

Survey of Financial Institutions - 2013

Statistics Unit: www.gov.je/statistics

Summary

For Jersey's financial services sector¹ in 2013:

- total **net profit** was £1,180 million², a similar level to that recorded in each of the two previous years, 2011 and 2012;
- the Banking sub-sector accounted for almost four-fifths of total net profit;
- net profit by sub-sector was:

○ Banking:	£930 million
○ Trust & company administration:	£123 million
○ Fund management:	£ 34 million
○ Legal:	£ 66 million
○ Accountancy:	£ 28 million
- the net profit for the Fund management sub-sector increased by more than a third (38%) in 2013; smaller increases were recorded by the Trust & company administration and Accountancy sub-sectors of 3% and 4%, respectively;
- the Banking sub-sector recorded a small decrease in net profit in 2013, down by 2% compared with 2012, whilst the Legal sub-sector saw a fall in net profit of 9%;
- net profit per full-time equivalent (FTE) employee, across all sub-sectors, was £101,000;
- total **revenue** was £2.34 billion, an increase of 4% compared with 2012;
- mean **employment costs** were £62,000 per FTE employee, an increase of more than 3% compared with 2012;
- the mean **bonus payment** was £5,900 per FTE employee, a similar level to that in 2012;
- total **expenditure on goods and services** was £710 million; more than two-fifths of all such expenditure occurred on-Island;
- the number of **local staff recruited directly from school and university** was 310 FTEs; the number of local new recruits was some 100 higher than in each of the previous four years, from 2009 to 2012, and was at a similar level to that in 2008.

¹ "Financial services" refers to the activities of banks, fund managers, trust & company administrators, legal and accountancy firms operating in Jersey. Firms predominantly engaged in insurance and financial advisory services are not included in the analyses covered by this report.

² Monetary values presented in this report are expressed in current year values (i.e. in "nominal" terms); no adjustment is made to account for inflation.

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: net profit on which Jersey tax is levied; 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; and Trust & company administration (including Legal). Businesses are allocated to sub-sectors according to their main area of business using the Standard Industrial Classification (SIC) of economic activity.

Total Net Profit

In 2013, the total annual net profit (on which Jersey income tax is levied) of Jersey's financial services sector was estimated to be £1,180 million. This latest estimate of total net profit is at a similar level to that recorded for each of the two previous calendar years (see Figure 1a).

Figure 1a – Total net profit for all sectors and Banking sub-sector; 1998-2013

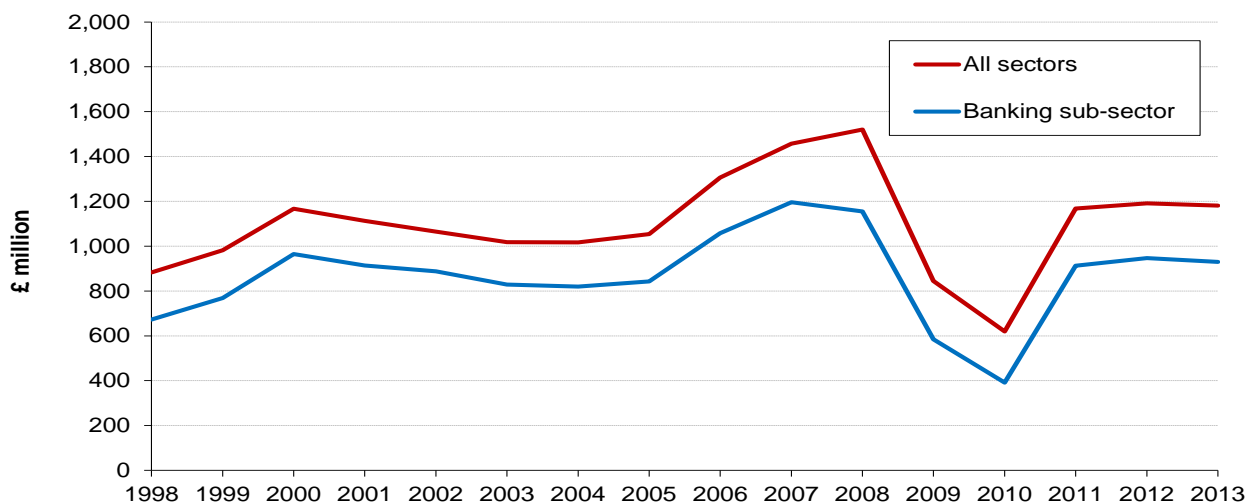


Figure 1a shows that total net profit had previously peaked in 2008 at more than £1,500 million. Total net profit then fell in each of the two subsequent years, declining by almost three-fifths between 2008 and 2010; calendar year 2010 recorded the lowest level of total net profit since this survey was introduced in the mid-1990s. In contrast to the preceding two years, 2011 saw total net profit almost double on an annual basis, to almost £1.2 billion, a level at which it has since remained relatively unchanged.

