



Isle of Man
Government

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Isle of Man National Income Accounts 2008/09

Economic Affairs Division
Isle of Man Treasury

ISLE OF MAN NATIONAL INCOME 2008/09

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CHANGES IN METHODOLOGY

This report is produced ahead of a fuller report to be published later in the year.

It details the National Income estimates for 2007/08 and 2008/09 under a new, modernised methodology. To allow for comparison with earlier published national income data, the estimates for 2007/08 under both the previous and the new methodological approach and data coverage are also provided.

The Treasury has always placed great importance on the national income accounting process providing a time series of data from which true comparisons can be made over time. Fulfilling this requirement has facilitated like-for-like comparison of national income measures and the contribution of the economy's component sectors, and has allowed for the calculation of annual growth rates without the distortion that would otherwise have occurred from the adoption of new methods of calculation.

The downside of this approach has been a growing divergence with the estimates produced in other countries. Such disparity has become accentuated by the adoption elsewhere of new methods of calculation on a number of significant aspects of the accounts, as countries keep up to date with the European System of Accounts (ESA), the manual that details best practice in national income accounting.

Over the last twelve months the Isle of Man Treasury has worked with the United Kingdom Office for National Statistics (ONS), the authority responsible for the production of the UK national income accounts, to update its national income methodology using ESA standards and to improve data coverage. The accounts reported here are the outcome of this work.

Each table in this report provides for four columns of data such that the time series of past data may be put into the context of the modernised figures.

For the year 2007/08 there are three sets of data:

- 'Original' – this column reproduces the results from the 2007/08 national income report as published in September 2009
- 'Update' – this column relates 2007/08 data supplemented by additional data received only after the September 2009 publication was released
- 'Modernised' – this column takes the 'Update' data but processes it under the latest methodology as per ESA and as practised by the ONS. In making consistent with ESA/ONS methods, these data also include several new items never before covered in the Isle of Man calculation.

For the year 2008/09 the data are produced under the new methodology. The results will be revised in the new year to take account of any data pertaining to 2008/09 that might have become available too late to be included here.

The main areas of modernisation of the accounts were:

1. Financial Intermediation Services Indirectly Measured (FISIM).

In 2007 the UK ONS introduced FISIM into its calculations of national income. FISIM attempts to allocate income received by financial intermediaries out of sums formally calculated out of the lend-borrow margins on loan interest.

2. Housing consumption under owner occupation

Income generated from private renting is included in national income when received by the property owner. For symmetry, it is necessary to include a similar value of imputed rent for homeowners. In the past, the Isle of Man Treasury used essentially a fixed ratio of gross domestic product as an entry for this value. In the new accounting method a value is entered using house prices and house ownership levels as key inputs.

3. Property income to and from abroad

Property income is a reference to investment income ie interest, profits, dividends and rent. Isle of Man estimates on these inflows and outflows have been systemised to adhere with best practice.

4. Data improvements

A range of quality improvements have been made to the data being entered into the calculations within the accounts in respect of:

- previously tax exempt companies
- treatment of company interest
- treatment of depreciation.

5. Insurance

A totally new (ESA) method has been adopted for the calculation of value-added in the insurance sector.

6. New data coverage

To date the Isle of Man accounts have not included a number of elements allowable within the ESA. Most of these are now included:

- Government employer pension contributions
- private sector employer pension contributions
- public sector operating surplus
- hidden economy
- additional benefits in kind
- surpluses of not for profit bodies (NPISH – non-profit institutions serving households)
- earnings of schoolchildren under 16 years.

7. Subsidies and taxes on production

To arrive at an estimate of a national income measure never previously calculated within the Isle of Man accounts - that of Gross National Income at basic prices - direct subsidies paid to producers and taxes or other levies on producers not linked to financial performance (eg business rates, licence fees) have now been included.

KEY RESULTS

National income estimates for the Isle of Man have been produced annually since 1969/70. The national income accounts provide a measure of the size and growth of the Manx economy. They highlight the changing importance of sectors within the economy and the emergence of new economic activity.

The main national accounting aggregates are Gross Domestic Product (GDP) and Gross National Product (GNP), now being referred to as Gross National Income (GNI). GDP represents the monetary value of all goods and services produced within the Island's economy over a one year period. It also provides a measure of both personal and corporate income derived from economic activity on the Island. GNI also takes account of net income received from abroad in the form of interest, rents, profits and dividends and represents the total income of all Manx residents and companies.

