

## Summary for Jersey's finance sector in 2018

### Gross Value Added (GVA)

- **Jersey's finance sector, as measured by total GVA, increased by 2% in real terms in 2018**
- the Banking, Fund management and Trust & company administration sub-sectors saw real-term increases in GVA
- in real terms, total GVA in 2018 was £730 million below the previous peak recorded in 2007
- total GVA of Jersey's finance sector in 2018 was £1,843 million

### Productivity

- **productivity, as measured by total GVA per Full-Time Equivalent (FTE) employee, increased by 1% in real terms in 2018**
- the Banking, Fund management and Trust & company administration sub-sectors saw an increase in productivity in 2018

### Other measures

- total **expenditure on goods and services** was £830 million in current year values, a nominal increase of 11% compared with 2017, with around half of all expenditure spent in Jersey
- total **expenditure on employment** was £890 million in current year values, a nominal increase of 2% compared to 2017
- mean **employment costs** per FTE employee were £71,200 in current year values, a nominal increase of 2% compared with 2017
- the mean **bonus payment** per FTE employee was £7,000 in current year values, a nominal increase of 8% compared with 2017
- the number of **local staff recruited directly from school and university** was 240 FTEs, 10 fewer than in 2017

## Introduction

Statistics Jersey 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.

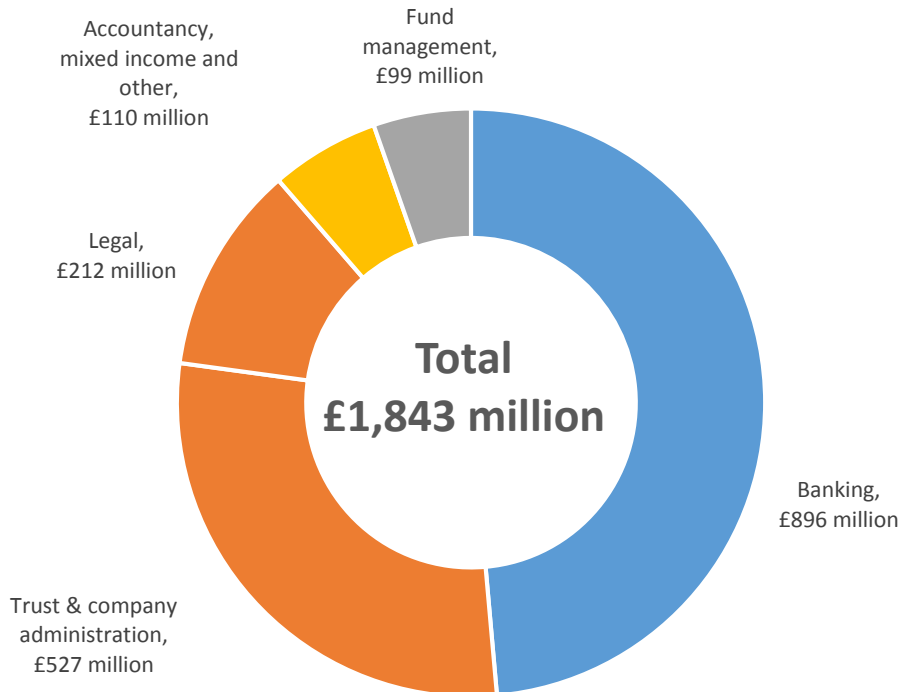
Throughout this report results are presented for Jersey's finance sector overall and also for individual sub-sectors: Accountancy, Banking, Fund management, Trust & company administration and Legal. Businesses are allocated to sub-sectors according to their main area of business using the Standard Industrial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

Statistics Jersey are currently in the process of updating the SIC classification system used, and preliminary results using the revised 2007 standard are presented in Appendix B.

