

# Jersey Studies

## Paper 5

### JERSEY'S ECONOMY

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## I. Introduction

Jersey has its own distinct economy, quite different from that of the United Kingdom. The nature of its economy reflects Jersey being an island and also a British Crown Dependency with substantial freedom to make its own laws particularly in respect of taxation. Today, finance centre activities are the dominant industry in Jersey accounting for nearly 40% of economic activity and 70% of tax revenue.

## II. Structure of the economy

There are several different ways of measuring the size and structure of an economy. For Jersey, the most relevant is “gross value added” (GVA), which is the value of the output less the value of inputs to produce that output. Table 1 shows the gross value added by sector in 2020.

**Table 1 Jersey, Gross Value Added by sector, 2020**

Sector	Gross value added £m	Percentage
Financial services	1,792	38.7
Other business activities	534	11.5
Hotels, restaurants and bars	122	2.6
Public administration	472	10.1
Manufacturing	53	1.1
Rental income of private households	803	17.3
Electricity, gas and water	69	1.5
Agriculture	46	1.0
Wholesale and retail	305	6.6
Construction	299	6.4
Transport, storage and communication	140	3.0
<b>Total</b>	<b>4,636</b>	<b>100.0</b>

Source: Statistics Jersey: [Measuring Jersey’s economy, GVA and GDP – 2020](#).

It should be noted that the figures were significantly adversely affected by Covid. GVA fell by 8.7% from £5,076 million in 2019. The decline was particularly marked in hotels, restaurants and bars which fell by 46%. The table shows that financial services dominate the economy, accounting for 38.7% of gross value added. Agriculture, one of Jersey’s traditional industries, accounted for just 1.0% of GVA. Hotels, bars and restaurants accounted for 2.6% compared with 4.2% in 2019, reflecting the effect of the pandemic. Part of this represents the tourist industry, which 50 years ago accounted for around half of the economy, but much of it reflects consumption by residents. Rental income of private households needs some explanation. It is a theoretical concept and is basically what home-owners would pay themselves to rent their property. No actual payments are made. The concept enables meaningful international comparisons to be made.

Jersey’s GVA in constant 2020 prices peaked at £5,266 million in 2007; in 2020 it was 12% lower and in 2019, before the pandemic, it was still 4% lower. The decline is largely explained by a

35% reduction in the finance sector contribution from £2,676 million in 2007 to £1,792 million in 2020, itself reflecting changes in the nature of financial markets.

A second way of looking at the economy of Jersey is to examine the distribution of the working population. Table 2 shows the figures.

**Table 2 Jersey, Distribution of the working population, December 2021**

Sector	Employment	Percentage
Financial and legal activities	13,670	22.0
Miscellaneous business activities	6,070	9.7
Hotels, restaurants and bars	5,110	8.2
Manufacturing	900	1.4
Agriculture and fishing	910	1.5
Wholesale and retail	7,390	11.9
Construction and quarrying	6,370	10.2
Transport and storage	1,920	3.1
Utilities and waste	720	1.2
Private education, health and other services	8,580	13.8
Information and communications	1,830	2.0
Public sector	8,790	14.1
<b>Total</b>	<b>62,260</b>	<b>100.0</b>

Source: Statistics Jersey: [Labour Market December 2021](#).

There is a reasonable correlation between the two tables. However, it will be noted that financial services accounted for a much higher proportion of GVA than of the working population. This largely reflects the fact that pay in the financial services sector is very high compared with other sectors.

### III. Financial services

Jersey is one of a number of international financial centres (IFCs), an expression that is best defined as a physical area from which financial services are provided for people and activities in other countries. A successful IFC has to be attractive to businesses not operating in the jurisdiction. In practice, this means that an IFC has to meet a number of inter-related requirements, predominantly relating to stability and resources –

- Political stability, that is no prospect of a radical change in the governance of the jurisdiction.
- The rule of law, that is a skilled and independent judiciary, free from corruption and political influence, combined with a legal system that provides a reasonable degree of certainty and efficiency.
- Financial services are heavily regulated activities. IFCs need to strike a balance between having attractive regulatory regimes in relation to other financial centres while at the same time operating within internationally accepted norms.
- Regulatory stability. The key features of the regulatory regime need to be stable, with any changes being introduced only after very careful consideration and with an

adequate lead-in time and also that regulatory actions should not be subject to political interference.

- A tax regime that is low tax rather than no tax, stable and predictable and meeting international standards. It is particularly important that there should be no retrospective taxation.
- Economic stability, broadly speaking an inflation rate around the norm for comparable jurisdictions and a relatively stable exchange rate.
- Appropriate infrastructure including modern offices, high quality and reliable electronic communication links and good international air links.
- Access to talent, which requires an open and welcoming environment for foreigners and an education system that produces the many qualified people needed to fill lower and middle level positions.