The accounts show that 2008/09 was the twenty sixth successive year of growth for the Island's economy. The key results from the report are:

- total GDP of over £3.1bn
- growth in GDP of 11.6%, or 4.7% in real terms
- growth in GNI of 0.6%, though a fall of 5.5% in real terms
- real growth of 57% in the ICT sector, driven by the development of the e-gaming sub-sector
- banking sector expanding by over a fifth, despite the onset of the global financial crisis
- a 30% increase in the size of the transport and communication sector
- real growth above the national average in insurance, CSP and professional services
- some contraction in engineering and general manufacturing
- a difficult year for retailing and for tourism and related industries.

It should be noted that the accounts contained within this report relate to the year 2008/2009 and do not necessarily reflect the current position of the Island's economy, although all economic indicators would point to the economy having expanded further since.

This report is available to download on the Division's web page at www.gov.im/treasury/economic/ under *Key Statistical Data*.

The web pages also refer to revisions made to GNP and GDP estimates for the years 1999/2000 to 2007/2008.

Economic Affairs Division,
Isle of Man Treasury,
September 2010.

Table 1

ISLE OF MAN NATIONAL INCOME BY ECONOMIC ACTIVITY
2007/08 & 2008/09 AT CURRENT PRICES (£000s)

Income in Year at Factor Cost

	<u>2007/08</u>			<u>2008/09</u>	<u>Change</u>	<u>Sector Share</u>
	Original	Update	Modernised	Modernised	(%)	<u>2008/09</u> <u>(%)</u>
Agriculture, Forestry & Fishing	20,687	22,324	24,301	23,818	-2.0	0.8
Manufacturing: Engineering	42,022	40,865	44,104	42,161	-4.4	1.3
Food & Drink	25,916	25,061	26,501	28,139	6.2	0.9
General	77,720	78,688	84,673	76,043	-10.2	2.4
Mining & Quarrying	12,692	21,954	25,089	15,380	-38.7	0.5
Construction	139,653	142,635	165,413	173,721	5.0	5.5
Utilities	32,494	36,659	47,632	40,701	-14.6	1.3
Transport and Communication	134,065	133,927	155,554	216,341	39.1	6.8
Wholesale Distribution	26,599	27,647	30,015	29,071	-3.1	0.9
Retail Distribution	122,143	156,228	172,076	158,672	-7.8	5.0
Banking	361,634	372,914	407,653	494,526	21.3	15.6
Insurance	196,130	200,863	373,067	421,605	13.0	13.3
Other Finance and Business Services	256,414	261,215	289,969	288,950	-0.4	9.1
ICT	98,842	158,704	188,809	315,093	66.9	10.0
Legal and Accountancy Services	99,916	80,982	85,114	83,934	-1.4	2.7
Corporate Service Providers	78,870	102,941	111,346	129,530	16.3	4.1
Education	71,950	74,361	83,069	86,021	3.6	2.7
Medical & Health Services	128,891	131,633	147,062	165,538	12.6	5.2
Other Professional Services	62,737	66,993	73,938	94,064	27.2	3.0
Tourist Accommodation	22,710	17,872	19,874	17,465	-12.1	0.6
Catering and Entertainment	32,494	44,860	50,115	30,721	-38.7	1.0
Miscellaneous Services	80,999	86,231	97,953	102,653	4.8	3.2
Public Administration	94,571	105,077	117,521	130,406	11.0	4.1
Sub-total (Manx sourced income)	2,220,149	2,390,633	2,820,846	3,164,552	12.2	100
Imputed rent	155,410	186,827	148,479	167,108		
FISIM adjustment	-345,303	-345,303	-162,209	-208,856		
Non Resident Personal Income Adjustment			-1,615			
Government depreciation of fixed assets			28,420	39,014		
NPISH			7,937	8,326		
Gross Domestic Product	2,030,256	2,232,157	2,841,857	3,170,143	11.6	
Income from Abroad	222,077	254,077	1,330,446	1,418,269		
Income to Abroad	141,845	302,511	914,049	1,365,677		
Net Income From Abroad	80,232	-48,434	416,397	52,593		
Net FISIM adjustment			149,780	195,517		
Adjusted net income from abroad			570,216	248,110		
Gross National Income	2,110,488	2,183,723	3,412,073	3,418,253	0.2	
Subsidies on production			-26,677	-13,327		
Taxes on production			8,900	9,880		
Gross National Income at basic prices			3,394,296	3,414,806	0.6	

