

Guernsey Economic and Financial Stability Overview

Issue date: May 2019

The Guernsey Economic Overview brings together the most recent official statistics and provides an overview of economic conditions in Guernsey and the outlook for the near future.



States of
Guernsey

1.1 Introduction

The Economic Overview is compiled by the States of Guernsey and brings together government statistics (www.gov.gg/data) and statistics from the Guernsey Financial Services Commission (www.gfsc.gg). The intention is to combine the available data to provide a more detailed summary of current economic conditions in Guernsey and, where appropriate, offer thoughts on the short-term outlook.

The bulletin covers both macroeconomic measures such as GDP, inflation and employment as well as sector specific indicators and, where available, economic forecasts.

1.2 Headlines

- Publication of first estimates of GDP for 2017 show a healthy level of economic growth, primarily driven by growth in the finance sector. First estimates of GDP for 2018 are scheduled for publication in September 2019 and are expected to show a more modest level of real growth.
- Current expectations are for growth rates to slow through 2019.
- Inflation, as measured by the annual change in RPIX, has decreased to 2.1% in March 2019 and remains low relative to equivalent measures published in Jersey and the UK. RPIX is expected to fall a little further in the second quarter before increasing later in the year.
- The modest level of population growth reported at the close of 2017 has accelerated. Net immigration contributed an increase of 390 people to the population but this has been offset by a natural decrease
- Total employment in Guernsey grew over the year ending December 2018 by 0.6%. This represents an increase in the growth rate compared to the previous quarter, but is slower than the average growth rates experienced in 2017.
- Median earnings increased in real terms by 0.9% in the year ending December 2019. This is the fastest rate of earnings growth reported since 2016.
- The local housing market continues to strengthen. Allowing for the seasonality of the market, transaction numbers continue to increase and average prices increased by 2.3% in real terms in the first quarter of 2019. Prices remain 17% below their peak in real terms, but the real fall in prices has improved measures of affordability.
- Finance sector GVA growth was strong in 2017. Total employment in the sector grew by 1.5% over the year ending December 2018 and earnings in the sector grew a little faster than inflation.

2. Macroeconomic indicators

Figure 2.1.1 Gross Domestic Product

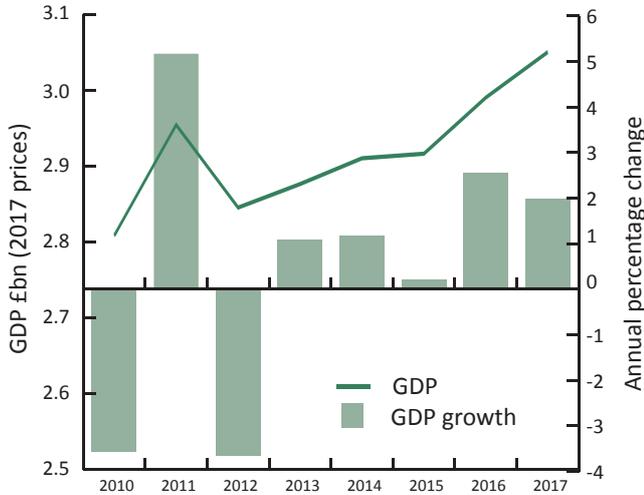


Figure 2.1.2 Factor income per worker (excl household sector)

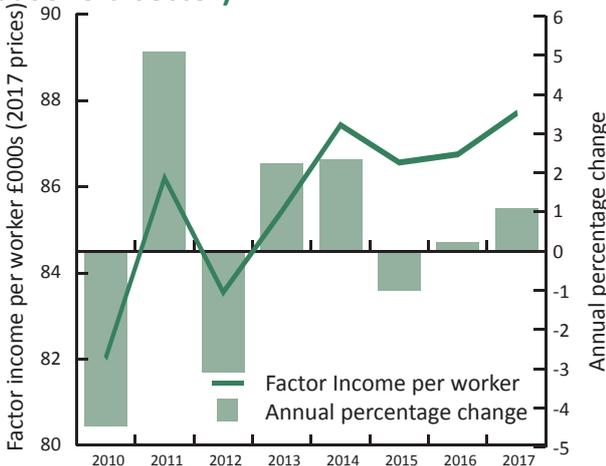
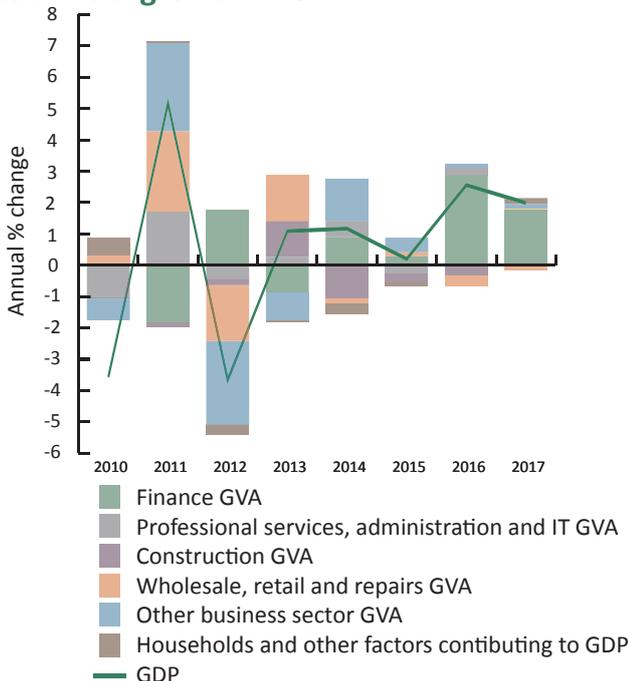


Figure 2.1.3 Contribution of economic sectors to annual growth in GDP



2.1 Gross domestic product (2017)

First estimates of GDP for 2017 show a healthy level of real growth with a year on year increase of 2.0% reported for 2017. GDP growth for 2016 has also been revised upwards to 2.6%. These two years of strong growth have increased GDP in Guernsey to more than £3bn.

Guernsey continues to sit consistently among the 20 richest jurisdictions in the world measured by GDP per capita. The island generated £49,000 of GDP per person in 2017, 2.4% more in real terms than the previous year.

Figure 2.1.2 presents the amount of GVA output produced per person employed in the active sectors of the economy (excluding the household sector) (figure 2.1.2). This is the best available proxy for productivity in Guernsey. However, caution is needed because workforce data in Guernsey is not adjusted for working hours as it is in other jurisdictions. Current estimates for 2017 show a moderate level of growth of approximately 1.1%.

The majority of growth in 2016 and 2017 can be attributed to growth in finance sector GVA which contributed 2.9% to GDP growth in 2016 and 1.8% in 2017 (figure 2.1.3). The amount of growth (or contraction) contributed by other sectors was comparatively small in 2017.

The Bank of England revised up its short-term growth expectations for the UK in its May inflation report although Brexit uncertainties and a slowing of global growth have kept expectations relatively subdued. They particularly highlight the impact that the former has had on the levels of business investment, which have been falling for a year.

In Guernsey, while indications are that conditions were relatively strong at the close of 2018, similar expectations of slowing economic growth through 2019 have been built into short-term forecasting.

The States of Guernsey have an ongoing improvement programme aimed at improving the quality of national statistics and reducing the time lag in their availability. Further details are provided in Section 4.

2. Macroeconomic indicators

2.2 Inflation

Inflation in Guernsey, as measured by the annual change in RPIX, continues to be relatively low (**figure 2.2.1**). The annual change in RPIX was 2.1% in March 2019 and has not exceeded 3% since 2012. The measure also continues to be lower than the equivalent measures in the UK and in Jersey.

The increase in the cost of services continues to be the primary driver of inflation in both Guernsey and the UK (**figure 2.2.2**). Upward pressure on the aggregate price level from food is relatively modest.

Shifts in global oil prices tend to be a source of volatility in domestic inflation, with oil price shocks occurring in both directions in recent years. On the whole they have exerted an upward pressure on fuel and light, and motoring costs during 2018. However, the upward pressure from these groups receded in the first quarter of 2019.

Looking forwards, central forecasts suggest that RPIX could fall a little further in the second quarter of 2019 (**figure 2.2.3**). Planned increases in electricity prices are likely to contribute to an increase in inflation measures in the second half of the year.

There are risks to these forecasts in both directions. The Bank of England maintained the Bank Rate at 0.75% in May. Within their Inflation Report the Monetary Policy Committee suggested that the monetary policy response to Brexit “could be in either direction” and would depend on the timing and nature of the withdrawal from the EU. Significant fall in the value of Sterling in connection with Brexit or the imposition of trade tariffs could push inflation towards the upper end of the forecast range.