No IFC fully meets all of the requirements, but Jersey scores very well in respect of each of them. It also has the advantage of being a British Crown Dependency, a status that reinforces its political stability. These factors explain why over a period of many years Jersey has been successful in attracting international business.

Jersey's finance industry consists of over 13,500 professionals specialising in various disciplines such as banking, holding companies, trust and company administration, legal services, accountancy, compliance and fund administration.

Jersey's finance centre activity covers several different types of finance (figures Q1 2022) –

- Banking. 20 banks operate in Jersey. All are major banks, with headquarters in the UK and other leading financial centres. They held £136 billion of deposits.
- Administration of regulated funds. Jersey has developed particular expertise in fund administration. 696 funds were authorised in Jersey and funds under administration totalled £459 billion.
- Investment management. £31 billion of investments were directly managed.
- Company administration. 34,671 companies were on the company register.
- Insurance. 167 businesses were authorised to conduct insurance business.
- More than £600bn in trusts are managed by Jersey regulated persons.

Source: [Jersey Financial Services Industry, Quarterly Report, Period ended 31 March 2022.](#)

The Jersey Government has been determined that the Island strikes the right balance between being competitive in a very competitive market and operating in accordance with the highest international standards. It achieves this by ensuring that appropriate legislation is in place and most importantly by having a strong independent regulator, the [Jersey Financial Services Commission](#).

Finance centre activities are sometimes controversial – in the jurisdictions in which they are based and globally. Jersey is not alone in having to justify its finance industry, and it does so by [participating fully in international fora](#), including being reviewed by international organisations, for example on money laundering controls. It also publishes a great deal of information. An important role is played here by [Jersey Finance](#), the promotional body for the industry.

The importance of finance to the Island's economy is well illustrated in the two tables above – 22.0% of the labour force and 38.7% of GVA. Perhaps a more important indicator is the proportion of tax revenue derived from finance centre activity. This is estimated at around 70%. Most of this derives not from the taxation of businesses but rather of the personal tax paid by people employed in the businesses.

To consider the wider implications of Jersey's finance centre activity, Jersey Finance commissioned the consultancy Capital Economics to evaluate the economic, financial and fiscal linkages between Jersey and the United Kingdom. The resultant report [Jersey's Value to Britain](#) was published on October 2016. Its conclusions included -

- Jersey is a conduit for an estimated almost £500 billion of foreign investment into the United Kingdom, which is equivalent to 5% of the total stock of foreign owned assets in the country.
- Although Jersey benefits from the United Kingdom's defence and foreign representation activities to the tune of £55 million per annum, on a pro rata basis activity in Jersey generates around £5.0 billion in United Kingdom tax revenue a year.
- Jersey supports an estimated 250,000 British jobs, of which 190,000 from foreign investment alone, and adds £14 billion to the United Kingdom economy.

Jersey Finance continues to work with its key partners both locally and internationally to maintain its world-class international finance centre and ensure that the financial services ecosystem is well placed to continue to support Jersey's future prosperity. There will be many key areas of focus, challenges and opportunities ahead, but the industry is confident in its historic ability to adapt to change in an ever-evolving financial landscape.

One such opportunity will be the sustainability agenda, already a major interest in the Island as a whole. The industry is aware of its responsibility to pivot towards greener investments in response to the shifting ambitions of the international investment community. Jersey Finance recently launched its new [sustainable finance strategy](#) and long-term vision that aims, by 2030, to see Jersey recognised by its clients, key stakeholders and other partners as the leading sustainable international finance centre in the markets it serves. Its ambitions are to build strong stakeholder partnerships, provide the tools to integrate sustainability within a joined-up policy framework, nurture green finance and increase the industry's capacity to upskill to be ready to take adapt to the global trends in this area.

In respect of [international rules on tax and transparency](#) the industry feels that having demonstrated its credentials and adaptability over the past 60 years, it is well placed to adapt again and continue to offer a stable, well-regulated and innovative commercial environment that attracts cross border investment. It is also well aware of the need to continue to attract and retain talent into the industry as Jersey faces an ageing population, emerging technologies and increase digitization, all of which will have a role to play in terms of the Jersey's [workforce of the future](#).

#### **IV. Agriculture and fishing**

At first sight agriculture and fishing play a minor role in the Jersey economy, accounting for under 2% of output and employment. However, these bare figures understate the importance

of these sectors to the economy and to society. Over half of land in Jersey is cultivated, so the Island has a rural feel. Cultivation contributes to the appearance of the Island, which makes it attractive to visitors and as a place in which to live.

