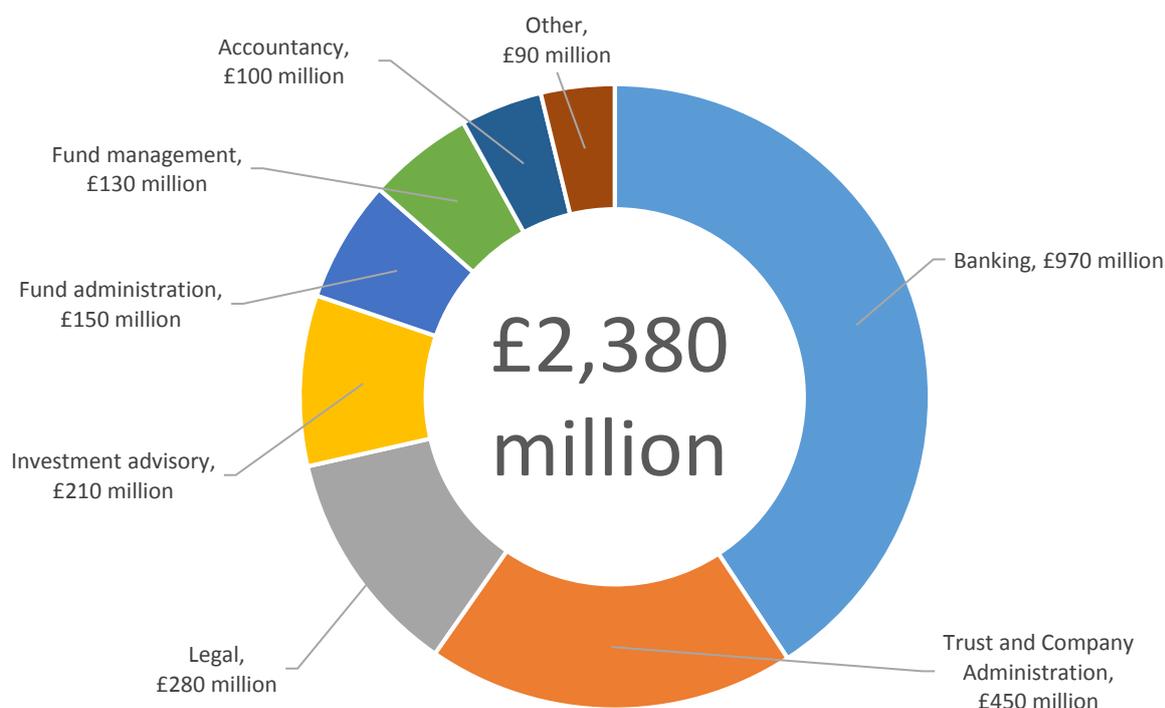


Table 4. Revenue by activity type for Jersey's Financial Services sector, 2015, £ million

Activity type	Revenue
Banking	970
Trust & company administration	450
Legal	280
Investment advisory	210
Fund administration	150
Fund management	130
Accountancy	100
Other	90
All Finance	2,380

Revenue by source

In addition respondents were asked to provide estimates as to the amount of revenue that originated from sources both on and off the Island. In 2015 it is estimated that 59% (£1.40 billion) of all revenue generated by the Jersey Financial services sector originated from outside of the Island.

Other Measures

Net Interest Income

Table 5 shows the estimated Net Interest Income (NII) of Jersey's Banking sub-sector for each year from 2005 to 2015 for Jersey operations only.

Table 5 – Net Interest Income (NII) in Banking (£ millions), 2005-2015

Year	NII from Banking
2005	790
2006	1,010
2007	910
2008	1,040
2009	730
2010	640
2011	660
2012	730
2013	760
2014	780
2015	740

NII figures have been rounded to the nearest £10 million.

The amount of Net Interest Income generated by Banking in Jersey peaked in 2008 at £1,040 million. During the subsequent period to 2010 the Net Interest Income of the Banking sub-sector decreased by more than a third, representing a fall of some £400 million in two years. In the last few years, Net Interest Income has returned to a level similar to that recorded in 2009.