Figure 2.2.1 RPIX in Guernsey, Jersey and UK

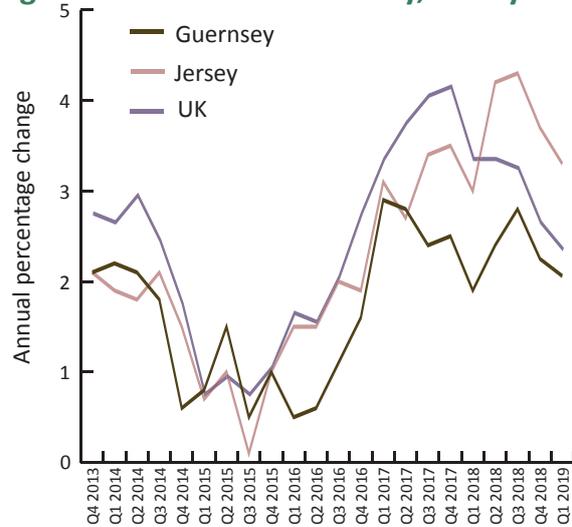


Figure 2.2.2 Contribution to annual change in RPIX

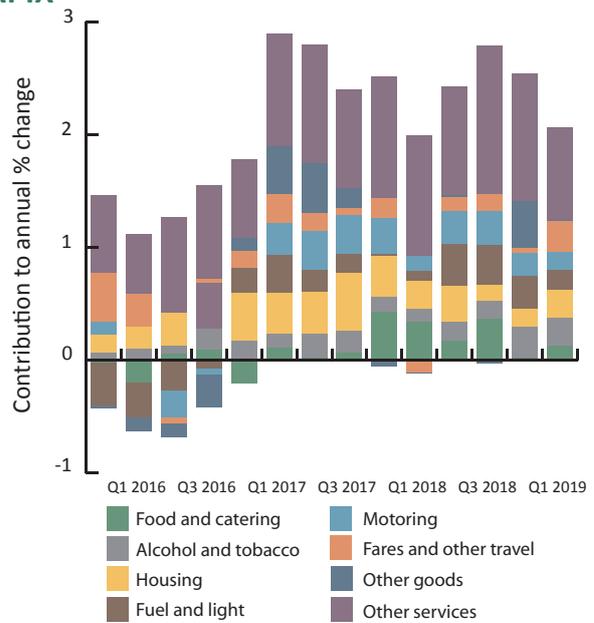
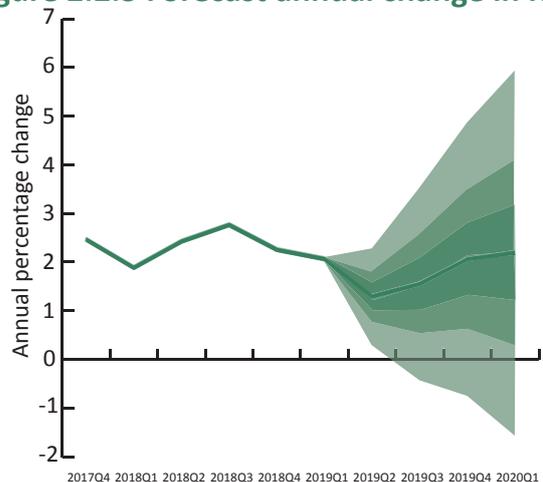


Figure 2.2.3 Forecast annual change in RPIX



2. Macroeconomic indicators

Figure 2.3.1 Annual migration

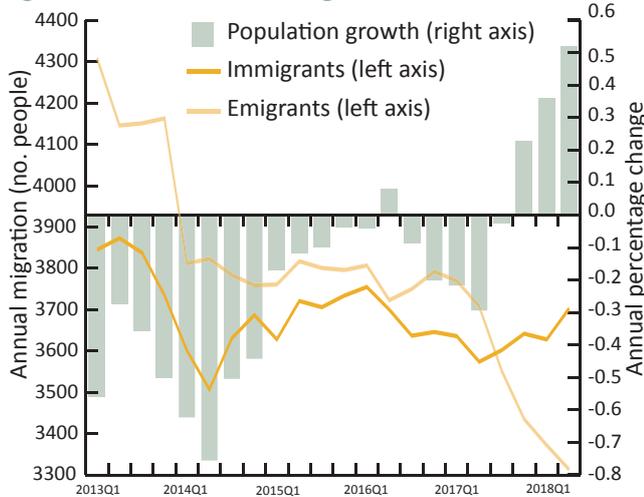


Figure 2.3.2 Population aged 16-64

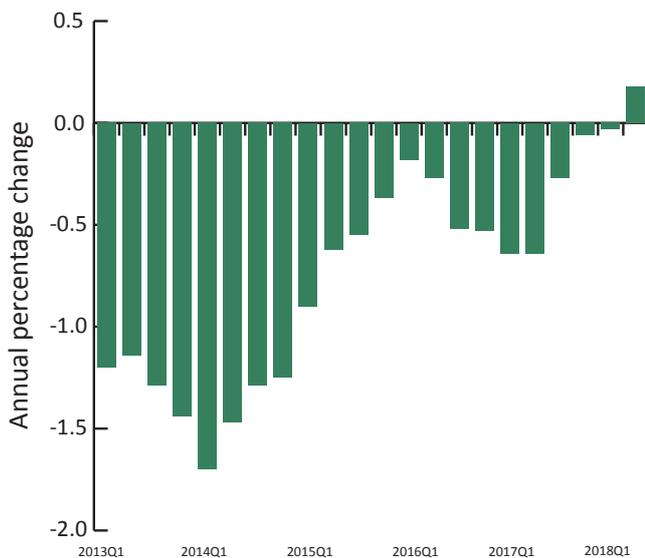
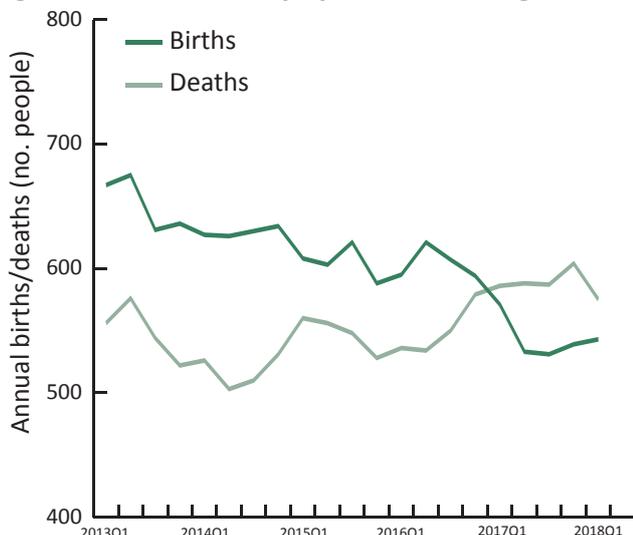


Figure 2.3.3 Natural population changes



2.3 Population

In June 2018 (the latest available data), population growth in Guernsey was gaining momentum (figure 2.3.1) with an increase in the population of 325. Over the year net migration contributed an increase of 390 people to population growth while there was a natural decrease of 65 people.

The increased level of net migration for the year ending June 2018 were sufficient to balance the impact of the aging of the population on the size of the working age population (aged between compulsory school age (16) and current State pension age (65)) (figure 2.3.2). This has reversed, at least temporarily, the sustained contraction of the more economically active portion of the population. Growth in this portion of the population is a positive sign for the economy, implying that there is employment available to attract and keep people in Guernsey.

The continuation of negative natural changes in the population (the balance between births and deaths) is a result of two factors. The first is a slightly elevated number of deaths. This is to be expected as the population ages but the annual number of deaths is slightly higher than had been predicted.

The second is a falling number of births. Some fall in the number of births was anticipated as the population ages and the number of women of childbearing age falls. However, the fertility rate (the average number of children each woman is expected to bear in her life time) has also fallen to an unusually low level. If this were to persist it could present long-term challenges for the economy and a greater dependence on migration to maintain an adequate workforce.

Both trends follow what has occurred in the UK. Age-standardised mortality rates in the UK in the first quarter of 2018 were the highest since 2009. The ONS stated that a combination of influenza and uncharacteristically cold weather was the likely cause. The ONS also reported a decline in the total fertility rate in 2017. In Guernsey, where the small number of births makes annual fertility rates volatile, the trend is more pronounced.