The substantial increase in total net profit recorded in 2011 was driven by a small number of companies reporting large transfers of income from non-resident units to resident parent companies based in Jersey. The subsequent relative stability of such inward income transfers in both 2012 and 2013 (compared with the period 2008-2010) has been a key factor in the overall behaviour of total net profit during the latest three-year period, 2011 to 2013.

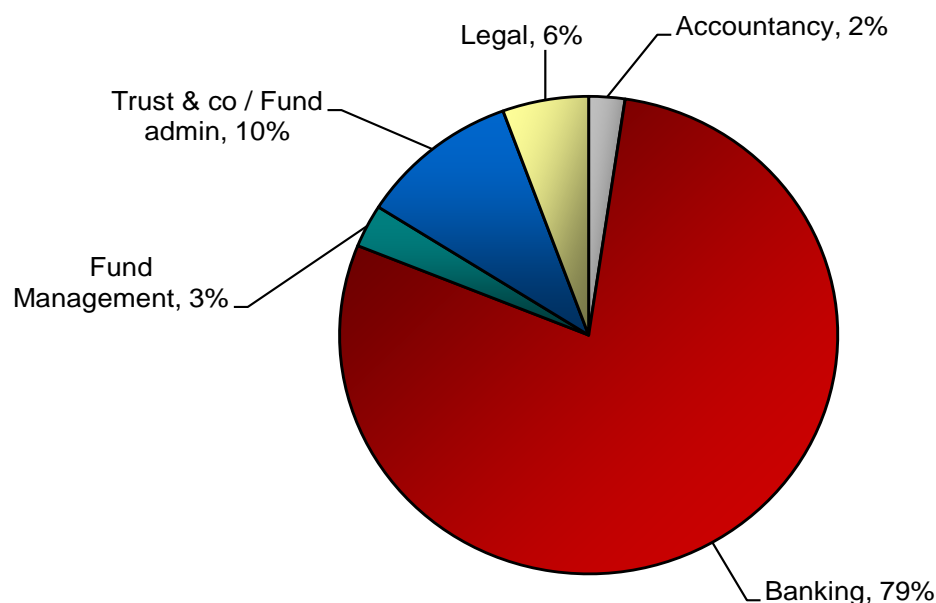
Although a recovery and stabilisation in net profit has been observed since 2011 (*acknowledging the factors outlined above*), the estimate of total net profit in 2013 is more than a fifth lower than that recorded in 2008, in nominal terms, and at a similar level to that observed during the period 2000 to 2005.

The national accounting measure Gross Operating Surplus (GOS) measures the economic activity of the Jersey operations of businesses in the Island; as such it is not susceptible to the fluctuation of income transfers from non-resident units. In nominal terms, the GOS of the Finance sector in 2013 was 5% lower than in 2012.

Net profit by sub-sector

In 2013, the Banking sub-sector accounted for almost four-fifths (79%) of the total net profit of Jersey's finance sector (see Figure 1b), a similar proportion to that recorded in 2011 and 2012 and to that observed from the mid-1990s up to 2008. In 2009 and 2010 the proportion of total net profit accounted for by Banking had declined to around two-thirds.

