

Guernsey Economic and Financial Stability Overview

Issue date: January 2020

The Guernsey Economic and Financial Stability 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 and Financial Stability 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

- First estimates of GDP for 2018 show that the economy has grown in real terms for 6 successive years to £3.3bn. For the last four years the Finance sector has contributed positively to this growth. Secondary indicators suggest real growth has continued in 2019 but may have slowed in line with UK and global trends.
- Inflation as measured by RPIX remains low and stable. The annual change in RPIX in September 2019 was 2.0% and is forecast to remain at about this level in the coming quarters.
- Population growth accelerated towards the end of 2018 and the population in December 2018 was 0.7% larger than at the same time the previous year. However, the population was still approximately 240 people smaller than at its peak in 2011. Population growth is a result of net immigration of 508 people during 2018 which was partially offset by a natural decrease in the population (i.e more deaths than births) of 48 people.
- The workforce continued to expand slowly over the year ending June 2019, growing by 0.3% driven by net migration and an increase in the working age population.
- Median earnings increased in real terms by 0.9% over the year ending June 2019 in response to continuing demand and competition for labour indicated by low unemployment and high levels of workforce participation.
- Conditions in the local housing market have stabilised with transactions remaining at a higher level than that experienced in recent years. There has also been a slight real increase in local market property prices. When adjusted for inflation local market property values remain approximately 17% lower than their 2013 peak, but measures of affordability have improved as a result
- Conditions in the Finance sector appear stable with continuing steady growth in employment up to June 2019 and increases in the sterling values of both banking deposits and the net asset value of investment funds over the year ending September 2019.
- The limited recovery of the Construction sector experienced during late 2017 and early 2018 appears to have stalled and conditions in the sector remain challenging.

2. Macroeconomic indicators

Figure 2.1.1 Gross Domestic Product

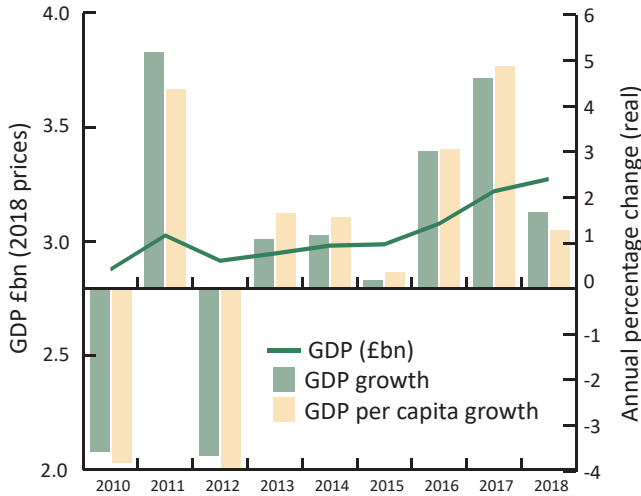


Figure 2.1.2 Factor income per worker (excl household sector)

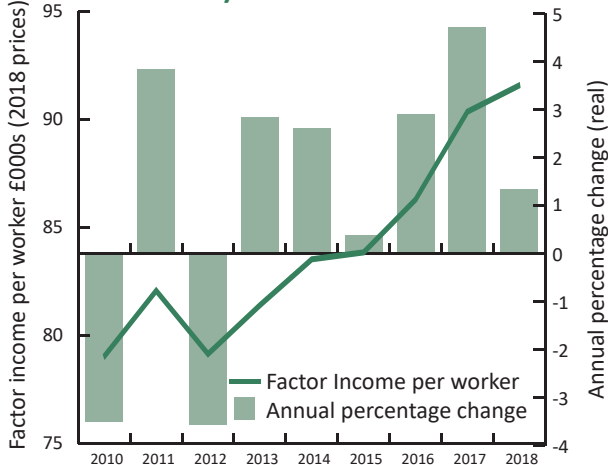
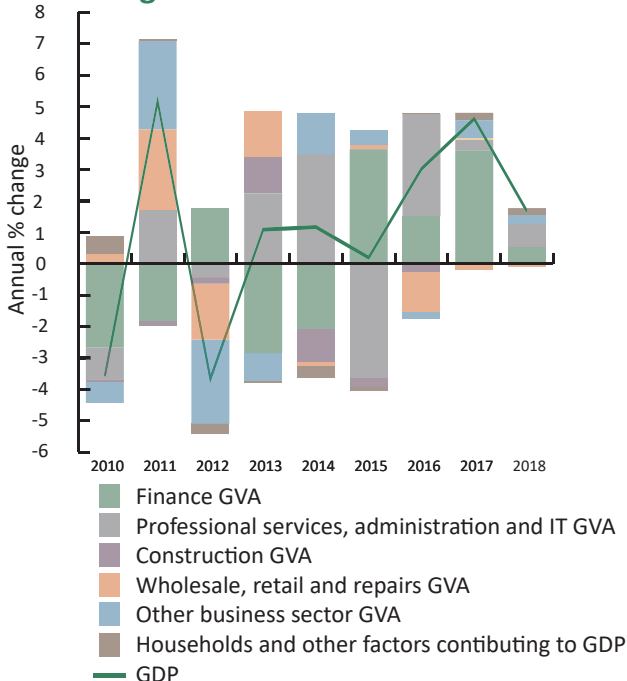


Figure 2.1.3 Contribution of economic sectors to annual growth in GDP



2.1 Gross domestic product (2017)

First estimates of GDP for 2018 show a healthy level of real growth with a year on year increase of 1.7% reported for 2018. GDP growth for 2016 and 2017 have also been revised upwards to 3.0% and 4.6% respectively as more data has become available. This period of strong growth has increased GDP in Guernsey to £3.3bn. GDP per capita (the amount generated per person resident in Guernsey) has also increased to £53,000.

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). 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 2018 show a moderate level of growth of approximately 1.4%.

The Finance sector has contributed positively to GDP growth for each of the last four reported years (**figure 2.1.3**). First estimates for 2018 show that the largest contribution to growth in the year was from the professional services, administration and IT sectors.

The Bank of England's Economic Outlook (Nov 2019) highlights UK growth slowed during 2019 as a result of weaker global growth and Brexit related uncertainty. Guernsey's secondary economic indicators suggest that growth has continued in the Island. Locally, employment and real earnings growth has continued through the first half of 2019 but the rate of growth in both has slowed suggesting that Guernsey may be experiencing similar conditions.

Guernsey's economic output is historically closely correlated to both global and more specifically UK growth. The approval of the UK's withdrawal agreement should reduce uncertainty going forward and both UK and global growth rates are expected to make some limited increase through 2020. This should translate to improved conditions in Guernsey as 2020 progresses.

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 2.0% in September 2019 and has not exceeded 3% since 2012. The measure also continues to be lower than the equivalent measures in the UK and Jersey suggesting the overall price differential between Guernsey and the UK has narrowed.

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 continues to be relatively modest.