2. Macroeconomic indicators

2.4 Workforce and earnings

There were 31,304 people employed or self-employed in Guernsey in December 2018 (figure 2.4.1). The trend in employment levels is still upwards, but the rate of increase has slowed (figure 2.4.2).

As discussed in Section 2.3, before June 2018 the population aged between 16 and 64 had been falling. Increases in total employment prior to this point have been driven by increases in working age participation which increased from 72% in 2015 to 78% by 2018. Participation rates appear to have stabilised at this level.

The return to net immigration at the level reported in 2018, if it continues, could sustain the working age population and support employment at broadly its current level, or slightly higher, in the long-term. Net immigration at a lower level or net emigration will place a downward pressure on employment in Guernsey.

Registered unemployment levels increased slightly during 2018, but were still very low by international standards. The registered unemployment rate under the International Labour Office definition (which excludes anyone participating in more than 1 hour of paid work a week) was 0.9% in July 2018 (figure 2.4.3). A drop in unemployment to a level below this is likely to be unsustainable in the long-term.

Data is also captured on those people who work on a part-time or casual basis and who are available to work more hours but whose earnings are such that they are still eligible to claim a “top-up” to their income from unemployment benefits. This series increased because the reform of the benefits system undertaken in July 2018 brought more people within the scope of the work requirements applied as a condition of receiving Income Support payments. The changes brought approximately 70 additional people into receipt of unemployment benefit.

Figure 2.4.1 Total employment

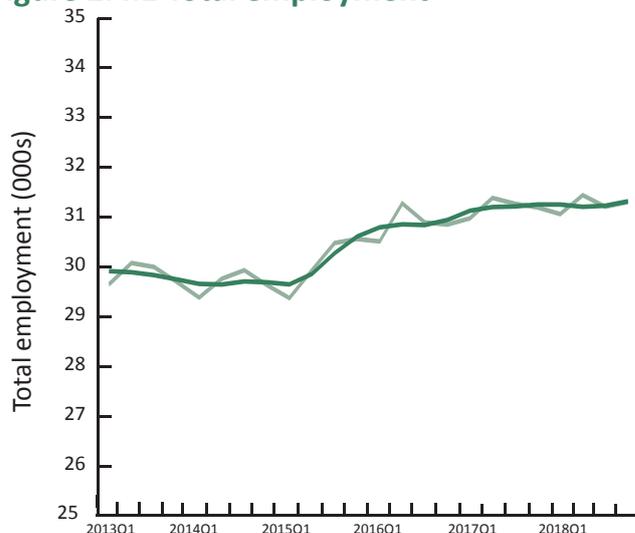


Figure 2.4.2 Total employment growth

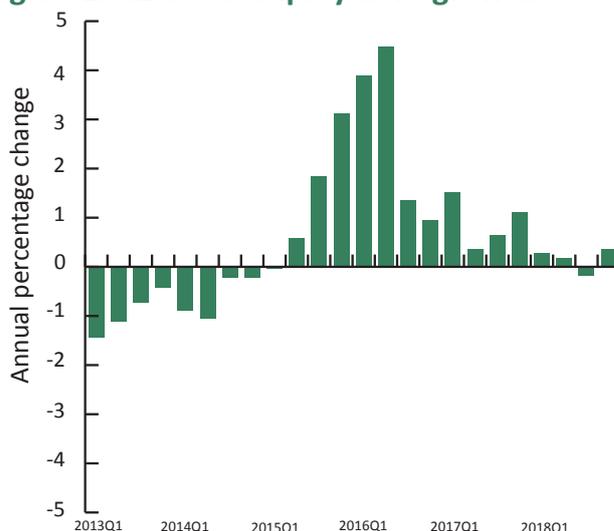
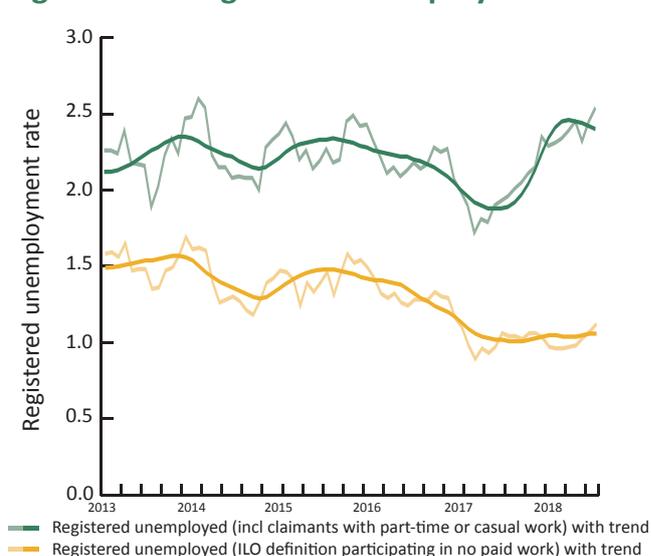
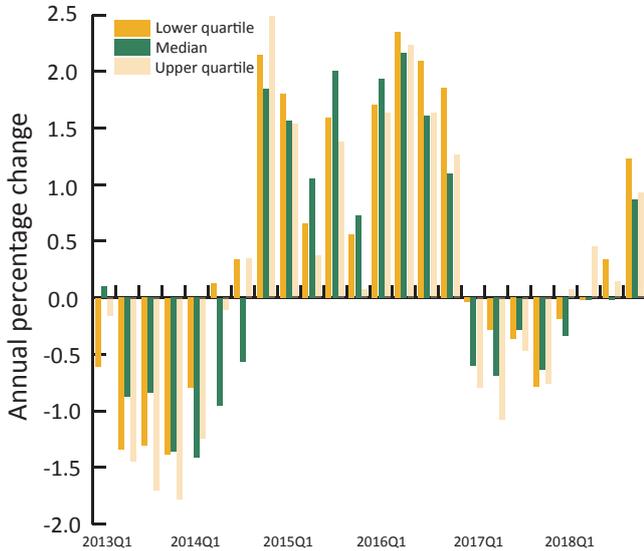


Figure 2.4.3 Registered unemployment



2. Macroeconomic indicators

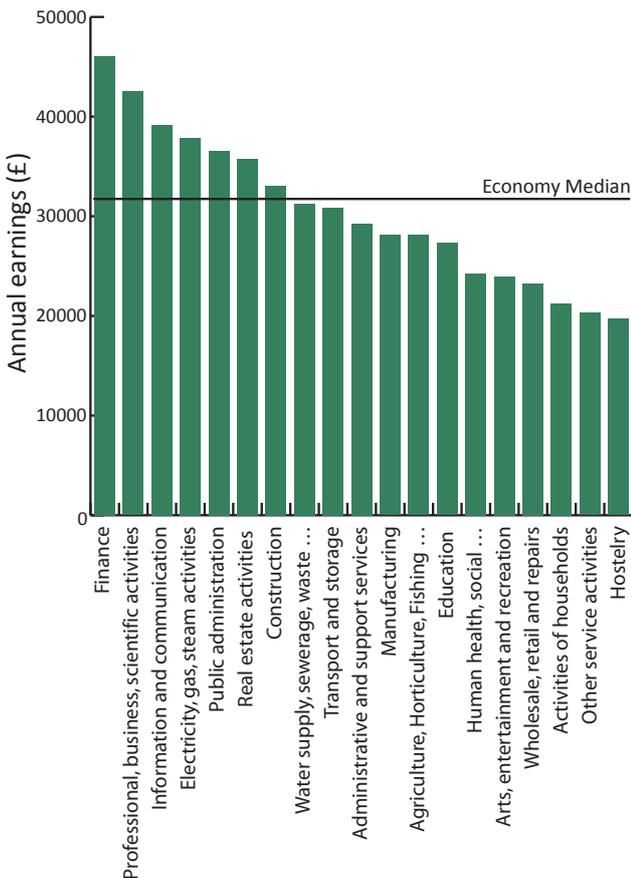
Figure 2.4.4 Median earnings growth (real, based on 4 qtr rolling average)



At the end of December 2018, median earnings (averaged over 4 quarters) in Guernsey was £33,263. This figure is not adjusted for the number of hours individuals might be working. This is a year on year increase in real terms (i.e. above inflation) of 0.9%. Increases in earnings at both the lower and upper qualities were slightly greater.

This real growth in median earnings follows a period of contraction during 2017 (**figure 2.4.4**). Like the return to a position of net immigration, this respectable level of earnings growth suggests that there is growing demand for labour in Guernsey. This is the expected response to low levels of unemployment and high levels of participation discussed previously, albeit that the response has been slow to appear in Guernsey.