## Gross Value Added, current year values of income

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

**Figure 1 - GVA of finance sub-sector, current year values, £ million**



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

Sub-sector	2017	2018	Change
Banking	847	896	+6%
Fund management	93	99	+6%
Trust & company administration	488	527	+8%
Legal	205	212	+3%
Accountancy, mixed income and other <sup>1</sup>	109	110	+1%
<b>Total GVA</b>	<b>1,741</b>	<b>1,843</b>	<b>+6%</b>

In current year (nominal) values:

- total GVA for the Finance sector recorded an increase of 6% in 2018 compared with 2017
- all financial services sub-sectors recorded nominal increases in GVA in 2018

Businesses are allocated to sub-sectors according to their main area of business. Across calendar years, some businesses can move between sub-sectors or separate into multiple entities in different sub-sectors. This is particularly relevant for the Trust & company administration and Legal sub-sectors.

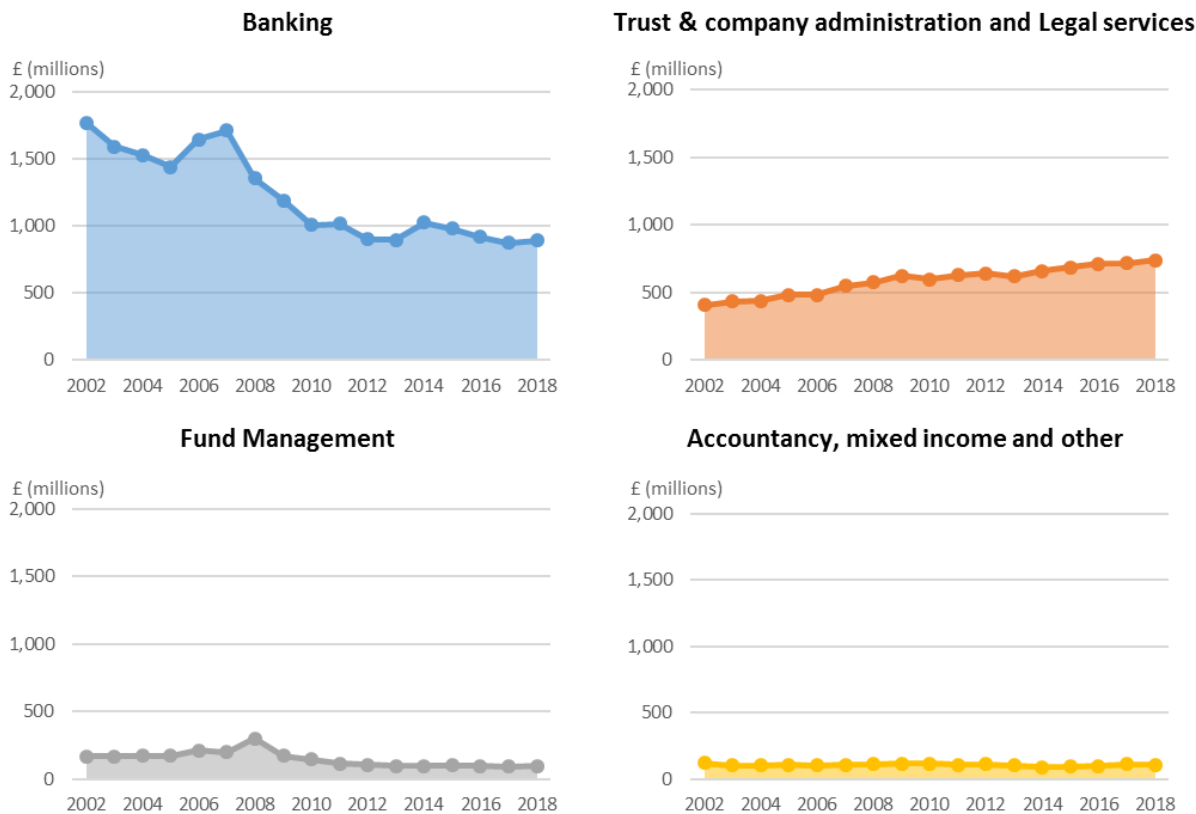
<sup>1</sup> Other includes companies classified as financial services but which do not fall within one of the listed sub-sectors. This includes predominantly those operating in insurance as well as independent financial advisors.