The increase in electricity prices has placed upward pressure on inflation measures in the third quarter and will continue to do so for a further nine months. This is balanced by a reduction in the cost of travel following the introduction of the subsidised Heathrow route early in 2019.

Looking forwards, central forecasts (which are based on an orderly transition for the UK out of the EU and limited disruption) suggest that RPIX will continue at about the same level for the final quarter of 2019 and into 2020 (figure 2.2.3). The appreciation of sterling since the first publication of these forecasts in October 2019 may exert a downward pressure on inflation, pushing RPIX towards the lower end of the forecast range.

There are risks to these forecasts in both directions. The Bank of England maintained the Bank Rate at 0.75% in November. Within their Inflation Report, the Monetary Policy Committee suggested that the monetary policy “could be in either direction” in response to changes in the UK’s economic outlook. This will likely depend on the progression of the UK through its withdrawal from the EU and the recovery in global growth rates.

Figure 2.2.1 RPIX in Guernsey, Jersey and UK

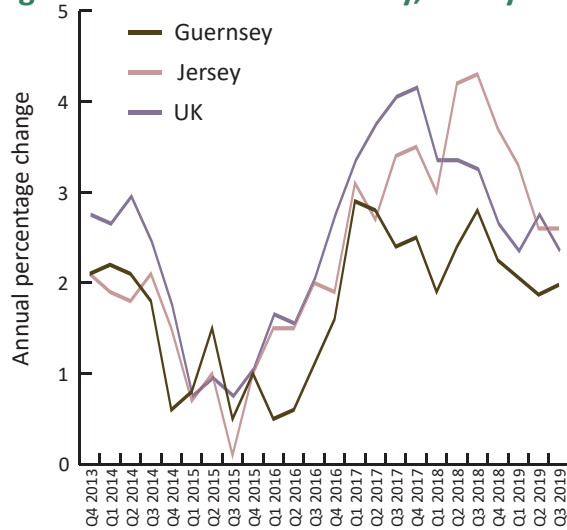


Figure 2.2.2 Contribution to annual change in RPIX

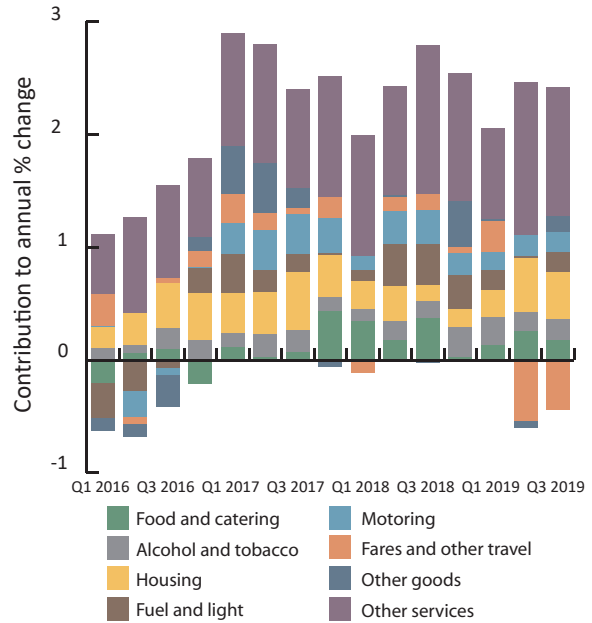
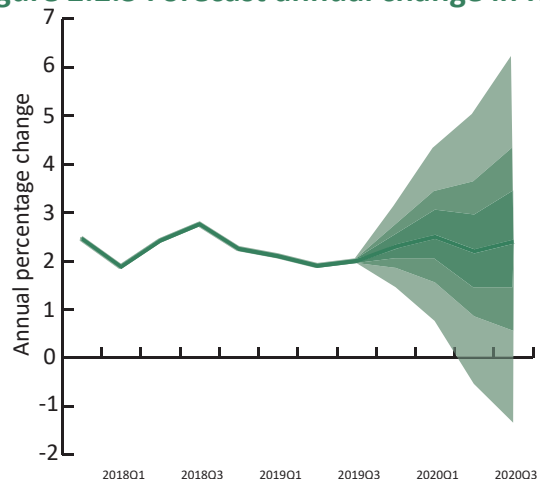
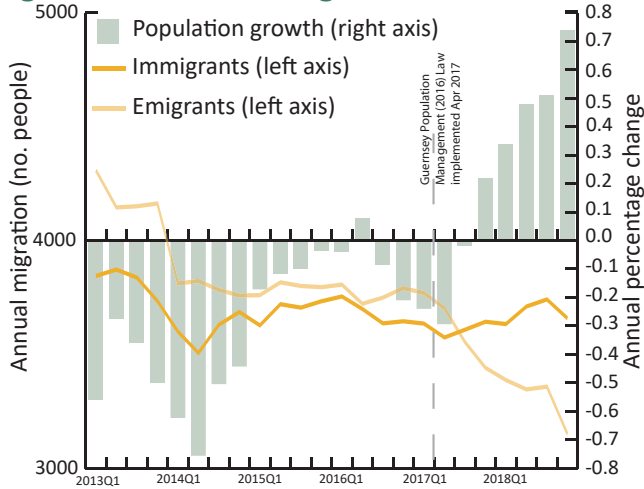


Figure 2.2.3 Forecast annual change in RPIX



2. Macroeconomic indicators

Figure 2.3.1 Annual migration



2.3 Population

In December 2018 (the latest available data), population growth in Guernsey had accelerated (**figure 2.3.1**) with an increase in the population of 0.7% over the year. However, allowing for seasonal variations the population is still about 240 people smaller than it was at its highest peak in 2011.

Net migration contributed an increase of 508 people to population growth, significantly higher than the assumed long term average level of +100 people per year. This suggests that economic conditions and the strength of the labour market in 2018 and early 2019 were able to attract and keep additional workers to the island. It should be noted that the acceleration of net immigration is primarily a result of falling levels of emigration and that the implementation of the Guernsey Population Management (2016) Law in April 2017 may also be a contributing factor.

The increased level of net migration for the year ending December 2018 was sufficient to balance the impact of the ageing 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.