Figure 2.4.5 Median earnings by sector



By sector, there is substantial variation in median earnings (**figure 2.4.5**). High value sectors, which tend to employ staff on an annual salary and have a high proportion of professionals or technical specialists, exhibit the highest median earnings. The finance sector, for example, has median earnings of £44,900, significantly higher than the median for the economy as a whole.

Sectors which have a high proportion of part-time or seasonal staff, such as wholesale, retail and repairs or hostelry, tend to exhibit lower median earnings. The lowest level of median earnings are reported in the Hostelry sector at £20,000, although it should be noted that it is common for hotel staff to receive accommodation in addition to their salary which will not be captured in this analysis.

Trends of earning and employment by sector are discussed in more detail in **section 3**.

2. Macroeconomic indicators

2.5 Property market

Local market residential transaction numbers increased significantly during 2018. Allowing for the seasonality of property sales the third and fourth quarters of 2018 were particularly busy relative to recent norms. The first quarter of 2019 continued to show a high level of activity relative to seasonal norms (Q1 typically being the quietest quarter of the year) suggesting the market recovery is continuing.

The increase in demand has begun to change the trend in prices. Local market property prices increased by 2.3% in real terms in the first quarter of 2019 compared to the same period the year before (figure 2.5.1). However, prices are still 17% lower than the peak in 2013 in real terms.

While the real fall in property prices presents challenges for some of those who own residential property it has made Guernsey property more affordable. The house price to earnings ratio, which peaked at 15.2, has fallen to 12.6. While this is still significantly higher than the average reported for England and Wales (comparable to areas of Greater London), it does imply that house purchase is more attainable than it has been in the past.

There are other signs which suggest that the market is functioning more fluidly. The discount on sales between their first advertised price and final sale price has reduced to 6.2% (figure 2.5.2) suggesting greater competition for properties. The difference between the first and last advertised price has also reduced, which suggests that the initial pricing of properties now better reflects demand conditions.

The average number of days properties remain on the market before a sale is completed has also reduced, providing further evidence that the market is functioning more efficiently.

*Data on transaction numbers exclude transactions between family members, exchanges, repossessions and by share transfer

Figure 2.5.1 Local property market (real prices)

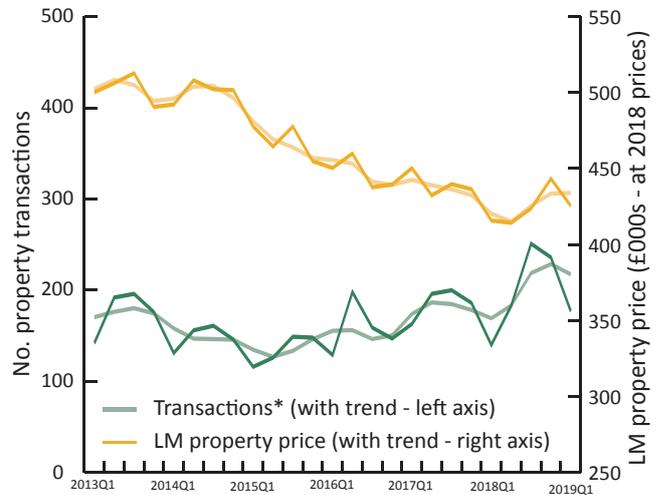
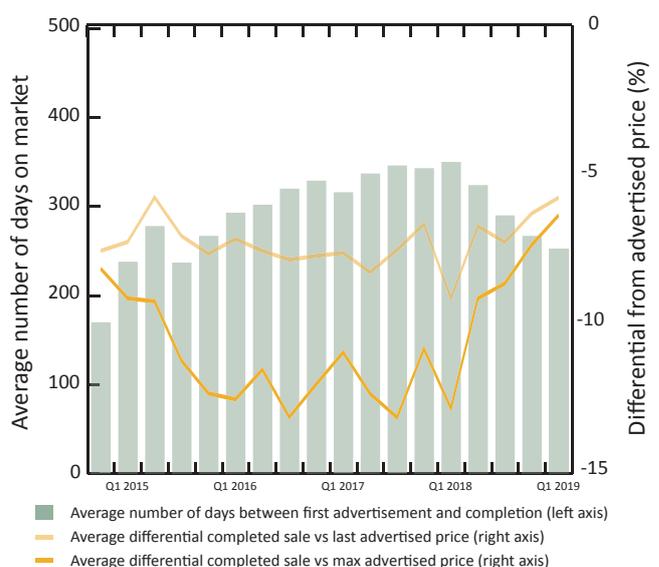


Table 2.5.1 Local market purchase price to earnings ratio

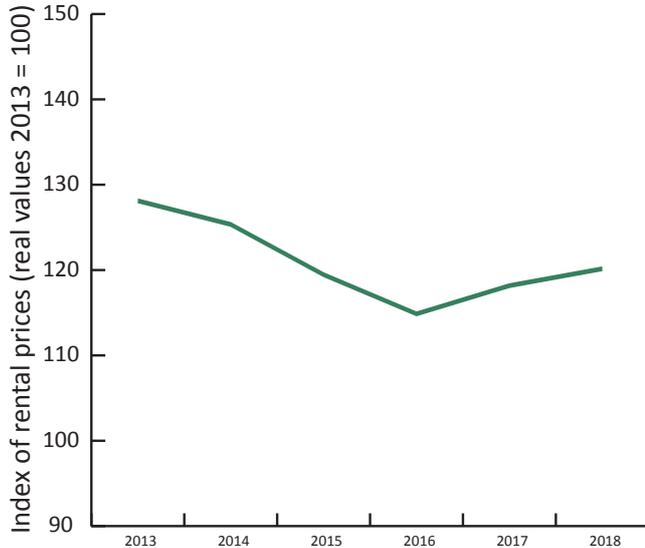
Purchase price to earnings ratio	
2013	15.2
2014	15.2
2015	14.2
2016	13.3
2017	13.2
2018	12.6

Figure 2.5.2 Local market discount rate and sale period



2. Macroeconomic indicators

Figure 2.5.3 Local market rental values



Data on local market rentals is collected from the web and classified adverts and published on an annual basis. Published indices are calculated on nominal prices but for the purpose of this report have been converted to express trends in real terms (i.e. adjusted for inflation).

Rental time series show similar trend to purchase prices but on a slightly more advanced time scale. The rental index, which measures the mix adjusted average value of advertised rental properties, showed a decline in real terms between 2013 and 2016 (**figure 2.5.3**). Rents increased in real terms in 2017 and 2018. Prices for one and two bed flats have risen faster than larger properties.

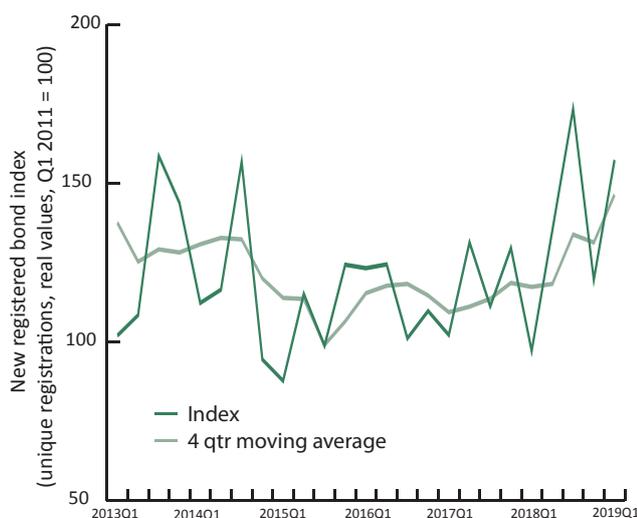
Table 2.5.4 Local market rent to earnings ratio

	Annual rent to earnings ratio	Purchase price to annual rent ratio
2013	0.52	29.3
2014	0.50	30.2
2015	0.48	29.7
2016	0.45	29.3
2017	0.47	28.0
2018	0.47	26.6

Similar to the position with purchase prices, the cost of rental accommodation relative to median earning has declined, indicating that accommodation has become more affordable (**table 2.5.4**). However, like purchase prices, rental prices remain high relative to averages for England and Wales (comparable to the South East).

The purchase price to rent ratio (the average purchase price divided by the annual rental value) has also decreased.

Table 2.6.1 Index of new bond registrations



2.6 Mortgages and Borrowing

New bond registrations are closely correlated with the housing market and, as both the volume and value of transactions has risen over recent quarters, the index of new lending has trended upwards (**figure 2.6.1**). Allowing for the seasonality of the property market, this upward trend is particularly apparent in those loans identified as relating to a residential property transaction (**figure 2.6.2**).

However, only about half of new bond registrations can be attributed to residential sales.