Table 2

ISLE OF MAN NATIONAL INCOME BY ECONOMIC ACTIVITY
2007/08 & 2008/09 AT CONSTANT PRICES (£000s)

Income in Year at Factor Cost

	<u>2007/08</u>			<u>2008/09</u>	<u>Change</u>	<u>Sector Share</u>
	Original	Update	Modernised	Modernised	(%)	<u>2008/09</u> <u>(%)</u>
Agriculture, Forestry & Fishing	22,031	23,775	25,880	23,818	-8.0	0.8
Manufacturing: Engineering	44,754	43,521	46,971	42,161	-10.2	1.3
Food & Drink	27,601	26,690	28,224	28,139	-0.3	0.9
General	82,772	83,803	90,176	76,043	-15.7	2.4
Mining & Quarrying	13,518	23,381	26,719	15,380	-42.4	0.5
Construction	148,731	151,906	176,164	173,721	-1.4	5.5
Utilities	34,606	39,042	50,728	40,701	-19.8	1.3
Transport and Communication	142,779	142,633	165,665	216,341	30.6	6.8
Wholesale Distribution	28,328	29,444	31,965	29,071	-9.1	0.9
Retail Distribution	130,083	166,383	183,261	158,672	-13.4	5.0
Banking	385,140	397,153	434,150	494,526	13.9	15.6
Insurance	208,878	213,919	397,316	421,605	6.1	13.3
Other Finance and Business Services	273,080	278,194	308,817	288,950	-6.4	9.1
Information and Communication Technology	105,267	169,020	201,082	315,093	56.7	10.0
Legal and Accountancy Services	106,410	86,246	90,646	83,934	-7.4	2.7
Corporate Service Providers	83,997	109,632	118,584	129,530	9.2	4.1
Education	76,627	79,194	88,468	86,021	-2.8	2.7
Medical & Health Services	137,269	140,189	156,621	165,538	5.7	5.2
Other Professional Services	66,815	71,348	78,744	94,064	19.5	3.0
Tourist Accommodation	24,187	19,033	21,166	17,465	-17.5	0.6
Catering and Entertainment	34,606	47,775	53,373	30,721	-42.4	1.0
Miscellaneous Services	86,263	91,836	104,320	102,653	-1.6	3.2
Public Administration	100,718	111,907	125,160	130,406	4.2	4.1
Sub-total (Manx sourced income)	2,364,458	2,546,024	3,004,201	3,164,552	5.3	100
Imputed rent	165,512	198,971	158,130	167,108		
FISIM adjustment	-367,747	-367,747	-172,753	-208,856		
Non Resident Personal Income Adjustment			-1,720			
Government depreciation of fixed assets			30,267	39,014		
NPISH			8,453	8,326		
Gross Domestic Product	2,162,223	2,377,247	3,026,577	3,170,143	4.7	
Income from Abroad	236,512	270,592	1,416,925	1,418,269		
Income to Abroad	151,065	322,175	973,462	1,365,677		
Net Income From Abroad	85,447	-51,582	443,463	52,593		
Net FISIM adjustment			159,515	195,517		
Adjusted net income from abroad			607,281	248,110		
Gross National Income	2,247,670	2,325,665	3,633,858	3,418,253	-5.9	
Subsidies on production			-28,411	-13,327		
Taxes on production			9,479	9,880		
Gross National Income at basic prices			3,614,925	3,414,806	-5.5	

ADDITIONAL PUBLICATIONS

The Isle of Man National Income Accounts is one of a series of publications compiled by the Economic Affairs Division of the Isle of Man Treasury. Other publications available include the following (free if no price shown):

Isle of Man Digest of Economic and Social Statistics 2010 (price £3.50)
Isle of Man Passenger Survey Annual Report 2009 (price £4.50)
Isle of Man Census Report 2006 (price £4.50)
Isle of Man Earnings Survey 2009

Isle of Man General Index of Retail Prices (monthly report)
Isle of Man Job Market Statistics (monthly report)

A number of publications plus selected monthly economic statistics are available on the Economic Affairs Division's page at the Isle of Man Government's Internet web-site (<http://www.gov.im/treasury/economic>).

All free publications and additional information may be obtained by contacting:

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ISBN 978-1-904869-25-2

Printed by Isle of Man Government
Printing Services