## 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 2002 with all figures presented in constant 2018 values.

**Figure 2 - GVA of finance sub-sectors in real terms, constant 2018 values, £ million**



**Table 2. GVA of finance sub-sectors in real terms, constant 2018 values, £ million**

Sub-sector	2017	2018	Change
Banking	877	896	+2%
Fund management	96	99	+3%
Trust & company administration	505	527	+4%
Legal	212	212	0%
Accountancy, mixed income and other	113	110	-3%
<b>Total GVA</b>	<b>1,804</b>	<b>1,843</b>	<b>+2%</b>

In real terms:

- total GVA for the finance sector increased by £39 million in 2018 compared with that recorded in 2017, corresponding to a real-term annual increase of 2%
- the level of total GVA of the finance sector in 2018 was £730 million below the previous peak in total GVA seen in 2007
- this latest annual increase in total GVA was driven by real-term increases in both the Banking and Trust & company administration sub-sectors

## 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:

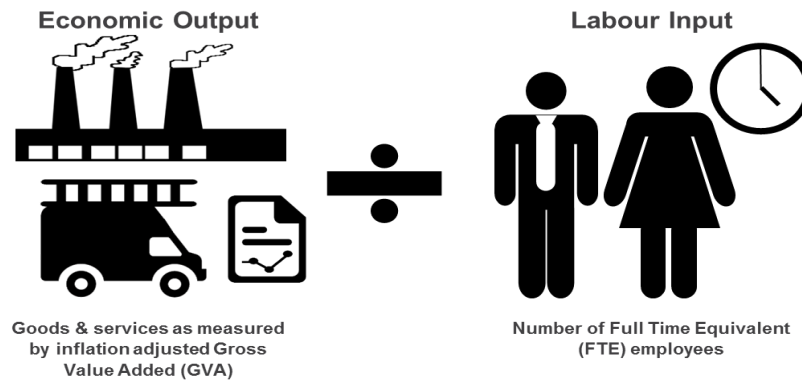


Table 3 details the labour productivity of Jersey's financial services sector, broken down by sub-sector in current year values and showing the annual real-term change.

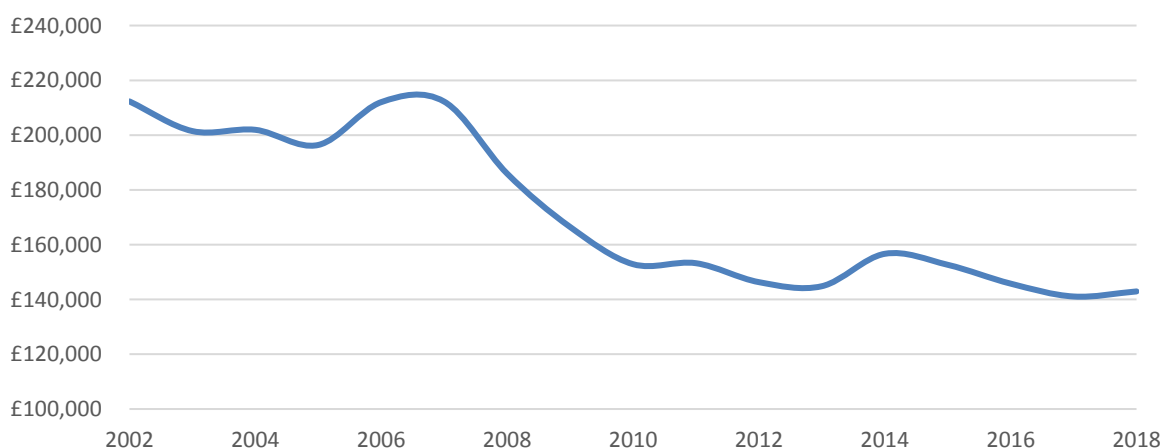
**Table 3. GVA per FTE of finance sub-sectors, current year values, £ thousand, and real-term change**

Sub-sector	2018	Annual real-term change
Banking	216	+2%
Fund management	191	+2%
Trust & company administration	100	+2%
Legal	132	-3%
Accountancy, mixed income and other	104	-2%
<b>All Finance</b>	<b>143</b>	<b>+1%</b>

Productivity for the Finance sector as a whole increased by 1% in real terms in 2018. The Banking, Fund management and Trust & company administration sub-sectors saw an increase in productivity in 2018

Since 2002, there has been an overall decline in labour productivity in Jersey's finance sector, particularly since the economic downturn of 2007. Figure 3 shows how productivity has changed in real terms since 2002; for individual sub-sectors please see Appendix A3.