** This series includes unique bond registrations only and duplicate registrations (where a bond is registered to multiple borrowers) are excluded. Bonds of exceptional size (greater than £10m) are also excluded to reduce volatility.

2. Macroeconomic indicators

Loans may be secured on property when owners choose to move or extend their mortgages or for commercial development or other investment. The series is typically more volatile than that attributable to sales. The removal of duty payable on the registration of new bonds in 2019, designed to reduce the frictional cost of moving debt between lenders, is expected to push these values upwards.

A review of the housing market commissioned by the States of Guernsey published in 2017 raised concerns about the concentration of new lending activity among a very small number of lenders. The States have continued to monitor the concentration of new lending activity (**figure 2.6.3**). Since the publication of that report, some of the less active lenders have increased their activity in the market and the degree of market concentration has improved to a point where the mortgage market is once again well served by a number of lenders. There are currently five principle lenders in Guernsey who together provide lending services for between 80% and 90% of mortgages each quarter.

The index of the estimated value of real aggregate domestic mortgage debt has decreased during 2018 and early 2019, despite the general upward trend in new lending (**figure 2.6.4**). This implies that the downward pressure from mortgage repayments and the erosion of the real value of existing debt by price inflation exceeds the value of new lending. This may reflect a combination effect of the lower level of activity experienced until very recently, and the low interest rate environment facilitating people to pay down their mortgage debt faster than expected.

Figure 2.6.2 Value of new bond registrations attributable to sales**

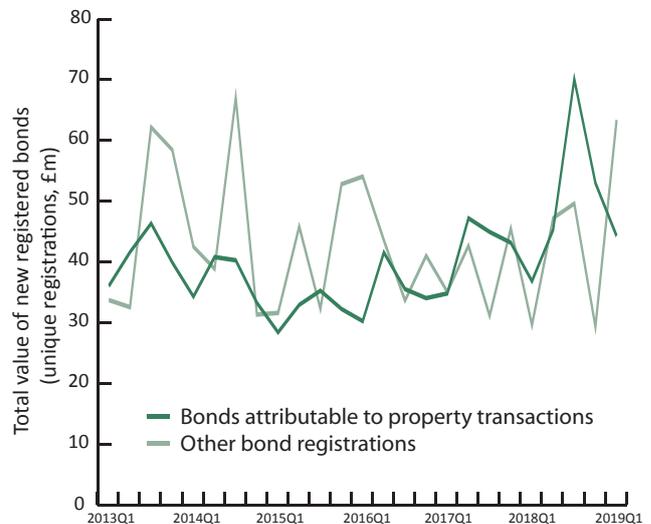


Figure 2.6.3 Market concentration index

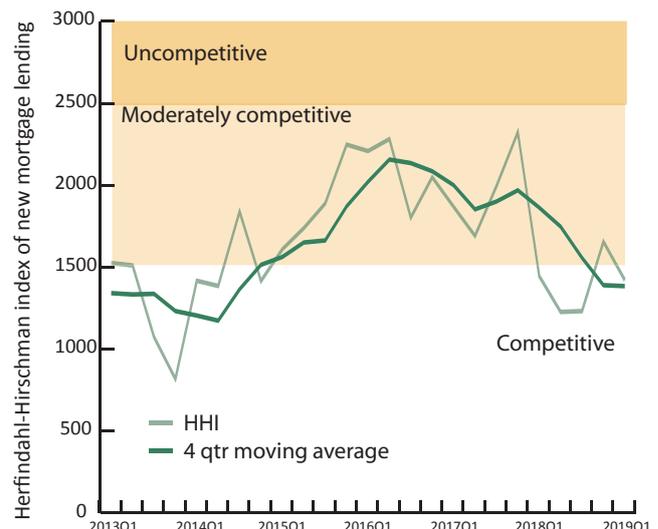
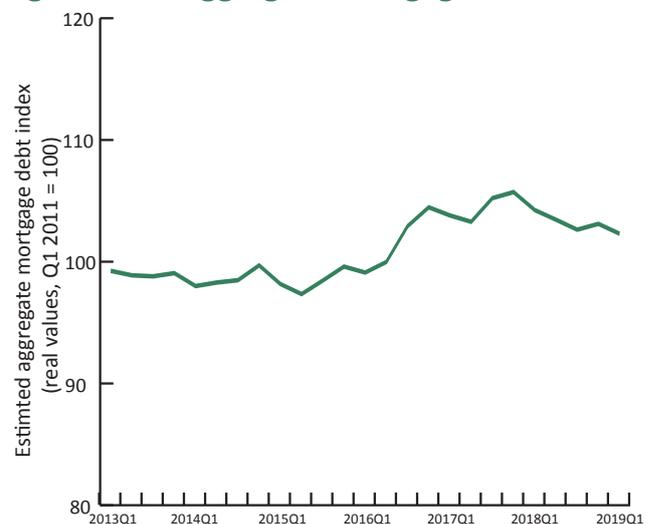


Figure 2.6.4 Aggregate mortgage debt index



3. Business sector indicators

Figure 3.1.1 Finance: employment and earnings growth

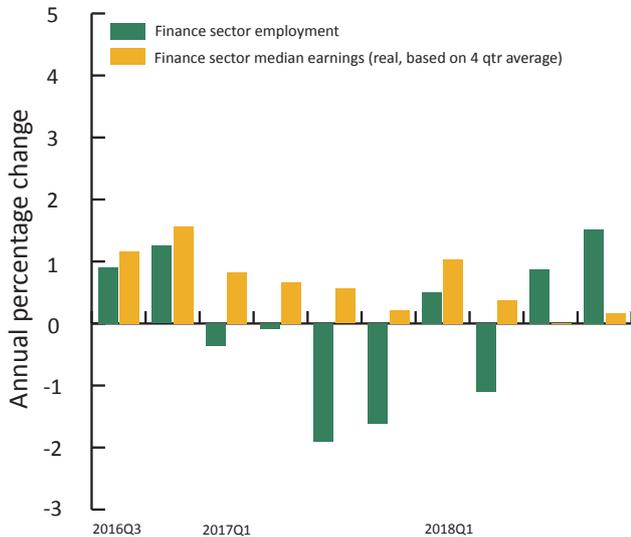


Figure 3.1.2 Finance: distribution of employment

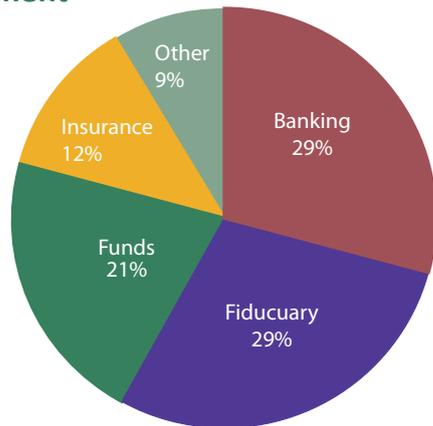
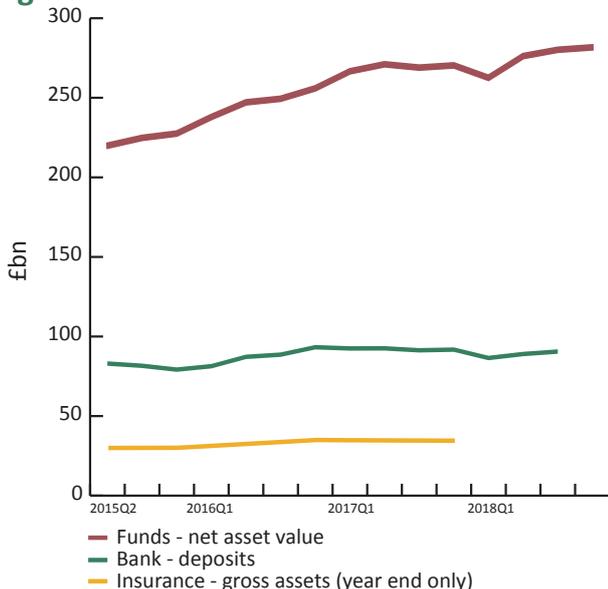


Figure 3.1.2 Finance: sub-sector asset values#



3.1 Financial services

Financial services (not including accountancy and legal services) is the largest sector in the Guernsey economy and comprises 19% of employment in Guernsey and 40% of GVA. Note that, as part of an exercise to validate the classification of employers, the number of employees and amount of earnings recorded for this sector have been revised since the preceding publication.

As a whole the sector grew during 2018 with growth strengthening towards the end of the year (figure 3.1.1). Median earnings for the finance sector grew by 0.2%, a little faster than inflation but by less than the 0.9% reported for the economy as a whole.