Figure 2.3.2 Population aged 16-64

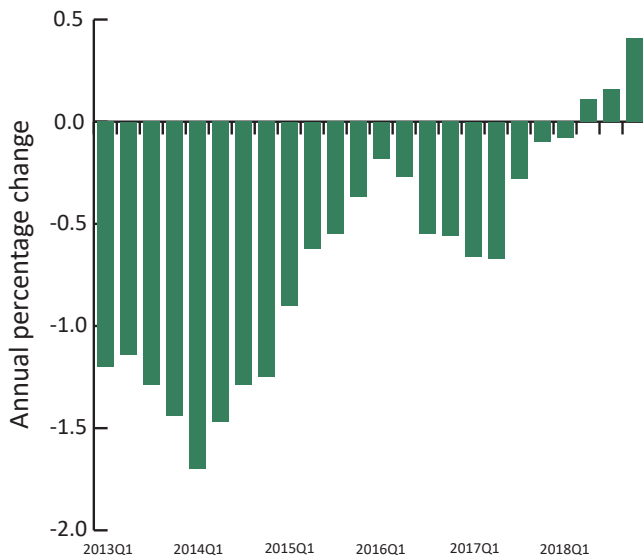
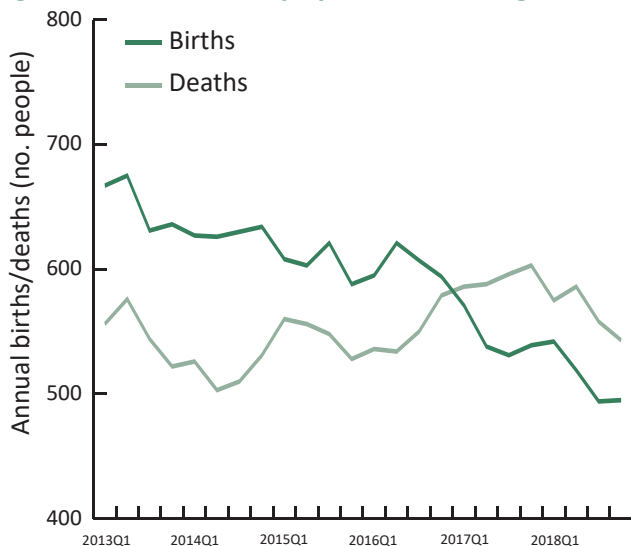


Figure 2.3.3 Natural population changes



Over the same period there was a natural decrease of 48 people. The continuation of negative natural changes in the population (the balance between births and deaths) is a result of two factors. The slightly elevated number of deaths seen between 2016 and 2018 has receded. However the number of births in Guernsey continues to be low. 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 (TFR was 1.4 in 2018 compared to an assumed average of 1.6). 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.

2. Macroeconomic indicators

2.4 Workforce and earnings

There were 31,544 people employed or self-employed in Guernsey in June 2019 (figure 2.4.1). The trend in employment levels is still upwards, but the rate of increase has slowed (figure 2.4.2). The Finance sector remains the largest sector in terms of private sector employment employing 19.2% of the workforce. 17.0% are employed in the public sector (including public sector medical and teaching staff) and 12.1% are employed in Retail.

Participation rates (the percentage of the working age population employed or self-employed) have stabilised at around 78% and the increase in employment in Guernsey can be attributed to the increase in the working age population as a result of net migration.

Registered unemployment levels remain very low by international standards. The registered unemployment rate under the International Labour Office (ILO) definition (which excludes anyone participating in more than 1 hour of paid work a week) was 1.0% in September 2019 (figure 2.4.3). Such low levels of unemployment suggest that there is very limited capacity within the resident population to expand employment further. 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 measure 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

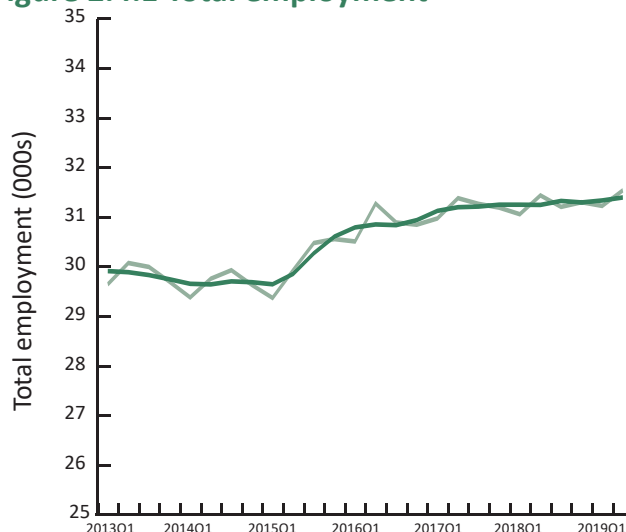


Figure 2.4.2 Total employment growth

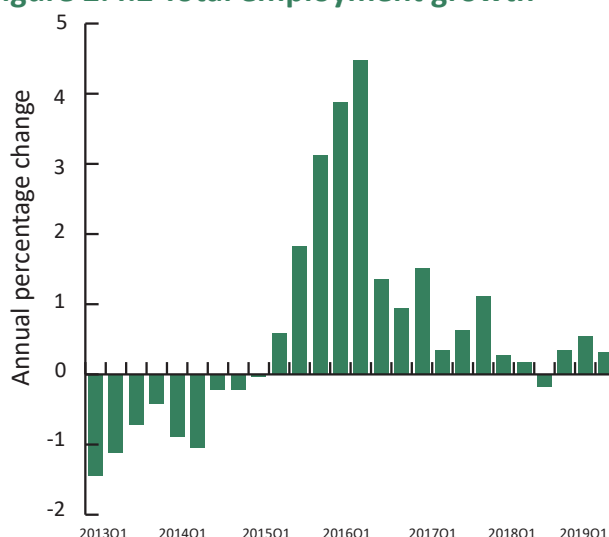
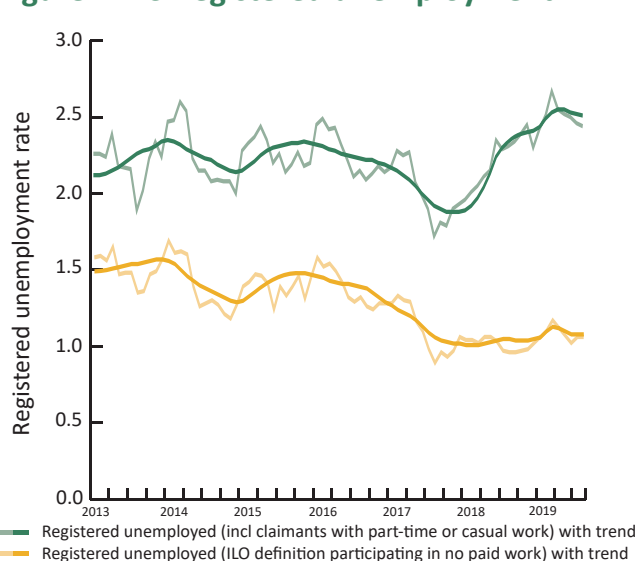
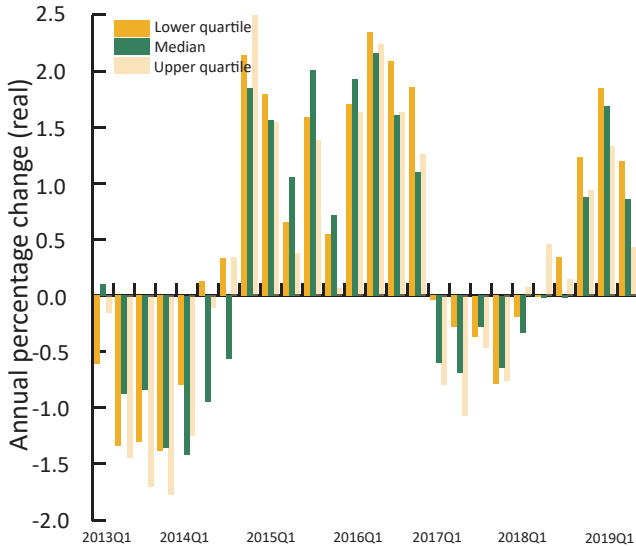