Figure 1b – Total annual net profit by sub-sector, 2013



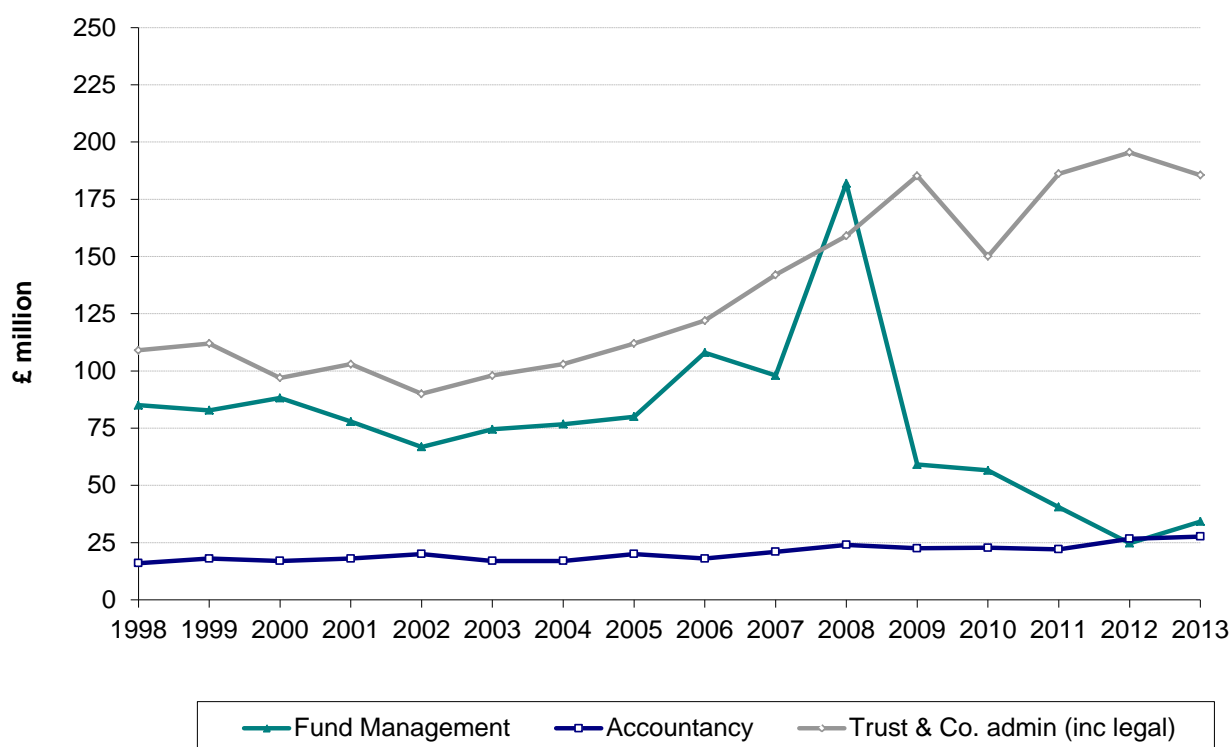
The total net profit of Jersey's finance sector is strongly influenced by movements in the net profit of the Banking sub-sector (see Figure 1a):

- the net profit of the Banking sub-sector declined in each year from 2008 to 2010 such that the net profit in 2010 was two-thirds (67%) lower than the peak recorded in 2007;
- this period of decline was followed by a large increase in 2011 when the net profit of the Banking sub-sector more than doubled on an annual basis;
- during the latest three-year period, from 2011 to 2013, the net profit of the Banking sub-sector has been relatively more stable.

It should be noted that the behaviour of the net profit of the Banking sub-sector in Jersey since 2008 has been driven by the factors indicated previously.

Figure 1c shows net profits recorded by the Accountancy, Fund management and Trust & company administration (including Legal) sub-sectors.

Figure 1c – Annual net profit of the Accountancy, Trust & company administration (including Legal) and Fund management sub-sectors; 1998-2013



Overall, the estimated net profit of the Trust & company administration (including Legal) sub-sector declined in 2013, down by 5% compared with that recorded in 2012.

However, since 2009 it has been possible to analyse the Trust & company administration and Legal sub-sectors separately. Such analysis shows that in 2013 the net profit of the Trust & company administration sub-sector increased for the third consecutive year, up by almost 3% on an annual basis, from £120 million in 2012 to £123 million in 2013.

In contrast, the net profit of the Legal sub-sector decreased by 9% to £66 million in 2013. The Legal sub-sector had recorded a similar decline in net profit in 2012, down by 9% on an annual basis. This most recent two-year period of decline for the Legal sub-sector follows increases in net profit in both 2010 and 2011. Since 2009, when it was first possible to analyse this sub-sector separately, the net profit of the Legal sub-sector has increased by more than a fifth (22%).

In 2013 the Fund management sub-sector recorded an increase in net profit of more than a third (38%), to £34 million in 2013. This latest annual increase follows declines in net profit in each of the previous four years; between 2008 and 2012 the net profit of the Fund management sub-sector fell by 86%.

The net profit of the Accountancy sub-sector in 2013 was estimated at £28 million, an increase of 4% on an annual basis and representing the highest level of net profit recorded for this sub-sector since at least 1998.