**Figure 3. GVA per FTE of Finance sector in real terms, 2002-2018**



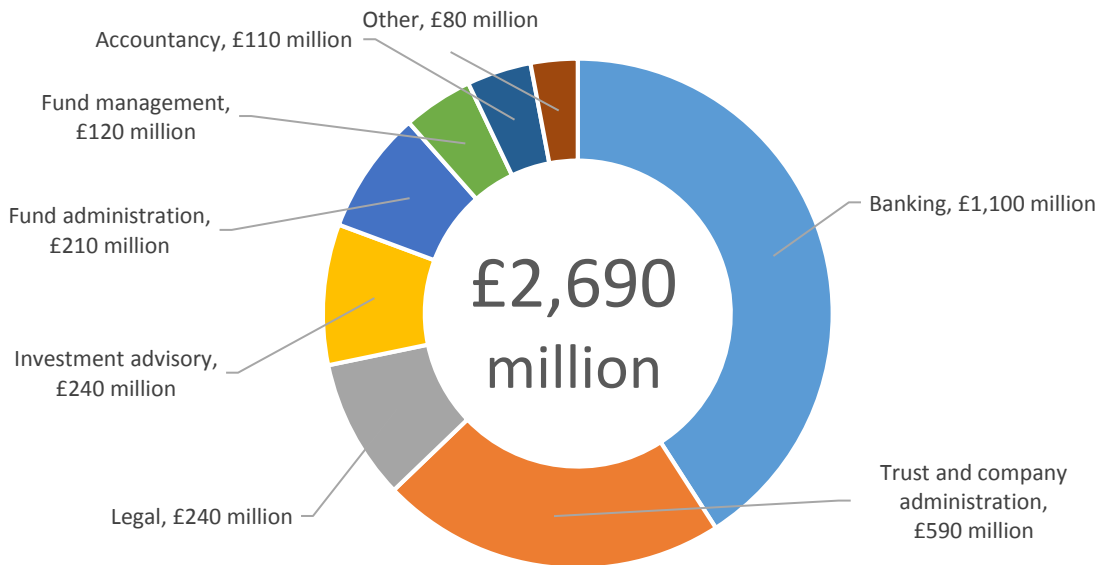
## Revenue sources

The total revenue generated by Jersey's financial services sector in 2018 was estimated to be £2,690 million.

### 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 complimentary and potentially 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, 2018**



**Table 4. Revenue by activity type for Jersey's Financial Services sector, 2017 & 2018 (£ million) and nominal change**

Activity type	2017	2018	Change
Banking	1,010	1,100	+9%
Trust & company administration	560	590	+5%
Legal	250	240	-4%
Investment advisory	200	240	+20%
Fund administration	200	210	+5%
Fund management	100	120	+20%
Accountancy	110	110	0%
Other	80	80	0%
<b>All Finance</b>	<b>2,510</b>	<b>2,690</b>	<b>+7%</b>

### Revenue by source

Respondents were asked to estimate revenue that originated from sources both in and out of the Island. In 2018 it is estimated that 62% (£1,670 million) of all revenue generated by the 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 2008 to 2018 for Jersey operations only.

**Table 5 – Net Interest Income (NII) in Banking (£ millions), 2008-2018**

Year	NII from Banking
2008	1,040
2009	730
2010	640
2011	660
2012	730
2013	760
2014	780
2015	740
2016	740
2017	800
2018	900

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

The amount of Net Interest Income generated by Banking in Jersey stood at £1,040 million in 2008. 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 2018 Net Interest Income represented over two-thirds (70%) of all revenue generated by the Banking sub-sector and a third (33%) of all revenue generated by the finance sector.

### Expenditure on goods and services

In 2018, the total expenditure of Jersey finance companies on goods and services was estimated at £830 million (see Table 6), representing an increase of 11% compared with 2017.