Figure 2.4.3 Registered unemployment



2. Macroeconomic indicators

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

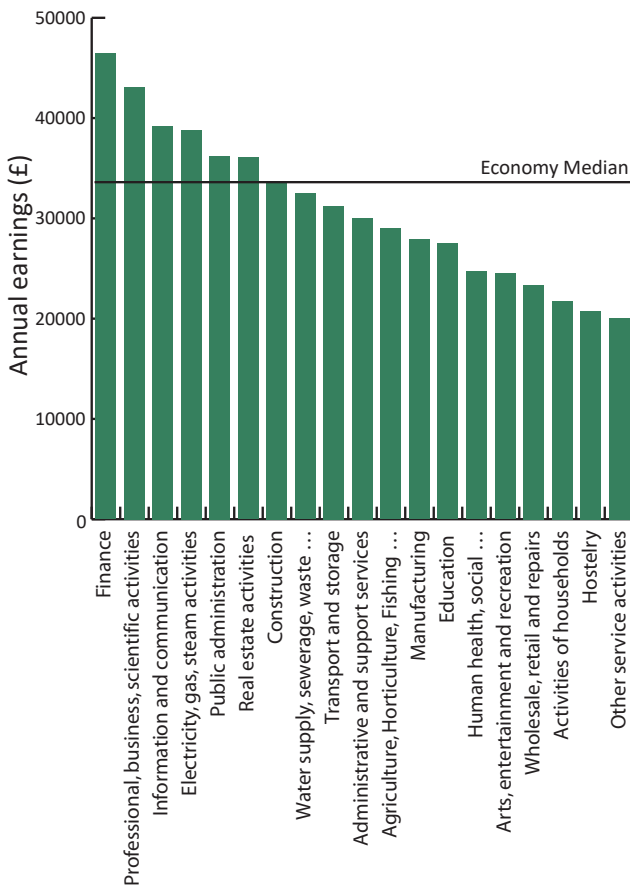


At the end of June 2019, median earnings (averaged over 4 quarters) in Guernsey was £33,622. This figure is not adjusted for the number of hours individuals might be working. This is a year on year increase in real terms (i.e. above inflation) of 0.9% (figure 2.4.4). The real increase in earnings at the lower quartiles was 1.2% to £26,280 while earnings at the upper quartile earnings increased by 0.4% to £49,381.

Like the return to a position of net immigration, this respectable level of earnings growth suggests that there is demand for labour in Guernsey. This is the expected response to growing employment, low levels of unemployment and high levels of participation.

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 £46,400, significantly higher than the median for the economy as a whole.

Figure 2.4.5 Median earnings by sector



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, 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 and, allowing for seasonal variation, stabilised in the first three quarters of 2019.

The settling of demand at a higher level has also stabilised property prices in real terms. Local market property prices increased year on year in real terms in the first two quarters of 2019 before declining slightly in the third (**figure 2.5.1**). While this indicates that prices are stabilising in real terms, adjusted for inflation they are still 17% lower than the peak in 2013.

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 around 6% (**figure 2.5.2**) suggesting greater competition for properties.

The average number of days properties remain on the market before a sale is completed has also reduced as has the difference between the first and last advertised price. This suggests the market has become more fluid and fewer sellers are needing to reduce asking prices to attract a sale.

Figure 2.5.1 Local property market (real prices)

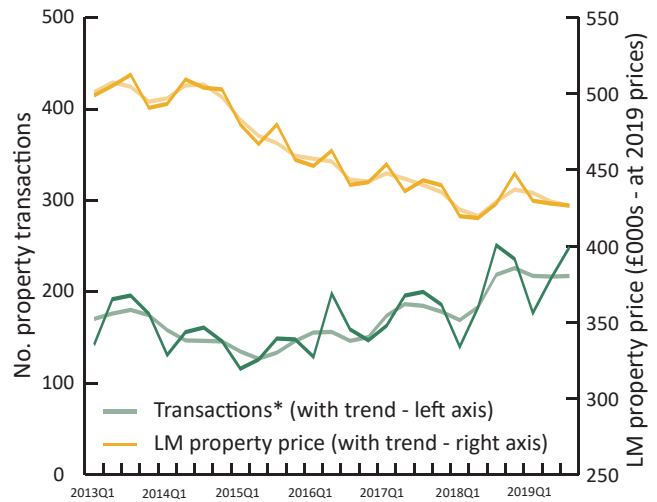
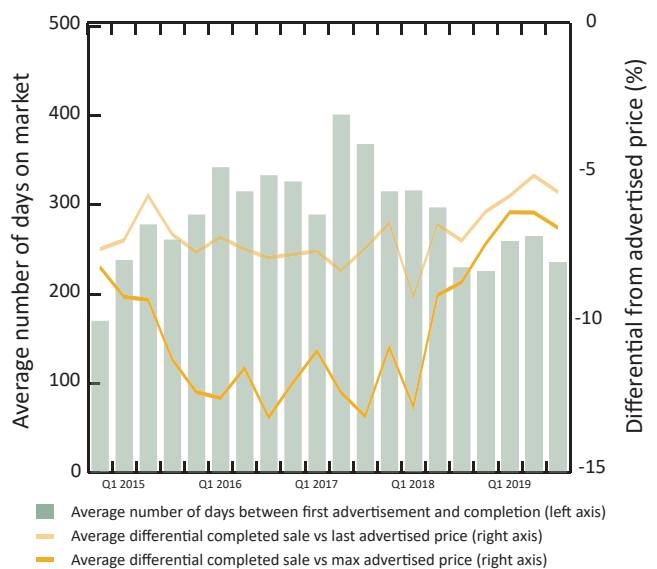


Table 2.5.1 Local market purchase price to earnings ratio

	Purchase price to earnings ratio	Average loan to value
2013	15.2	76.8%
2014	15.2	77.5%
2015	14.2	78.5%
2016	13.3	76.7%
2017	13.2	80.6%
2018	12.6	81.8%

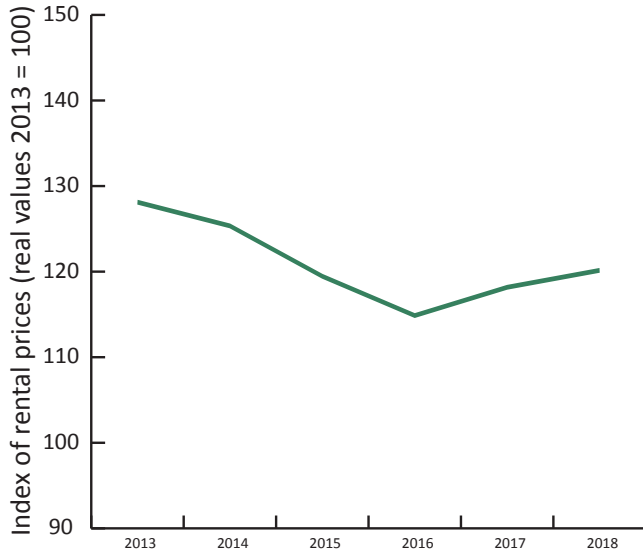
Figure 2.5.2 Local market discount rate and sale period



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

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 measures show similar trends 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.