The finance sector in Guernsey is typically classified into four key sub-sectors: banking, fiduciaries, funds and insurance. Banking is traditionally the largest of these sectors but the global contraction of banking activity and the local expansion of fiduciary, funds and insurance activity means that these sectors, in terms of employment, have become closer in size. Banking and fiduciary activity in 2018 each accounted for 29% of employment in the sector. Funds comprised 21% and insurance 12%. Other finance sector employment, which includes brokerage activity and money service providers comprises 9% of employment.

Combined, the sector is engaged in the management and administration of a very significant amount of assets (figure 3.1.2) with the fund sector alone managing or administering investments worth more than £280bn at the close of 2018. The underlying performance across the four primary sub-sectors differs and is covered in more detail in the following sections.

Banking

Data published by the Guernsey Financial Services Commission (GFSC) shows the total nominal sterling value of Banking assets in Guernsey had increased to £121m including £91m of banking deposits (figure 3.1.2).

Tables 3.1.1 provides details of the composition of the liabilities and assets of the Guernsey banking sector.

3. Business sector indicators

Table 3.1.1 Banking sector liabilities and assets#

	No. Banks	Bank deposits (£bn)	Third party deposits (£bn)	Total deposits (£bn)	Total liabilities (£bn)	Loans to banks (£bn)	Other loans in Guernsey (£bn)	Other loans not in Guernsey (£bn)	Other Assets (£bn)	Total Assets (£bn)
Dec-16	25	47.5	45.7	93.2	119.7	66.1	3.5	26.4	23.7	119.7
Mar 17	24	46.4	46.1	92.5	120.0	64.8	3.7	25.5	26.0	120.0
Jun 17	24	47.0	45.5	92.6	120.7	67.4	3.8	24.9	24.7	120.7
Sept 17	24	46.1	45.5	91.3	119.1	67.2	3.7	24.5	24.5	119.1
Dec 17	23	50.4	41.1	91.5	119.0	70.1	3.5	21.6	21.6	119.0
Mar 18	23	46.0	40.5	86.5	113.4	67.1	3.5	20.0	22.7	113.4
Jun 18	23	47.3	41.7	89.0	116.8	80.1	3.4	8.8	24.4	116.8
Sept 18	23	48.5	42.1	90.6	120.7	83.0	3.3	8.8	25.5	120.7

These values are reported in Sterling for aggregation deposits, but they are held in multiple currencies including Euros and US dollars. As a result bank values are sensitive to changes in exchange rates .

At the end of September 2018, 69% of banking assets in Guernsey were held in the form of interbank loans following a significant increase in the value of loans to banks in the second quarter. This high proportion of interbank lending reflects the up-streaming model employed in many Guernsey institutions.

The small proportion of banking activity dedicated to other loans (i.e. not interbank loans) in Guernsey represents what might be considered to be domestic retail activity in Guernsey. This will include the majority of the estimated £2.0bn of residential mortgages currently offered on residential property in the island, as well as any domestic or commercial loans offered to local residents and businesses. It will also capture loans to Guernsey registered trusts.

Fiduciaries

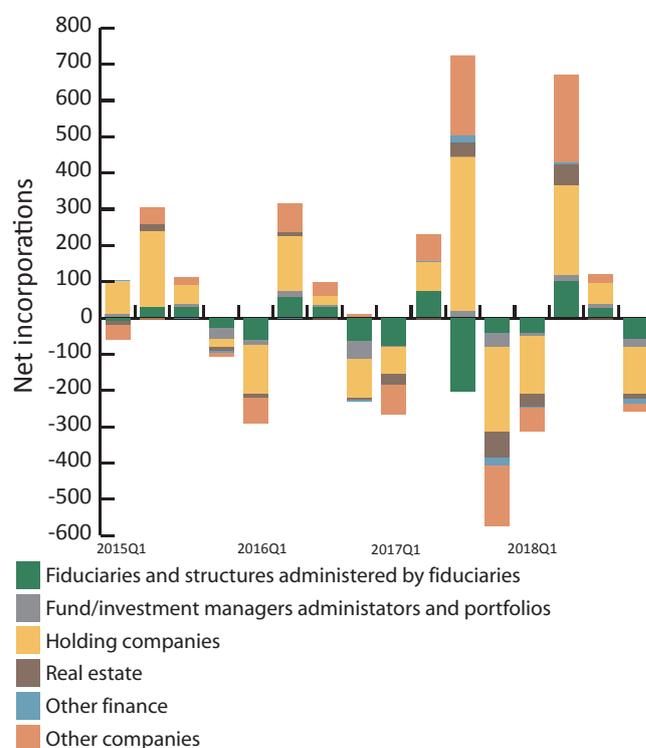
In April 2019, there were 758 authorised fiduciary licences in Guernsey, 8 fewer than a year previously (table 3.1.6). This number includes 152 lead licences. Year on year, there has been a net increase in lead and personal licences, but joint licences have declined.

Fiduciaries in Guernsey offer a wide range of services to international clients, from private trust and wealth management to the provision of corporate services.

Table 3.1.6 Fiduciary licences#

	Apr 18	Oct 18	Apr 19
Lead licences	151	150	152
Joint licences	575	570	564
Personal licences	40	43	42
Total	766	763	758

Figure 3.1.3 Net company incorporations



3. Business sector indicators

A significant majority of company formations in Guernsey are operated by corporate service providers. Net changes in company registrations tend to be seasonal in nature with company formations and company dissolutions following the financial year. As a result, there is usually a net increase in companies in the second and third quarters and a net decrease in the first and fourth quarters (figure 3.1.3). There was an increase in formation and dissolution activity, particularly among holding companies, during 2017 and early 2018.

Funds

The net asset value of funds under management or administration in Guernsey had grown by £11bn over the year ending December 2018, bringing the total value of Guernsey and non-Guernsey funds managed or administered in Guernsey to £282bn.

Closed ended funds continue to comprise the majority of fund activity in Guernsey (table 3.1.3) and represent the largest growth area in the sub-sector. While there was a small net decrease in the number of closed ended schemes in operation over 2018, the total net asset value increased by 5.9%.

Most closed ended schemes regulated in Guernsey are private equity funds and these form the core of regulated investment activity in Guernsey (figure 3.1.3). Open ended fund activity has been in decline for some time and this trend has continued through 2018. Open ended funds in Guernsey operate primarily as equity and securities funds or funds of hedge funds.

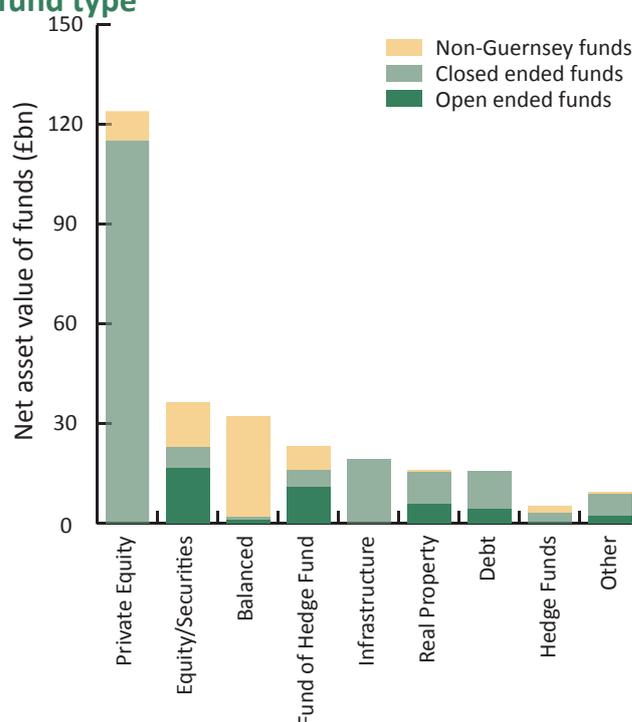
Non-Guernsey funds are funds incorporated in other jurisdictions (largely in the Caribbean) but administered by local fund administrators. By value these are predominantly open ended balanced funds and equity funds.

The Guernsey Financial Services Commission launched the “Guernsey Green Fund” in July 2018, creating the first regulated green investment product in the world. The purpose of the accreditation is to provide certainty to investors that accredited schemes meet strict eligibility criteria of green investing. Four funds have been accredited under this scheme to date with more applications underway.