**Table 6 – Total expenditure on goods and services in 2018 (£ million)**

	Expenditure in Jersey	Total expenditure
Banking	180	380
Fund management	20	90
Trust & company administration	160	280
Legal	20	40
Accountancy	20	40
<b>All</b>	<b>400</b>	<b>830</b>

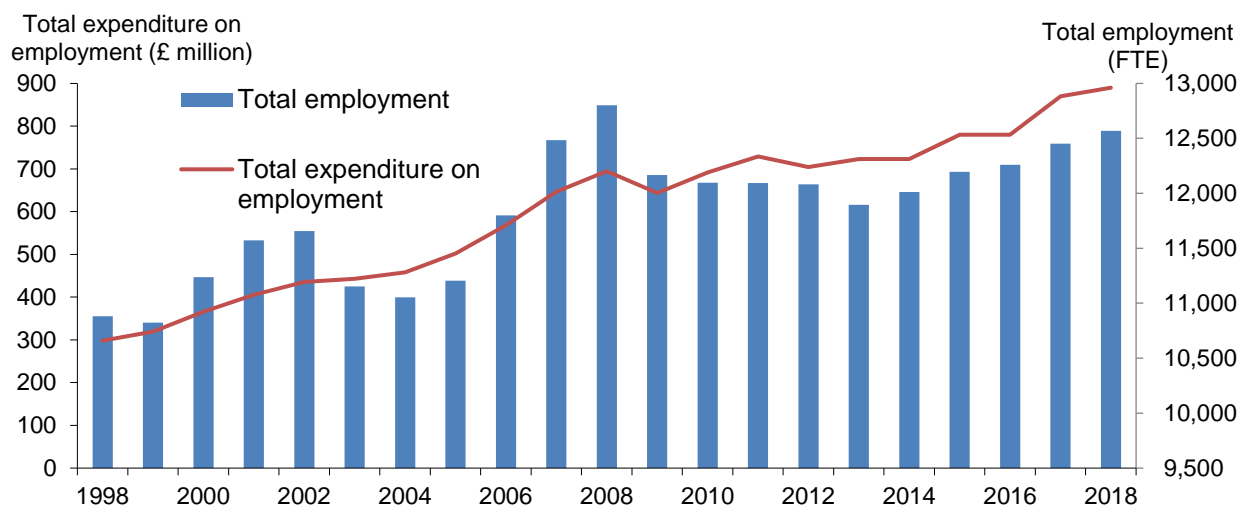
*All numbers have been rounded independently to the nearest £10 million.*

Of the total expenditure on goods and services, almost half (48%) was spent in Jersey, a higher proportion to that recorded in 2017.

## Total expenditure on employment

In 2018, total expenditure on employment<sup>2</sup> increased by 2% when compared with 2017.

Figure 5 - Total employment and total expenditure on employment, 1998-2018



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. Since 2013 the trend has generally been upward.

As Table 7 shows, Trust & company administration accounted for two-fifths (41%) of total expenditure on employment in the sector.

Table 7 – Employment costs in 2018, by sub-sector

	Total employment costs, (£ million)	Mean employment costs per FTE, (£)	Mean bonus payment per FTE, (£)
Banking	320	77,200	8,300
Fund management	40	82,700	10,800
Trust & company administration	370	69,800	7,500
Legal	100	65,300	3,800
Accountancy <sup>2</sup>	60	57,700	2,000
<b>All</b>	<b>890</b>	<b>71,200</b>	<b>7,000</b>

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

*Mean employment costs and 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 2018, average (mean) employment costs across the Finance sector overall were estimated at £71,200 per FTE employee, a 2% increase when compared with the previous year (2017 - £69,600).

The average (mean) bonus payment across the Finance sector was estimated to be £7,000 per FTE employee in 2018, an increase of 8% compared with 2017.

<sup>2</sup> Excluding the "Other" category of firms (insurance, independent advisors etc.), as these were not previously recorded as part of the Survey of Financial Institutions.

## Staff recruitment

Table 8 shows the number of local staff recruited directly from school and university into Jersey's finance sector<sup>3</sup> for each year since 2007.

**Table 8 - Local staff recruited directly from school and university; 2007 - 2018**

Staff recruited	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
School	100	150	70	50	70	50	110	90	140	140	100	90
University	140	180	150	150	130	160	200	300	220	180	150	150
<i>School &amp; University</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>	<i>320</i>	<i>250</i>	<i>240</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 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 2018 the number of local staff recruited directly from school and university (240 FTEs) was 10 fewer than in 2017.