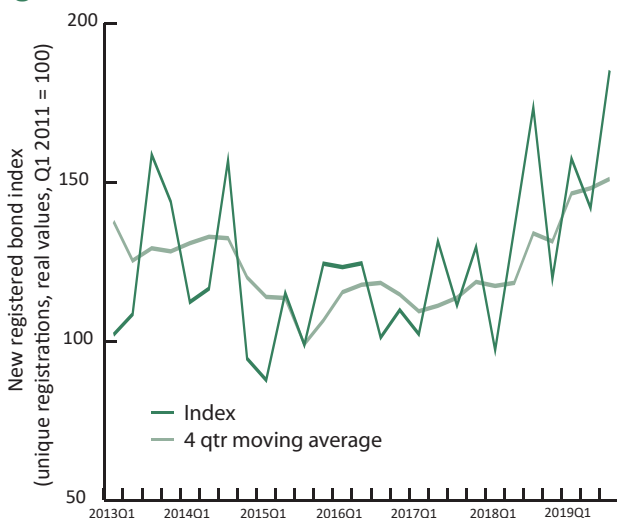
Table 2.5.4 Local market rent to earnings ratio

	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 earnings 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, which is a broad measure of the level of return on investment for properties purchased for rental 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 have 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).

** 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

However, only about half of new bond registrations can be attributed to residential sales. 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 and 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 significantly increased their lending activity 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 registered each quarter.

The index of the estimated value of real aggregate domestic mortgage debt has decreased during 2018 and 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.

** 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.

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

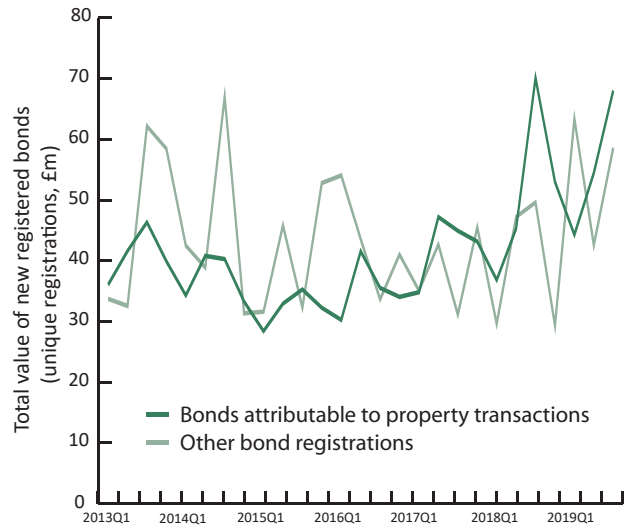


Figure 2.6.3 Market concentration index

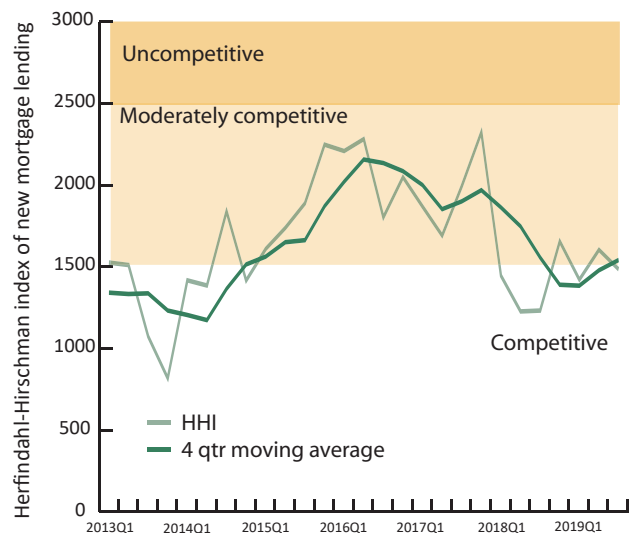
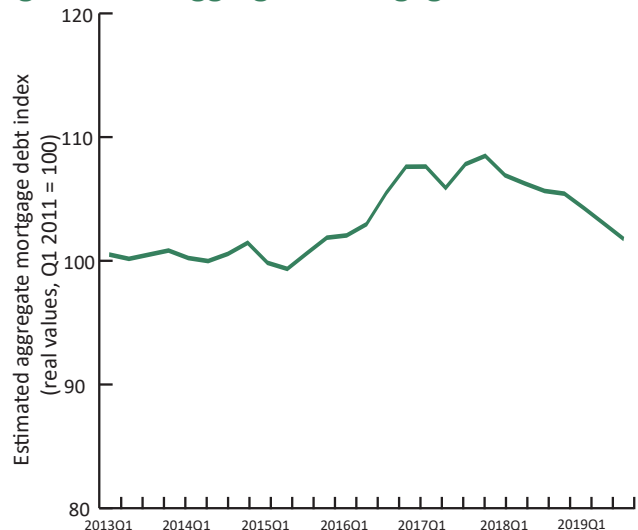