In 2015 Net Interest Income represented three-quarters (76%) of all revenue generated by Banking activity and almost a third (31%) of all revenue generated by the Finance sector.

Expenditure on goods and services

In 2015, the total expenditure of Jersey finance companies on goods and services was estimated at £710 million (see Table 6), representing a decrease of 4% compared with 2014.

Table 6 – Total expenditure on goods and services in 2015 (£ million)

	Expenditure in Jersey	Total expenditure
Banking	130	390
Fund management	50	120
Trust & company administration	70	100
Legal	40	70
Accountancy	10	30
All	300	710

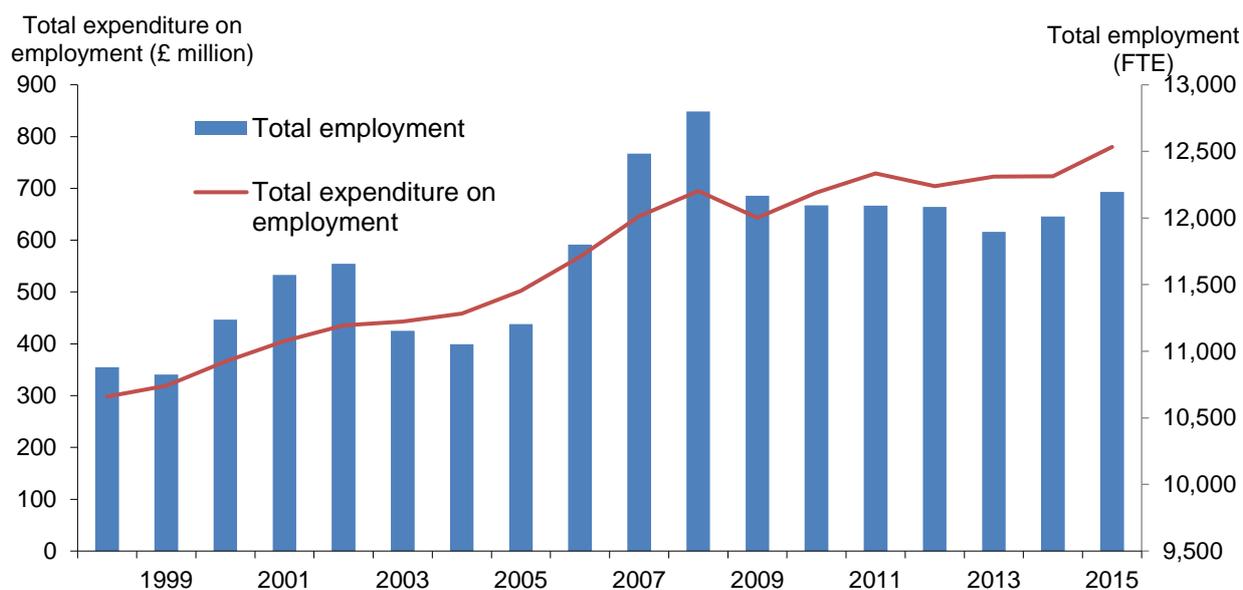
All numbers have been rounded independently to the nearest £10 million.

Of the total expenditure on goods and services, over two-fifths (42%) was spent in Jersey, a slightly lower proportion to that recorded in 2014.

Total expenditure on employment

In 2015, total expenditure on employment¹ increased by 8% when compared with 2014.

Figure 5 - Total employment and total expenditure on employment, 1998-2015



Following ongoing growth from 1998 to 2008, a fall in total expenditure on employment was seen in 2009, corresponding to a decrease of more than 8% on an annual basis. This fall was largely due to a decrease in the total number of staff employed and also due to reduced bonus payments in that year.

In the two-year period 2010 to 2011 there was an increase in the total expenditure on employment; this was followed in 2012 by a slight drop in such expenditure and a recovery in 2013.

As Table 7 shows, Banking accounted for almost two-fifths (38%) of total expenditure on employment in the sector, whilst Trust & company administration accounted for almost a third (32%).