The Jersey cow has a worldwide reputation as a result of the quality of its milk. The breed has remained pure though a ban on imports of other breeds that dates back to 1763. Since 1860 the lineage of every cow in Jersey has been recorded in the Herd Book. Today, there are large herds of Jersey cows in many countries. In the USA and New Zealand it is estimated that Jerseys account for about 10% of milking cattle, about 850,000 cows in the USA and 450,000 in New Zealand. Worldwide there are about 4 million Jersey cows. Today in Jersey there are 21 herds of Jerseys with 2,631 milking cows out of a total of 4,430. [Jersey Dairy](#) is responsible for collecting milk from farmers and turning it into milk products – butter, ice cream and yoghurt as well as milk itself. Sales of milk to Jersey Dairy are worth about £16 million a year. Milk products are exported to a number of countries. 150 people are employed on cattle farms and a further 70 at Jersey dairy.

Jersey new potatoes are another industry of huge historical significance. Today, potatoes are the main crop grown in the Island but accounting for just 478 vergées, 1.5% of the 32,748 cultivated vergées. Exports are about £30 million a year.

Fishing is another traditional industry that remains important today. In 2019 1,696 tonnes of shellfish were produced of which 1,350 tonnes were farmed. Whelks, oysters, mussels, scallops, crabs and lobster are the main varieties. Much of the shellfish has been exported to France. Britain's exit from the European Union has had significant implications for the industry which are still being worked through.

Jersey also has one vineyard, which produces wines, spirits and other products.

## **V. Tourism**

Tourism was the Island's principal industry for much of the post-War period. The climate, beaches, cheap alcohol and tobacco and relative ease of accessibility from the UK combined to make Jersey an attractive destination for families. However, over time the growth of cheap air travel and package holidays have made other destinations comparatively more attractive. In 2019 it is estimated that there were 771,000 visits to the Island, compared with over 1,000,000 in 1997. 515,000 were holidays, 66,000 were business visits and 112,000 were visits to families and friends. In addition there were 125,000 day trips. On-Island expenditure totalled around £250 million. The number of bed spaces was estimated at 10,000.

## **VI. Other business activities**

The two tables show that around 10% of the economy was accounted for by "other business activities". This covers a variety of activities, increasingly in respect of technology. An important role in this respect is played by [Digital Jersey](#), which describes itself as –

The Government-backed economic development agency and industry association dedicated to the growth of the digital sector. We develop strategies to help on-Island

industry thrive and remove barriers for inward investors choosing Jersey as their world-leading base for digital innovation.

It is estimated that there are over 500 specific digital economy businesses in Jersey, employing 3,000 people and that the sector has been growing four times as fast as the economy as a whole. The Island has the fastest internet speeds in the world, which has facilitated the development of many globally successful tech businesses.

The Island also played a globally significant role in the emergence of E-commerce in the 1990s, giving rise to the world's first e-commerce site and Europe's first electronic payment system – Worldpay, which was acquired for \$43bn in 2019.

Digital innovation forms a key part of Jersey's overseas aid programme, which focusses on three themes – financial inclusion, conservation livelihoods and dairy.

## VII. Industry bodies

Business in Jersey is well represented by a number of industry bodies. [Jersey Finance](#) and [Digital Jersey](#) have already been mentioned because of the key roles that they play.

[The Jersey Chamber of Commerce](#), established in 1768, is the largest independent business membership organisation in Jersey, representing businesses of all sizes and sectors. It hosts networking events, and has an input into Government policy through a number of specialist committees.

[IoD Jersey](#), founded in 1966, has over 600 members from all sectors of the business community. It seeks to influence Government policy and runs a professional training programme to help promote high standards of corporate governance.

[Jersey Business](#) is not a representative body but rather provides free, independent, confidential advice and support to businesses in Jersey.

There also a number of sectoral bodies. Jersey Finance has already been mentioned. Others include –

- The [Royal Jersey Agricultural and Horticultural Society](#), founded in 1883, represents Jersey's traditional farming sector. It also runs an educational programme and a showground.
- The [Jersey Hospitality Association](#) represents the hospitality and tourism industry.

## VIII. The Fiscal Policy Panel

The Jersey Government's [Fiscal Policy Panel](#) provides independent economic advice on tax and spending policy. The Panel comprises three eminent UK economists and is currently chaired by Dame Kate Barker. It publishes an annual report and regular "economic assumptions". These publications provide the best regular analyses of the state of the Jersey economy.