Figure 2.6.4 Aggregate mortgage debt index



3. Business sector indicators

Figure 3.1.1 Finance: employment and earnings growth

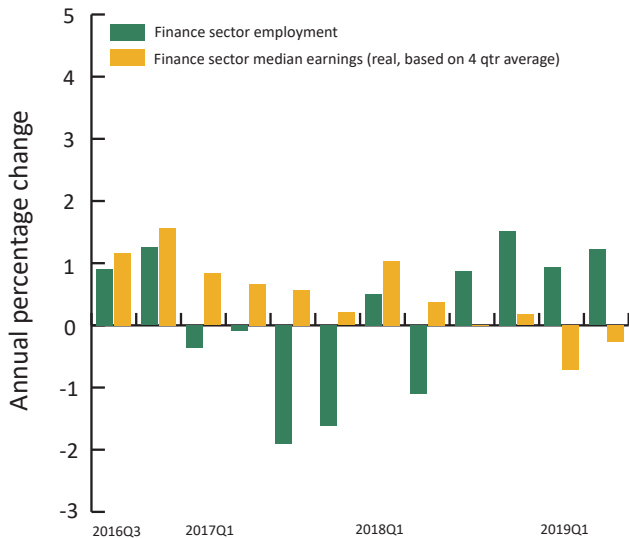


Figure 3.1.2 Finance: distribution of employment

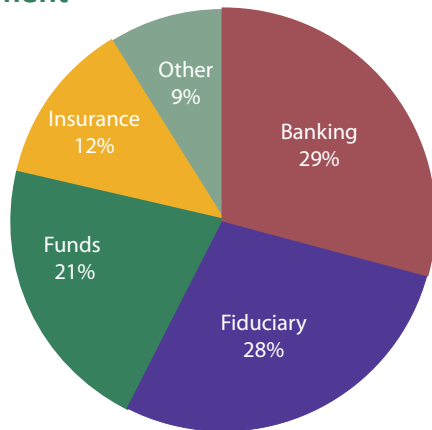
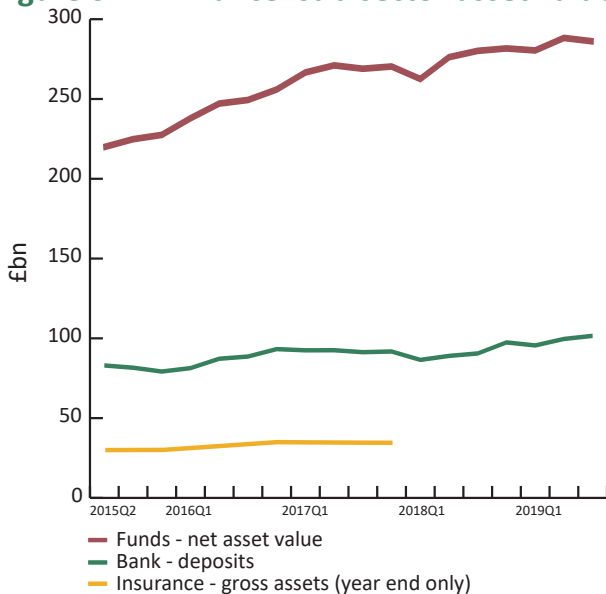


Figure 3.1.2 Finance: sub-sector asset values#



Data source: www.gfsc.gg

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.

The sector has shown a steady level of growth in the last four reported quarters, supporting first estimates of a positive contribution of the Finance sector to GDP growth in 2018 and a likely continuation of output growth in 2019 (figure 3.1.1). Median earnings for the finance sector have lagged slightly behind inflation resulting in a small real decrease of 0.3% over the year ending June 2019.

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 Funds sector alone managing or administering investments worth more than £286bn in September 2019. 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 £123bn including £102bn 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. These values are reported in Sterling for aggregation

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 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
Dec 18	23	55.8	41.7	97.4	119.7	80.9	3.5	9.4	25.9	119.7
Mar 19	23	55.5	40.1	95.6	115.7	76.6	3.6	9.7	25.8	115.7
Jun 19	23	59.2	40.4	99.6	121.5	80.0	3.9	10.2	27.4	121.5
Sept 19	22	60.8	40.8	101.6	122.7	79.4	4.0	10.4	28.8	122.7

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 2019, 64% of banking assets in Guernsey were held in the form of interbank loans. 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 includes 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 by registered banks. It also capture loans to Guernsey registered trusts. It does not capture domestic lending by financial service providers without a banking licence (such as credit brokers).

Fiduciaries

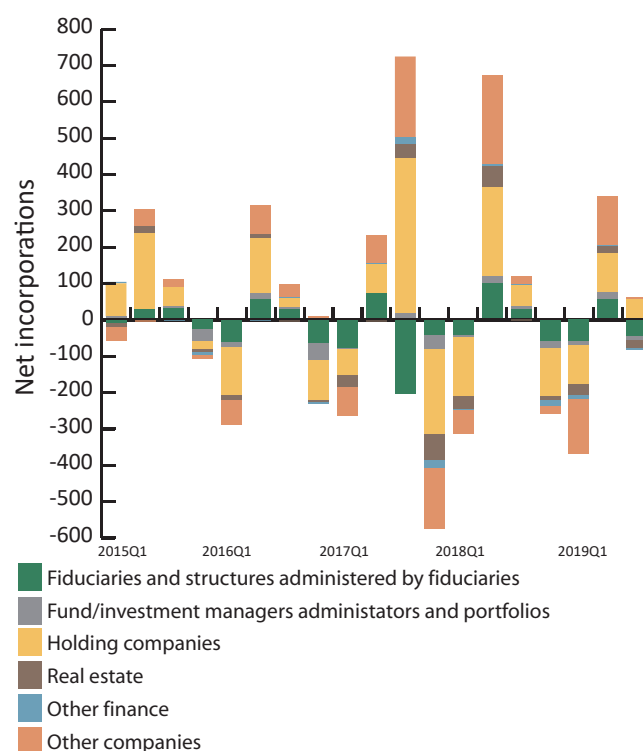
In October 2019, there were 748 authorised fiduciary licences in Guernsey (table 3.1.6). This number includes 150 lead licences.

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

Table 3.1.6 Fiduciary licences[#]

	Apr 18	Oct 18	Apr 19	Oct 19
Lead licences	151	150	152	150
Joint licences	575	570	564	557
Personal licences	40	43	42	41
Total	766	763	758	748

Figure 3.1.3 Net company incorporations



[#] Data source: www.gfsc.gg

3. Business sector indicators

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). While a significant level of incorporations and dissolutions have taken place in 2019, levels of activity have been less than the two previous years

Funds

The net asset value of funds under management or administration in Guernsey had grown by £6bn over the year ending September 2019, bringing the total value of Guernsey and non-Guernsey funds managed or administered in Guernsey to £286bn.

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. 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 the number of open ended funds registered in Guernsey continues to decline. However the net asset value of these funds (expressed in Sterling) has increased over the past year. Open ended funds in Guernsey operate primarily as equity and securities funds or funds of hedge funds.

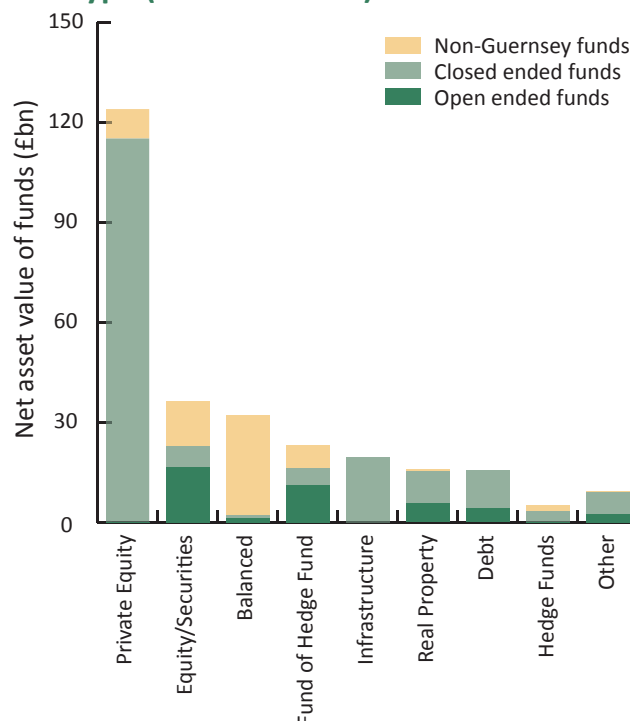
Non-Guernsey funds are funds incorporated in other jurisdictions (largely in the Caribbean) but administered by local fund administrators. By value these are predominantly open ended balanced funds and equity funds.