## Compliance

Companies were asked to report the number of employees engaged in compliance activities. In total 780 FTEs were engaged in compliance in 2018<sup>2</sup>, representing around 6% of all staff employed in the Island's finance sector.

<sup>3</sup> Excluding the "Other" category of firms (insurance, independent advisors etc.).



## APPENDIX A

Table A1 - GVA of finance sub-sectors in nominal terms, 2002-2018, current year values, £ million

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	<sup>(p)</sup> 2018
Banking	1,155	1,085	1,078	1,038	1,219	1,303	1,071	969	842	878	802	808	941	903	861	847	896
Fund management	109	116	121	125	157	153	239	141	123	101	96	90	91	93	92	93	99
Trust & company and Legal	266	295	309	347	356	416	455	506	497	542	571	556	606	630	666	692	738
Trust & company									336	367	397	361	392	409	447	488	527
Legal									161	175	174	195	214	221	219	205	212
Accountancy, mixed income and other	81	72	75	79	79	84	91	94	99	96	102	96	83	88	95	109	110
<b>All Finance</b>	<b>1,611</b>	<b>1,568</b>	<b>1,583</b>	<b>1,589</b>	<b>1,810</b>	<b>1,956</b>	<b>1,857</b>	<b>1,710</b>	<b>1,560</b>	<b>1,616</b>	<b>1,572</b>	<b>1,551</b>	<b>1,721</b>	<b>1,713</b>	<b>1,714</b>	<b>1,742</b>	<b>1,843</b>

<sup>(p)</sup> = provisional

Table A2 - GVA of finance sub-sectors in real terms, 2002-2018, constant 2018 values, £ million

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	<sup>(p)</sup> 2018
Banking	1,774	1,594	1,533	1,442	1,648	1,717	1,360	1,193	1,011	1,019	905	898	1,028	981	921	877	896
Fund management	167	171	172	174	212	201	304	173	147	117	109	100	100	101	98	96	99
Trust & company and Legal	408	433	439	482	481	548	578	623	597	629	644	618	662	685	712	717	738
Trust & company									403	426	448	401	429	445	478	505	527
Legal									194	203	196	217	233	240	234	212	212
Accountancy, mixed income and other	124	106	106	110	106	111	115	116	118	111	115	106	91	95	101	113	110
<b>All Finance</b>	<b>2,474</b>	<b>2,304</b>	<b>2,251</b>	<b>2,207</b>	<b>2,448</b>	<b>2,577</b>	<b>2,358</b>	<b>2,106</b>	<b>1,874</b>	<b>1,876</b>	<b>1,773</b>	<b>1,723</b>	<b>1,881</b>	<b>1,862</b>	<b>1,832</b>	<b>1,804</b>	<b>1,843</b>

<sup>(p)</sup> = provisional

## APPENDIX A

Table A3 – Productivity (GVA per FTE) of finance sub-sectors in real terms, 2002-2018, constant 2018 values, £ thousand

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	<sup>(p)</sup> 2018
Banking	310	305	298	290	300	307	246	219	204	210	188	186	226	214	217	211	216
Fund management	271	283	304	330	392	319	443	427	381	256	240	222	229	220	192	187	191
Trust & company and Legal	103	103	105	107	106	109	111	112	108	113	115	114	111	116	110	107	108
Trust & company									108	113	114	109	106	111	99	98	100
Legal									109	112	116	126	124	127	141	136	132
Accountancy, mixed income and other	139	154	148	149	136	139	125	127	130	123	127	114	92	102	99	106	104
<b>All Finance</b>	<b>212</b>	<b>201</b>	<b>202</b>	<b>196</b>	<b>212</b>	<b>212</b>	<b>186</b>	<b>166</b>	<b>153</b>	<b>153</b>	<b>146</b>	<b>145</b>	<b>157</b>	<b>153</b>	<b>146</b>	<b>141</b>	<b>143</b>