Table 7 – Employment costs in 2015, by sub-sector

	Total employment costs, (£ million)	Mean employment costs per FTE, (£)	Mean bonus payment per FTE, (£)
Banking	300	66,000	6,700
Fund management	50	99,000	5,500
Trust & company administration	250	61,000	4,200
Legal	130	68,000	3,700
Accountancy	60	59,000	1,800
All	780	65,000	5,500

Total employment costs have been rounded independently to the nearest £10 million.

Mean employment costs have been rounded independently to the nearest £ thousand.

Mean bonus payments have been rounded independently to the nearest £ hundred.

It should be noted that both total and mean employment costs do not solely reflect salary but also include bonus payments, employer social security contributions and employer contributions to a pension scheme.

In 2015, average (mean) employment costs across the Finance sector overall were estimated at £65,000 per FTE employee, an increase of 7% compared with the previous year (2014).

The average (mean) bonus payment across the Finance sector was estimated to be £5,500 per FTE employee in 2015, an increase of 12% compared with 2014.

¹ Excluding the "Other" category of firms (insurance, independent advisors etc.).

Staff recruitment

Table 8 shows the number of local staff recruited directly from school and university into Jersey's finance sector² for each year since 2004.

Table 8 - Local staff recruited directly from school and university; 2004 - 2015

Staff recruited	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
School	50	40	80	100	150	70	50	70	50	110	90	140
University	100	150	150	140	180	150	150	130	160	200	300	220
<i>School & University</i>	<i>150</i>	<i>180</i>	<i>220</i>	<i>230</i>	<i>330</i>	<i>220</i>	<i>200</i>	<i>200</i>	<i>220</i>	<i>310</i>	<i>390</i>	<i>360</i>

Staff numbers are FTEs and have been rounded independently to the nearest 10.

In 2008 the recruitment of local staff directly from school and university rose to at around 330 FTE employees. The number of such staff recruited then decreased in 2009 and remained at around 200 FTEs each year from 2009 until 2012, before rising to 390 FTEs in 2014.

In 2015 the number of local staff recruited directly from school and university (360 FTEs) was 30 lower than in the 2014.

Compliance

Companies were asked to report the number of employees engaged in compliance activities. In total, almost 660 FTEs were engaged in compliance in 2015², representing around 5% of all staff employed in the Island's Finance sector.

² Excluding the "Other" category of firms (insurance, independent advisors etc.).

APPENDIX

Table A1 - GVA of finance sub-sectors in real terms, 2002-2015, index numbers (2013=100)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	^(p) 2015
Banking	197.5	176.5	170.4	160.5	182.7	191.4	150.6	132.1	112.3	113.6	100.0	100.0	114.8	108.6
Fund management	166.7	166.7	177.8	177.8	211.1	200.0	300.0	177.8	144.4	122.2	111.1	100.0	100.0	100.0
Trust & company and Legal	66.1	69.6	71.4	76.8	76.8	87.5	92.9	100.0	96.4	101.8	103.6	100.0	107.1	110.7
Trust & company									100.0	105.6	111.1	100.0	108.3	111.1
Legal									85.0	90.0	90.0	100.0	105.0	110.0
Accountancy, mixed income and other	110.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	110.0	100.0	100.0	100.0	80.0	90.0
All Finance	143.6	133.7	130.6	128.1	142.0	149.5	136.8	122.2	108.7	108.9	102.9	100.0	109.0	108.4

^(p) = provisional

Table A2 - GVA of finance sub-sectors in real terms, 2002-2015, constant 2013 values, £ million

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	^(p) 2015
Banking	1,600	1,430	1,380	1,300	1,480	1,550	1,220	1,070	910	920	810	810	930	880
Fund management	150	150	160	160	190	180	270	160	130	110	100	90	90	90
Trust & company and Legal	370	390	400	430	430	490	520	560	540	570	580	560	600	620
Trust & company									360	380	400	360	390	400
Legal									170	180	180	200	210	220
Accountancy, mixed income and other	110	100	100	100	100	100	100	100	100	100	110	100	80	90
All Finance	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	1,680