Net Profit generated by Fund administration and Investment advisory activity

The above analysis classifies all the net profit reported by a company according to its main area of activity. However, companies were also asked to disaggregate their total net profit into the various areas of financial activity which they undertake (i.e. into Banking, Fund management, Trust & company administration, etc). From this perspective, it is evident that some companies, particularly in the Banking and Trust & company administration sub-sectors, have diversified activities into other areas.

In addition to the sub-sectors already covered in this report, some companies also reported net profit from Fund administration and Investment advisory activities. In 2013 the net profit from Fund administration (across the Finance sector) was estimated to be £31 million and that from Investment advisory activities was £36 million.

Net Profit per FTE

The (mean) average net profit per FTE employee³ in the Finance sector over the period from 1998 to 2013 is shown in Figure 2.

The mean net profit per FTE employee across the Finance sector in 2013 was at a similar level (in nominal terms) to that recorded in each of the two previous years, at around £100,000 per FTE.

Figure 2 – Net profit per FTE employee: all sub-sectors



During the period 1998 to 2002 the behaviour of net profit per FTE (Figure 2) was similar to that of total net profit (Figure 1a), rising to a peak in 2000 after which net profit per FTE declined. Between 2003 and 2005, net profit per FTE increased slightly, driven by reduced employment, whilst during the period 2006 to 2008 net profit per FTE increased due to total net profit rising at a faster rate than employment. The subsequent falls in net profit per FTE in both 2009 and 2010 were driven by the falls in total net profit in these years.

³ Employee numbers for each year are derived from the Manpower Survey. Part-time employees are assumed to be equivalent to 0.5 of a full-time employee. Due to the lack of availability of manpower data for December 2013 (in mid-2014), the FTE figures used for calendar year 2013 (total and by sub-sector) are the means of the December 2012 and June 2013 figures.

The mean net profit per FTE employee in 2013 for each of the sub-sectors is shown in Table 1 and ranged from £192,000 per FTE in Banking to £30,000 per FTE in Accountancy.

Table 1 – Net profit and mean net profit per FTE employee in 2013, by sub-sector

	Net Profit (£m)	Mean net profit per FTE (£)
Banking	930	192,000
Fund management	34	76,000
Trust & company admin.	123	33,000
Legal	66	38,000
Accountancy	28	30,000
All	1,180	101,000

Net profit for individual sub-sectors is shown to the nearest £1million; total net profit has been rounded independently to the nearest £10 million.

In 2013, the mean net profit per FTE employee of the Fund management sub-sector increased in by two-fifths (40%) compared with the previous year. This latest annual increase follows four consecutive years of decline recorded on this measure for this sub-sector; since 2008, when mean net profit per FTE in Fund management was almost £270,000, a fall of almost three-quarters has been recorded.

The Trust & company administration and Accountancy sub-sectors also recorded increases in mean net profit per FTE in 2013, up by 9% and 2%, respectively, on an annual basis.

In contrast, the Banking and Legal sub-sectors saw mean net profit per FTE decrease in 2013, down by 2% and 11%, respectively, on an annual basis.

Revenue

The total revenue generated by financial services companies in Jersey in 2013 was estimated to be £2.34 billion. This total represents an increase in revenue of 4% compared with that in 2012.

The revenue generated is predominantly fees/commissions and Net Interest Income (NII). In 2013 fees/commissions accounted for around half (52%) of the total revenue of the Finance sector and Net Interest Income accounted for a third (33%).

Breaking down by sub-sector, Table 2 shows that Banking accounted for more than half (54%) of the total revenue of Jersey's Finance sector in 2013.

The Fund management sub-sector recorded the largest increase in revenue in 2013, up by more than a fifth (21%) compared with that in 2012. Smaller increases in revenue, of around 4% to 6%, were reported by the Accountancy, Banking and Legal sub-sectors.

In contrast, the Trust & company administration sub-sector saw a small fall in revenue in 2013, down by 3% compared with 2012.

Table 2 – Total Revenue and Revenue per FTE employee in 2013

	Total £ million	Revenue per FTE £k
Banking	1,270	260
Fund management	220	490
Trust & company admin.	500	140
Legal	250	140
Accountancy	100	110
All	2,340	200

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

Net Interest Income

Table 3 shows the estimated Net Interest Income (NII) of Jersey's Banking sub-sector for each year from 2005 to 2013.