<sup>(p)</sup> = provisional

Table A4 - Components of GVA, in nominal terms, 2002-2018, current year values, £ million

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	<sup>(p)</sup> 2018
Compensation of employees	439	458	464	504	542	612	669	702	700	734	709	727	729	794	796	883	913
Gross operating surplus	1,173	1,110	1,119	1,085	1,268	1,344	1,188	1,008	860	882	863	824	992	920	919	859	930
<b>GVA</b>	<b>1,611</b>	<b>1,568</b>	<b>1,583</b>	<b>1,589</b>	<b>1,810</b>	<b>1,956</b>	<b>1,857</b>	<b>1,710</b>	<b>1,560</b>	<b>1,616</b>	<b>1,572</b>	<b>1,551</b>	<b>1,721</b>	<b>1,713</b>	<b>1,714</b>	<b>1,742</b>	<b>1,843</b>

<sup>(p)</sup> = provisional

Table A5 - Components of GVA, in real terms, 2002-2018, constant 2018 values, £ million

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	<sup>(p)</sup> 2018
Compensation of employees	674	673	660	700	734	806	850	864	840	852	799	808	797	863	850	914	913
Gross operating surplus	1,800	1,631	1,592	1,507	1,714	1,771	1,508	1,241	1,033	1,024	974	915	1,085	999	982	889	930
<b>GVA</b>	<b>2,474</b>	<b>2,304</b>	<b>2,251</b>	<b>2,207</b>	<b>2,448</b>	<b>2,577</b>	<b>2,358</b>	<b>2,106</b>	<b>1,874</b>	<b>1,876</b>	<b>1,773</b>	<b>1,723</b>	<b>1,881</b>	<b>1,862</b>	<b>1,832</b>	<b>1,804</b>	<b>1,843</b>

<sup>(p)</sup> = provisional

## APPENDIX B

### Revision of the standard industrial classification

This report uses the UK standard industrial classification (SIC) 2003 system in order to classify businesses into the relevant sectors and sub-sectors. Starting with the December 2018 Labour Market Report, Statistics Jersey is currently in the process of updating these classifications in line with the revised 2007 classification system, which provides a more up to date and comprehensive structure. At the same time businesses have also been classified to a greater level of detail, potentially allowing more granular sub-sector analysis.

It is intended that in addition to labour market statistics being produced using this new classification system, future National Accounts measures such as GVA will also be published using this system. Detailed below are the preliminary results of this reclassification exercise in respect of the financial services sector. These results will be subject to update and revision at the time of the publication of the full 2018 National Accounts measures.

**Table B1 - GVA of finance sub-sectors (2007 SIC) in nominal terms, current year values, £ million**

	2014	2015	2016	2017	2018
Banking, credit granting and other financial services	890	830	820	790	850
Holding companies, trusts and similar instruments	30	30	30	30	40
Trust administration	350	370	340	370	390
Fund administration	70	70	90	90	100
Other activities auxiliary to financial services	20	20	30	50	50
Fund management	80	70	90	90	100
Insurance	20	20	20	20	20
Legal activities	200	240	220	210	210
Accounting and compliance	70	80	100	90	90
<b>Finance sector</b>	<b>1,720</b>	<b>1,720</b>	<b>1,720</b>	<b>1,740</b>	<b>1,840</b>

**Table B5 - GVA of finance sub-sectors (2007 SIC) in real terms, 2018 prices, £ million**

	2014	2015	2016	2017	2018
Banking, credit granting and other financial services	970	900	880	820	850
Holding companies, trusts and similar instruments	30	30	30	40	40
Trust administration	380	400	360	380	390
Fund administration	80	80	90	90	100
Other activities auxiliary to financial services	20	20	30	50	50
Fund management	80	80	90	90	100
Insurance	20	20	20	20	20
Legal activities	220	260	230	210	210
Accounting and compliance	80	80	100	100	90
<b>Finance sector</b>	<b>1,880</b>	<b>1,860</b>	<b>1,840</b>	<b>1,800</b>	<b>1,840</b>

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

## 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 2018 round of the survey was 56% with respondent firms covering two-thirds (66%) of total eligible FTE manpower for the sector.

### 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 Jersey*

*3 July 2019*