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	Sept 19	Dec 17	Dec 18	Sept 19
Open ended schemes	148	148	141	43.5	42.5	48.2
Closed ended schemes	658	655	673	166.5	176.4	180.2
Non-Guernsey open ended schemes	170	143	na	60.4	62.9	57.7

Figure 3.1.3 Value of investment activities by fund type (at March 2019)#



Data source: www.gfsc.gg

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 and 2019 is not currently available). The sub sector also generates £5.1bn of premiums.

During 2018 Guernsey 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.

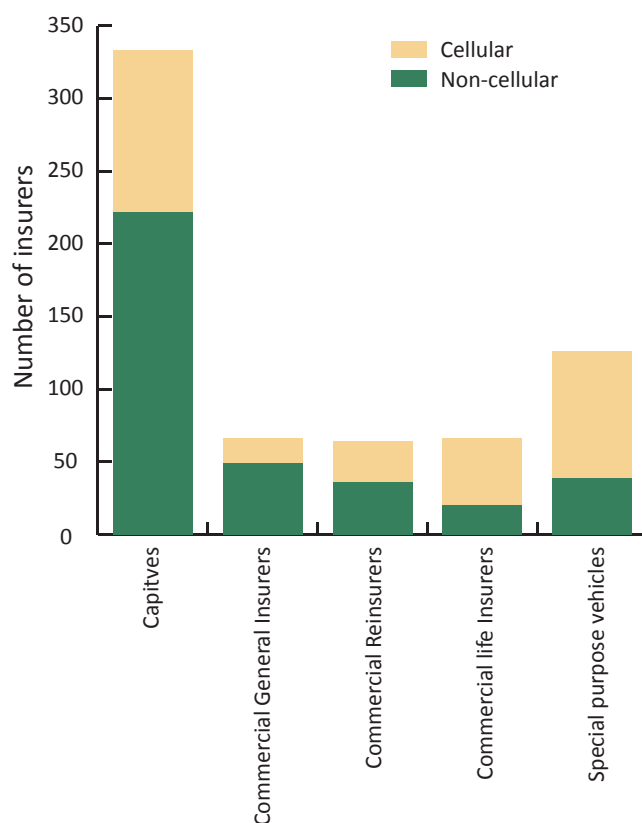
Table 3.1.4 Insurance managers, intermediaries and domestic insurers[#]

	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 17	Additions	Surrenders	Dec 18
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[#]



[#] Data source: www.gfsc.gg

3. Business sector indicators

Figure 3.2.1 Professional and business services: employment and earnings growth

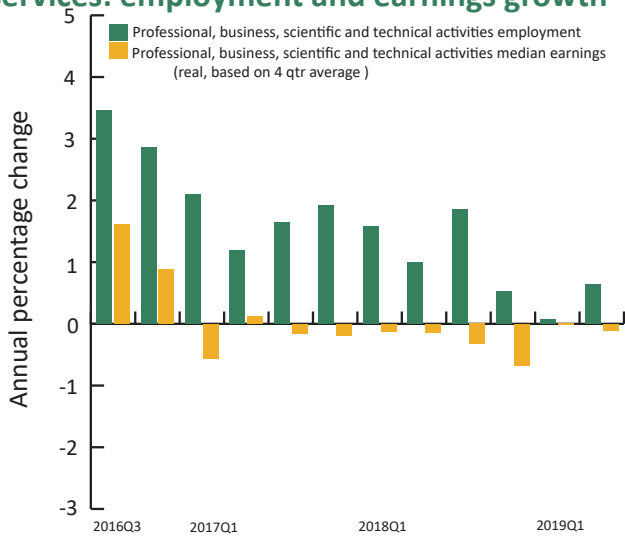


Figure 3.2.2 Information and communications services: employment and earnings growth

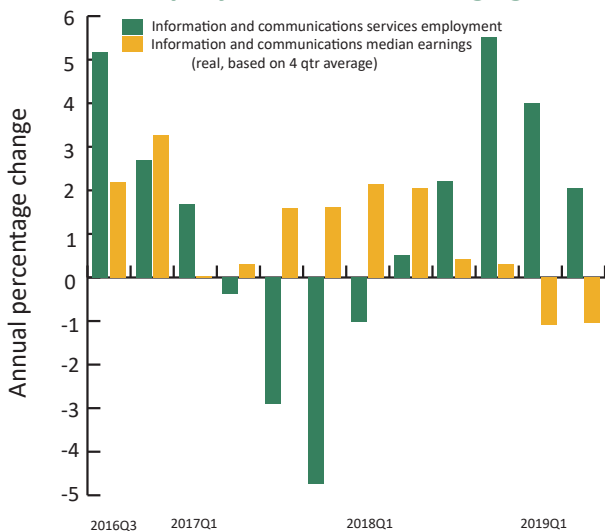
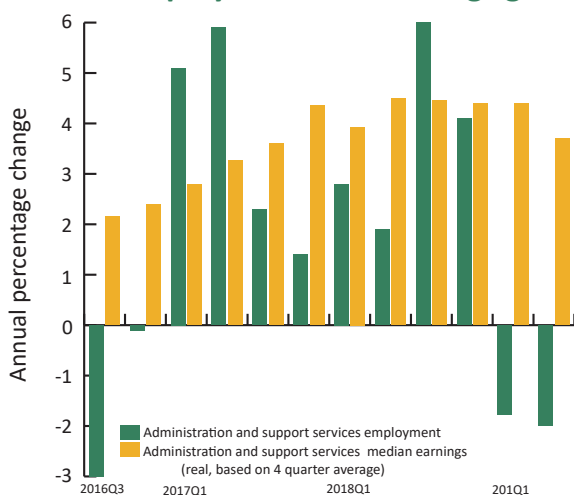


Figure 3.2.3 Administration and support services: employment and earnings growth



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 June 2019 by 0.6% (figure 3.2.1). Median earnings in this sector showed a slight decrease in real terms.

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 by 2.1% over the year ending June 2019 (figure 3.2.2). Median earnings in this sector decreased in real terms by 1.0% over the same period.