^(p) = provisional

APPENDIX

Table A3 – Productivity (GVA per FTE) of finance sub-sectors in real terms, 2002-2015, index numbers (2013=100)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	^(p) 2015
Banking	166.9	164.6	160.6	156.2	161.9	165.5	132.4	118.0	109.8	113.4	101.2	100.0	121.8	115.6
Fund management	121.6	127.2	136.7	148.3	176.4	143.3	199.2	191.8	171.4	115.0	107.9	100.0	102.8	99.0
Trust & company and Legal	90.4	90.6	92.2	93.7	92.9	95.8	97.5	97.8	94.8	98.8	100.5	100.0	97.6	101.0
Trust & company									99.0	103.8	104.8	100.0	97.1	102.0
Legal									87.1	89.5	92.5	100.0	98.7	100.9
Accountancy (excluding mixed income and other)	96.8	99.1	98.3	101.9	92.7	99.2	92.4	96.0	96.5	92.5	101.5	100.0	89.0	88.9
All Finance	147.1	139.6	139.9	136.1	146.9	147.1	128.9	115.4	106.0	106.2	101.4	100.0	108.1	105.4

^(p) = provisional

Table A4 - Productivity (GVA per FTE) of finance sub-sectors in real terms, 2002-2015, constant 2013 values, £ thousand

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	^(p) 2015
Banking	279	275	268	261	270	276	221	197	183	189	169	167	203	193
Fund management	244	255	274	297	353	287	399	384	343	230	216	200	206	198
Trust & company and Legal	93	93	95	96	95	98	100	100	97	101	103	103	100	104
Trust & company									97	102	103	98	95	100
Legal									98	101	105	113	112	114
Accountancy (excluding mixed income and other)	79	81	80	83	76	81	75	78	79	75	83	81	73	72
All Finance	191	181	182	177	191	191	167	150	138	138	132	130	141	137

^(p) = provisional

APPENDIX

Table A5 – Components of GVA, 2002-2015, index numbers (2013=100)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	^(p) 2015
Compensation of employees	83.6	83.6	80.8	86.3	90.4	98.6	104.1	106.8	104.1	105.5	98.6	100.0	98.6	106.8
Gross operating surplus	197.6	179.3	174.4	165.9	187.8	195.1	165.9	136.6	113.4	112.2	107.3	100.0	119.5	109.8
GVA	143.9	133.5	131.0	128.4	141.9	149.7	136.8	121.9	109.0	109.0	103.2	100.0	109.0	108.4

^(p) = provisional

Table A6 - Components of GVA, 2002-2015, constant 2013 values, £ million

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	^(p) 2015
Compensation of employees	610	610	590	630	660	720	760	780	760	770	720	730	720	780
Gross operating surplus	1,620	1,470	1,430	1,360	1,540	1,600	1,360	1,120	930	920	880	820	980	900
GVA	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	1,680

^(p) = provisional

NOTES

1. Definition of terms

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 but including subsidies.

2. Response

The overall response rate to the 2015 round of the survey was 52% with respondent firms covering around two-thirds (68%) of total eligible FTE manpower for the sector.

Table N1 – FTE coverage

	FTE coverage
Banking	96%
Fund management	53%
Trust & company and Legal	53%
Accountancy, mixed income and other	39%
All	68%

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. Methodology revisions

Prior to the 2009 round of the survey, companies were allocated to sub-sectors according to their main area of business activity using the Standard Industrial Classification (SIC) of economic activity. In 2009 and 2010, a new approach was adopted whereby companies were asked to report separate information for each business area in which they were involved, so that information on each activity undertaken could be separately assigned to the corresponding sub-sector.

Due to the extra burden placed on Jersey's financial institutions as a result of this approach, a return to the original methodology, whereby companies are allocated to sub-sectors according to their SIC code, was implemented in 2011.

In order to present a consistent historical series it was necessary to reanalyse data collected in the 2009 and 2010 rounds of the survey; these revised results were first presented in the 2011 report.

Statistics Unit

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