Table 3.1.3 Fund statistics#

	No. funds		Net asset value (£bn)	
	Dec 17	Dec 18	Dec 17	Dec 18
Open ended schemes	148	148	43.5	42.5
Closed ended schemes	658	655	166.5	176.4
Non-Guernsey open ended schemes	170	143	60.4	62.9

Figure 3.1.3 Value of investment activities by fund type#



3. Business sector indicators

Insurance

After a very strong performance for 2016 gross asset values in the insurance sector fell in 2017 to £28bn (asset data for 2018 is not currently available). The subsector also generates £5.1bn of premiums.

During 2018 Guernsey has gained an additional authorised manager, but lost one intermediary (**table 3.1.4**). The number of vehicles under management increased over 2018 with a net increase in both Protected Cell Company cells and Incorporated Cell Company cells (**table 3.1.5**).

Captive insurance continues to dominate activity in the international insurance market, despite a decrease in the number of companies operating in this area. There has been an increase in the number of regulated insurers operating as commercial reinsurers or special purpose vehicles.

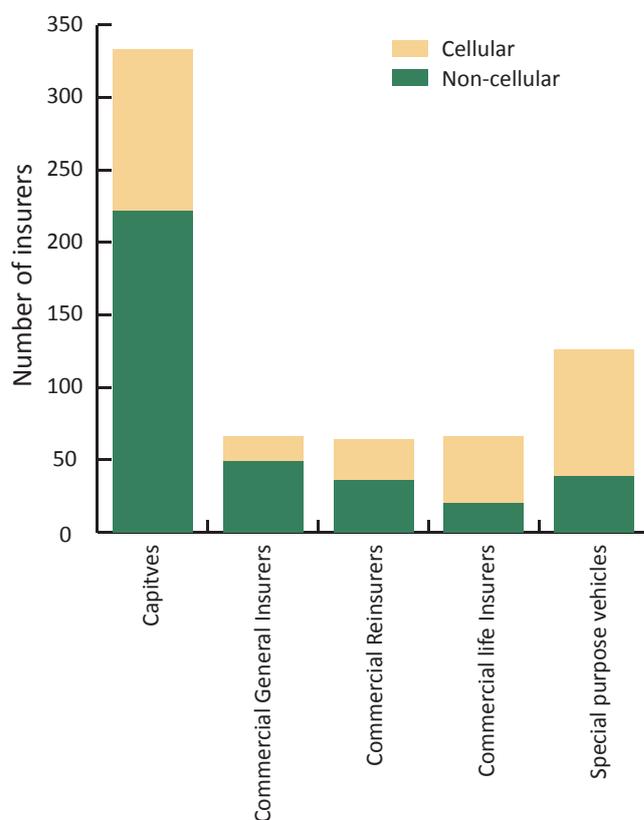
Table 3.1.4 Insurance managers, intermediaries and domestic insurers[#]

	Dec 17	Additions	Surrenders	Dec 18
Authorised managers	20	1	0	21
Insurance intermediaries	36	0	1	35
Domestic insurers	8	0	0	8

Table 3.1.5 Insurance vehicles[#]

	Dec 16	Additions	Surrenders	Dec 17
Companies	242	7	10	239
PCCs	65	1	5	61
PCC Cells	470	67	51	486
ICCs	14	1	0	15
ICC Cells	44	8	0	52
Total	835	84	66	853

Figure 3.1.3 Number of insurers by type[#]



3. Business sector indicators

Figure 3.2.1 Professional and business services: employment and earnings growth

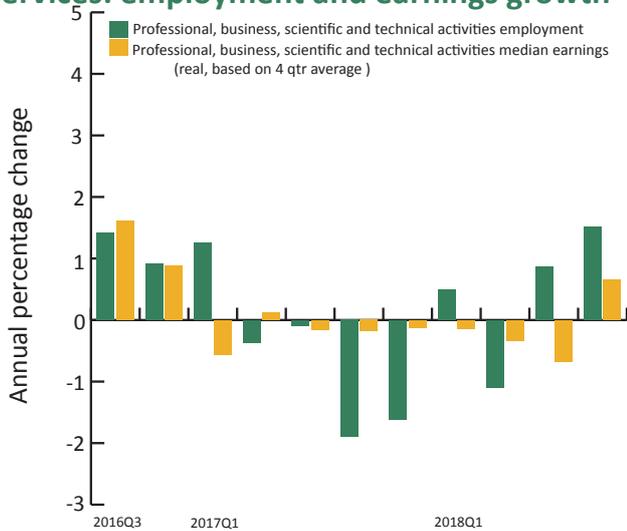


Figure 3.2.2 Information and communications services: employment and earnings growth

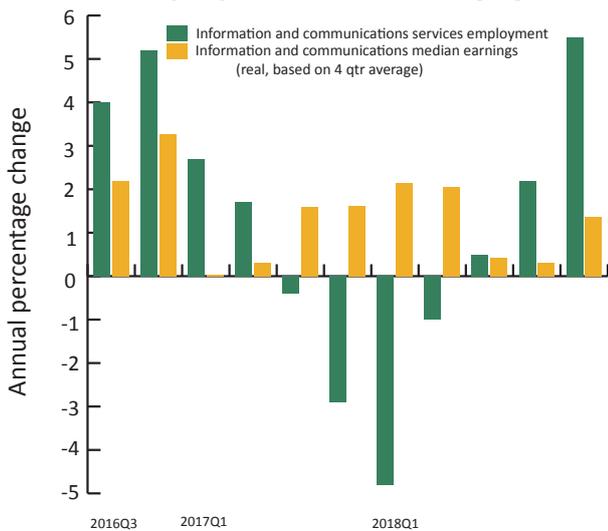
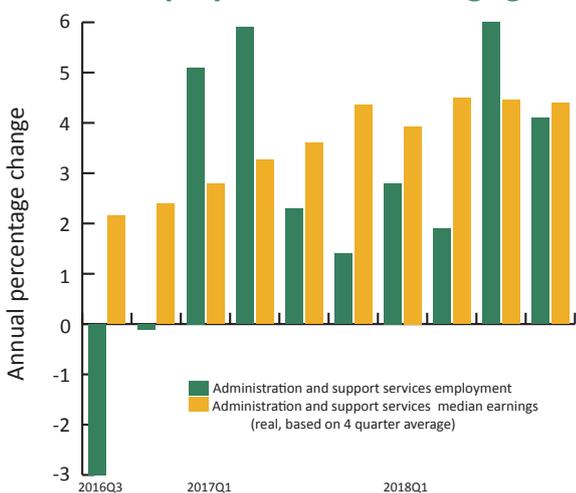


Figure 3.2.3 Administration and support services: employment and earnings growth



3.2 Business, IT and support services

The three sectors captured in this section (Professional, business, scientific and technical activities; Information and communication; and Administrative and support service activities) have been traditionally viewed as support services for the finance sector but are increasingly exporting services in their own right. Combined, these sectors represent 15% of the labour market in Guernsey.

Professional, business, scientific and technical activities

This sector (which includes specialist services such as accountancy, consultancy, legal and marketing services) is among the largest employers of graduates in Guernsey. Employment in this sector has grown over the year ending December 2018 by 0.5% (figure 3.2.1). Median earnings in this sector also show a modest increase in real terms after a period of slow contraction.

Information and communications

Employment in this sector (which includes IT support services, telecommunications and publishing activities) is subject to a degree of volatility but employment grew strongly over the year ending December 2018 (figure 3.2.2). Real median earnings growth has been more consistent in this sector than in the economy as a whole.

Administrative and support service activities

Employment and real earnings growth in this sector (which includes human resources support, cleaning and security activities) continues to be strong (figure 3.2.3). While the median earnings in this sector are still lower than the economy average, year on year real earnings growth has increased the value added from this sector. The employment expansion and earnings growth appears to be focused in office administration and business support activities.

3. Business sector indicators

3.3 Construction and Wholesale, retail and repairs

These two sectors comprise much of the domestic economy and comprise about 21% of total employment. They also employ a significant proportion of those who leave school before the age of 18.

Construction

The Construction sector has faced significant challenges in the last three years with a lack of large scale building activity resulting in a substantial loss of employment from the sector (**figure 3.3.1**). There were signs of recovery in late 2017 and early 2018 with three successive quarters of modest year on year growth in employment in the sector. However, employment levels began to decline again later in 2018.

The employment trends seen correlate with the level of development activity undertaken in Guernsey. **Table 3.3.1** records the net change in domestic housing units. Relatively few new units were completed during 2016 or 2017, while there was a significant increase in completions during 2018.

Median earnings in the sector have shown a slight real decline year on year.