Table 3 – Net Interest Income (NII) in Banking (£ millions) and as a percentage of Banking revenue; 2005-2013

Year	NII from Banking £ million	NII as a percentage of Banking revenue %
2005	£790	66
2006	£1,010	72
2007	£910	59
2008	£1,040	60
2009	£730	58
2010	£640	51
2011	£540	43
2012	£730	60
2013	£760	60

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 and accounted for three-fifths (60%) of Banking revenue in that year. During the subsequent period, from 2009 to 2011 the Net Interest Income of the Banking sub-sector decreased by about a half, representing a fall of some £500 million in three years.

In the latest two years, 2012 and 2013, Net Interest Income returned to a level similar to that recorded in 2009 and accounted for a similar proportion of Banking revenue as in that year (around three-fifths).

Expenditure on goods and services

In 2013, the total expenditure of Jersey finance companies on goods and services was estimated at £710 million (see Table 4), representing a decrease of 5% compared with 2012.

Table 4 – Total expenditure on goods and services in 2013 (£ million)

	Expenditure in Jersey	Total
Banking	150	420
Fund management	30	100
Trust & company admin.	80	120
Legal	30	40
Accountancy	20	30
All	310	710

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

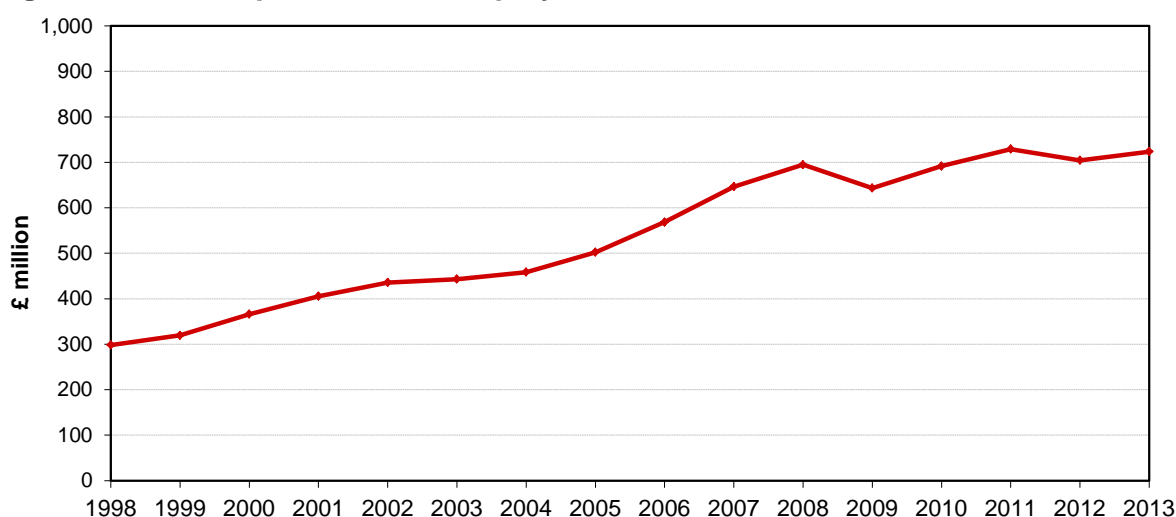
Of the total expenditure on goods and services, more than two-fifths (44%) was spent in Jersey, a smaller proportion than recorded in 2012 (55%).

In 2013, the Banking sub-sector accounted for around half of on-Island expenditure and Trust & company administration accounted for more than a quarter.

Total expenditure on employment

In 2013, total expenditure on employment increased by 3% on an annual basis, to around £720 million, and returning to the level recorded in 2011.

Figure 4 - Total expenditure on employment, 1998-2013



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 to reduced bonus payments in that year.

As Table 5 shows, Banking accounted for almost a half (46%) of total expenditure on employment and Trust & company administration accounted for almost a third (29%).

Table 5 – Employment costs in 2013, by sub-sector

	Total employment costs, £ million	Mean employment costs per FTE, £	Mean <u>bonus</u> payment per FTE, £
Banking	330	68,000	8,000
Fund management	40	93,000	17,000
Trust & company admin.	210	58,000	3,900
Legal	90	54,000	3,200
Accountancy	50	51,000	2,800
All	720	62,000	5,900

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

In 2013, average (mean) employment costs across the Finance sector overall were estimated at £62,000 per FTE employee, representing an increase of more than 3% compared with the previous year (2012).