Administrative and support service activities

Employment in this sector (which includes human resources support, cleaning and security activities) declined in the first half of 2019 (figure 3.2.3). While the median earnings in this sector are still lower than the economy average, strong and consistent year on year real earnings growth has increased the value added from this sector. 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 and there has been little change in employment levels in the first half of 2019.

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 increased slightly in the first half of 2019

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 purchases (figure 3.3.2). Growth in median earnings in the sector is currently lagging behind inflation, resulting in a 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 reflects the challenges of labour supply in this sector and the well publicised challenges faced by local hotels and restaurants in recruiting and retaining staff. The

Figure 3.3.1 Construction: employment and earnings growth

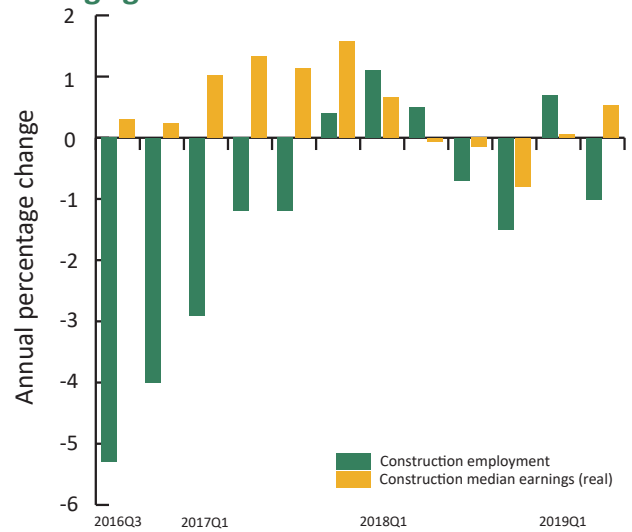
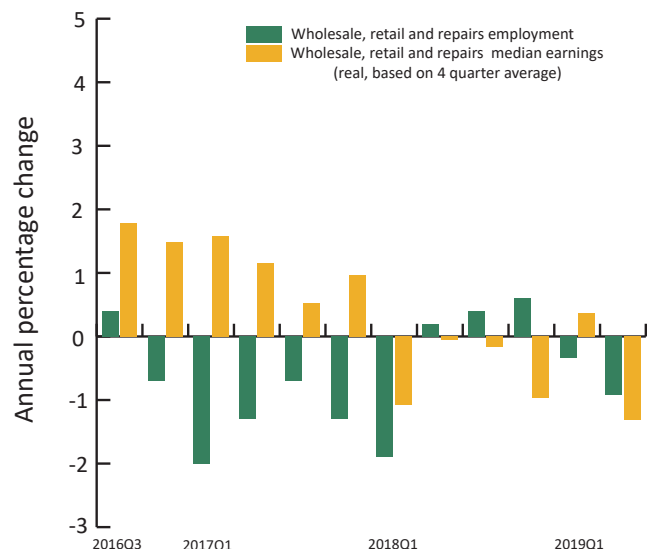


Table 3.3.1: Net change in residential property units

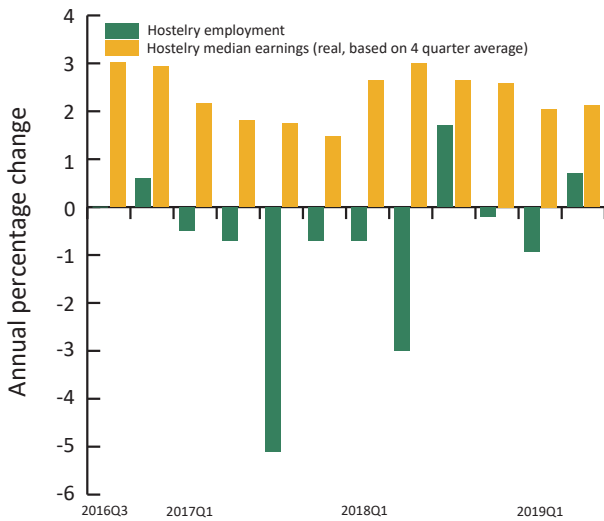
Net change in domestic unit	
2013	+171
2014	+296
2015	+144
2016	+43
2017	+86
2018	+232

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

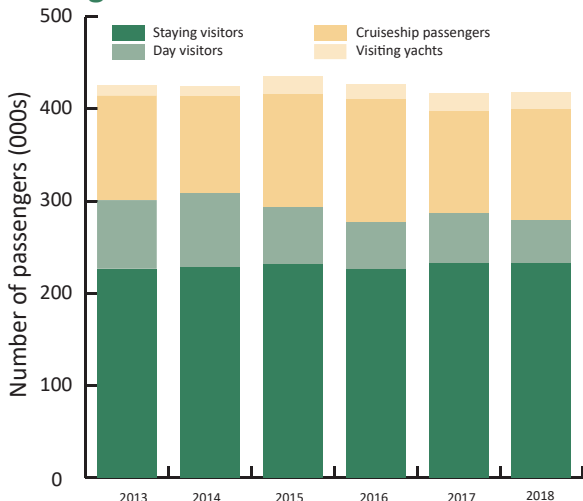


falling value of wages paid in Sterling relative to the home currencies of migrant workers is also likely to exert upward pressure on wages. While the sector remains one of the lowest paying in the economy, the deviation of the sector from the overall median has lessened significantly.

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.

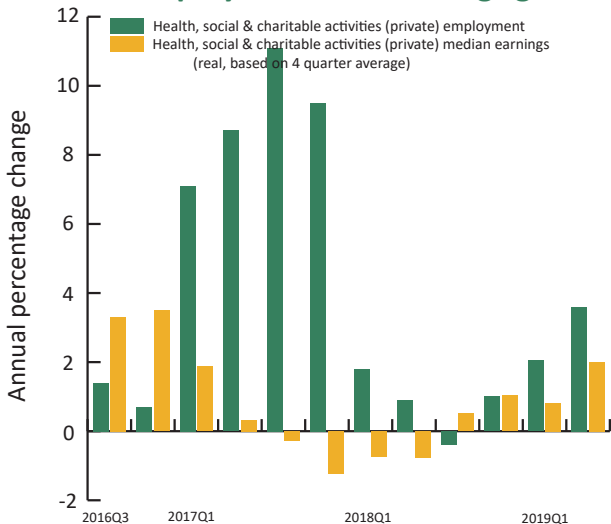
Cruise ship passenger numbers, which make up 29% of visitors, were 10% up on 2017.

Figure 3.4.2 Visitor departures and cruise passengers



Data for 2019 up to the end of September shows a 1% decrease in visitors compared to the previous year. This includes a 1% decrease in staying visitors and a 5% increase in day visitors (largely from France).

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



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 (public sector health workers are captured under public administration). 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.

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. The sector is also likely to face significant upward pressure on wage rates as negotiations for significant pay increases for public sector health care workers continue.

4. Developments in economic data

The primary source of data presented in this overview is provided by the States of Guernsey Data and Analysis Unit. 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 consider 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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Tel: 01481 717168

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.