Wholesale, retail and repairs

Employment in Wholesale, retail and repairs has been in general decline for some years, reflecting a global change in the way retailers operate and an increasing level of automation and online trading. However, levels of employment in retail have shown a small increase in recent quarters (**figure 3.3.2**). Growth in median earnings in the sector is currently lagging slightly behind inflation resulting in a small decline in real terms.

3.4 Hospitality and visitor movements

Employment in hospitality, which is highly seasonal, continues a general downward trend (**figure 3.4.1**). However, real median earnings in the sector continue to increase at a rate substantially faster than the median for the economy as a whole. This may reflect strong demand for staff in the sector and the challenges in recruiting and retaining staff. The falling value of wages paid in Sterling relative to the

Figure 3.3.1 Construction: employment and earnings growth

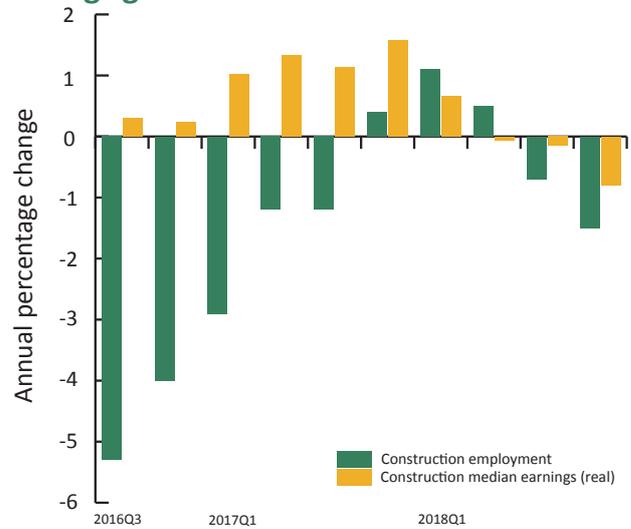
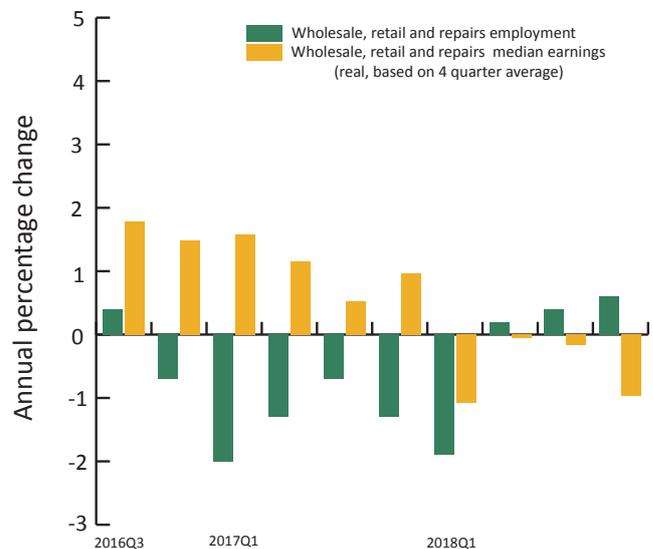


Table 3.3.1: Net change in residential property units

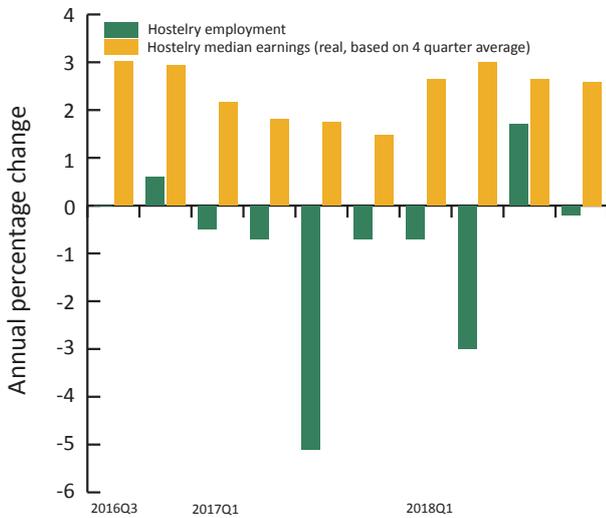
Net change in domestic unit	
2013	+171
2014	+296
2015	+144
2016	+43
2017	+86
2018	+232

Figure 3.3.2 Wholesale retail and repairs: employment and earnings growth



3. Business sector indicators

Figure 3.4.1 Hostelery: employment and earnings growth

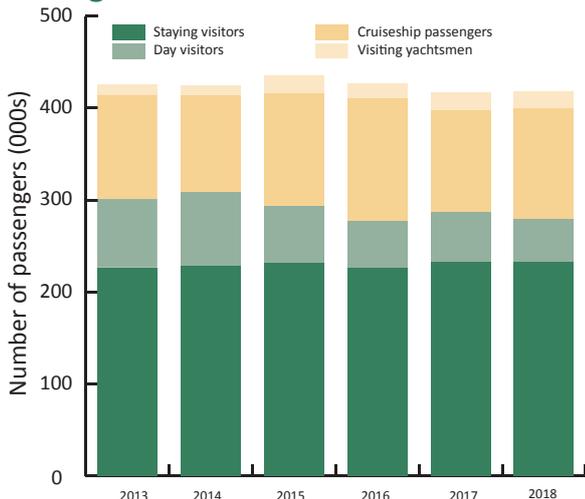


home currencies of migrant workers is also likely to exert upward pressure on wages. While the sector remains one of the lowest paying in the economy, the deviation of the sector from the overall median has lessened significantly.

Incorporating both the core visitors numbers and those arriving by cruise liners or on visiting yachts the total number of people visiting Guernsey in 2018 was very similar to the previous year (**figure 3.4.2**). Of the 418,000 visitors, 56% stayed at least one night in the island. Day visitors comprised 11% of the total and their number was 15% down on the previous year.

Cruise ship passenger numbers, which make up 29% of visitors, were 10% up on 2017.

Figure 3.4.2 Visitor departures and cruise passengers

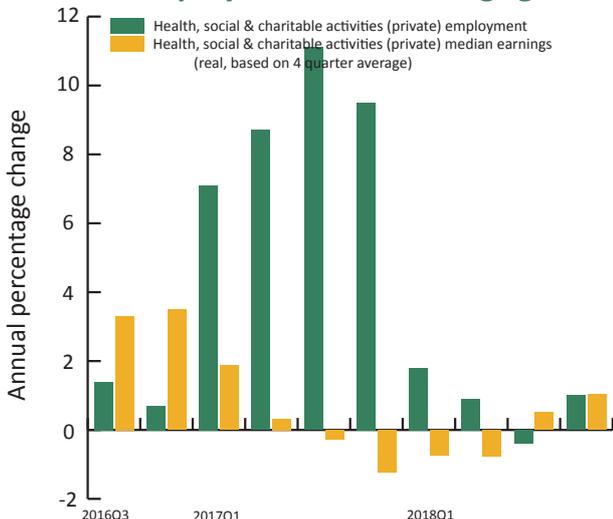


Data for the first quarter of 2019 show an increase in passengers for the year to date.

3.5 Private health and social care and charitable activities

This sector covers the private provision of health and social care services, including private residential and nursing homes and all charities. The sector is the 7th largest in terms of employment and one that is likely to grow in the medium to long term as the population ages and the aggregate care needs of the population increase.

Figure 3.5.1 Health, social and charitable activities: employment and earnings growth



Employment in this sector continues to grow (**figure 3.5.1**). Growth in this sector appears to be largely independent of other movements in the economy, but is likely to be driven instead by the change in the demographic profile. This sector is also reliant on inward migration for a significant proportion of nursing and care staff.

4. Developments in economic data

The primary source of data presented in this overview is provided by the States of Guernsey, Data and Analysis Service. The team are engaged in a programme of continuous improvement to ensure national statistics are as timely and accurate as possible and meet user demands.

Current development plans include the launch of a business census, which will enable further improvement of measures of GVA, productivity and earnings. The States of Guernsey will be asked to approve the legislation required to commence the census later in 2019 and a trial will be run in 2020, before the first census is undertaken.

Routine updates to inflation measures to reflect changes in spending patterns are underway and due to be fully implemented in 2020. This work will also include a review of the inflation measures used in Guernsey and whether the range of measures should be extended further.

For more information please contact dataandanalysis@gov.gg

5. Contact details and other information

This bulletin is presented by the States of Guernsey. For more details please contact:

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The majority of the data presented in this report is provided by the States of Guernsey Data and Analysis Unit. More detailed statistics are available online at www.gov.gg/data.

The data marked with # are published by the Guernsey Financial Services Commission and available at www.gfsc.gg.