Average (mean) employment costs were greatest in Fund management at £93,000 per FTE employee in 2013. In Banking and Trust & company administration average employment costs were £68,000 and £58,000 per FTE, respectively, whilst in the Accountancy and Legal sub-sectors average employment costs were closer to £50,000 per FTE.

The average (mean) bonus payment across the Finance sector was estimated to be £5,900 per FTE employee in 2013, a similar level to that recorded in 2012.

In 2013, the average (mean) bonus paid to Fund management employees (around £17,000 per FTE) was about a third lower than in the previous year. Average bonuses paid in the other sub-sectors ranged from almost £3,000 per FTE in Accountancy to £8,000 per FTE in Banking; in each of these sub-sectors average bonuses paid in 2013 were slightly greater than those paid in 2012.

Staff recruitment

Table 7 shows the number of local staff recruited directly from school and university into Jersey's finance sector for each year since 2002.

Table 7 - Local staff recruited directly from school and university; 2002 - 2013

Staff recruited	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
School			50	40	80	100	150	70	50	70	50	110
University			100	150	150	140	180	150	150	130	160	200
School & University*	160	80	150	180	220	230	330	220	200	200	220	310

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

** Recruitment from schools and universities was separated for the first time in 2004.*

In 2008 the recruitment of local staff directly from school and university peaked at around 330 FTE employees. The number of such staff recruited then decreased in 2009 but remained relatively constant in each of the four years from 2009 to 2012, at around 200 FTEs.

In the latest year, 2013, the number of local staff recruited directly from school and university (310 FTEs) was almost 100 greater than in the previous year and was at a similar level to that seen in 2008.

In 2013 around three-quarters of local staff recruited by the Finance industry directly from school and university were employed in the Trust & company administration and Accountancy sub-sectors.

Compliance

Companies were asked to report the number of employees engaged in compliance activities. In total, almost 620 FTEs were engaged in compliance in 2013, representing around 5% of all staff employed in the Finance sector⁴ and an increase of some 160 FTEs compared with the number engaged in compliance in 2012.

⁴ Excluding the "Other" category of firms (insurance, independent advisors etc.).

Table 8 - Summary for all sectors 1998 - 2013

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total net profit (£ million)	880	980	1,170	1,110	1,070	1,020	1,020	1,050	1,310	1,460	1,520	850	620	1,170	1,190	1,180
Mean net profit per FTE employee (£ k)	85	95	109	100	95	95	96	98	115	121	123	69	53	99	101	101
Total expenditure on employment (£ million)	300	320	370	410	440	440	460	500	570	650	700	640	690	730	700	720
Mean employment costs per FTE employee (£ k)	29	31	34	36	39	41	43	47	50	54	56	52	59	62	60	62

All numbers have been rounded independently.

Notes

1. Timing:

Survey forms for the period 1996 to 2002 were issued in June of the following year. However, due to the considerable widespread interest in timely results, since 2003 the survey forms have been sent out in March of each year.

2. Response:

The overall response rate to the 2013 round of the survey was 51% (see Table N1) with respondent firms covering around two-thirds (67%) of total eligible FTE manpower for the sector (i.e. excluding the "Other" sub-category of firms).

Table N1 – Response rate and FTE coverage

	Sampled	Respondents	Response rate	FTE coverage
Banking	32	28	88%	96%
Fund management	19	13	68%	49%
Trust & co. admin.	87	41	47%	50%
Accountancy	41	13	32%	38%
Legal	32	15	47%	43%
All	218	112	51%	67%

3. Methodology:

For each sub-sector, mean values per FTE were calculated from the respondent firms. These mean averages were then grossed up to estimates of totals using the appropriate sub-sector manpower data.

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 classification, 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.

Furthermore, in 2009 it became possible to report on the Trust & company administration and Legal sub-sectors separately⁵. In previous years, these sub-sectors had been combined due to the poor response from the Legal sub-sector.

⁵ Fund administration activities are included within the Trust & company administration sub-sector.

5. Manpower figures in 2013

The number of FTE employees in a given calendar year is calculated from a three-point weighted average (mean) of the December-June-December figures where the June figure is given twice the weight of each of the December figures. However, due to the lack of availability of manpower data for December 2013 (at the time of release of this publication), the FTE figures for calendar year 2013 (total and by sub-sector) are calculated from an average of the December 2012 and June 2013 figures only.

6. Data revisions

Due to the re-submission of company data from a small number of businesses, to reflect correct accounting processes, some historical profit and revenue figures for the period 2009 to 2012 have been revised in this report.

Statistics Unit

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