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Isle of Man Government

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QUARTERLY REPORT
ON THE ECONOMY

TO THE

COUNCIL OF MINISTERS
(for distribution)

13th November 2013

1st July 2013 – 30th September 2013

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GENERAL ECONOMY

The global economic outlook remains challenging. There are several, prospectively serious, destabilising scenarios, not least those concerning the euro, the impact of the end of quantitative easing, and political instability in the Middle East. All the major international forecasting bodies, including both the International Monetary Fund and the Organisation for Economic Co-operation and Development, have released successively gloomier pictures of the global economy over the past year. The latest IMF World Economic Outlook sees downward revisions to world trade volumes and economic growth rates for 2013 and 2014. The IMF is forecasting global growth for 2013 of 2.9% compared to its previous forecast of 3.2%. But within the broad picture there are sound reasons for expecting accelerated growth in several emerging economies, in the USA, and even in Japan. But some fundamental problems persist in respect of debt levels, unbalanced emerging economies (notably China's), and demand-deficient western economies.

In the United Kingdom, fears only a couple of quarters ago of triple dip recession have turned into concerns over whether recently announced reflationary measures are going to be needed after all. The UK economy has experienced real growth of 1.3% over the 12 months to June and can be expected to post a figure of around 2% for 2013 and something marginally higher for 2014. For anything better than this the business sector will need to increase investment and exports. Otherwise continued growth is going to remain reliant on the rebound in consumer borrowing and spending, encouraged by initiatives such as Funding for Lending and Help to Buy (which have been a factor in monthly mortgage applications reaching their highest levels since 2008). Certainly it won't be coming from any fiscal loosening given the government's continued adherence to spending controls and sovereign debt reduction.

All governments are struggling with the dilemma between wishing to cut public spending and raise revenues whilst minimising the deflationary impact of such measures. At least this downward pressure on growth from fiscal measures in the UK will delay any tightening of monetary policy, as recently confirmed by the new Governor of the Bank of England.

On the Island, real economic growth of 2% was confirmed in the latest national income estimates (2011/12), one percentage point below that assumed within Government's central planning assumptions. The economy however remains stable and on course for faster real growth in 2013/14, approaching 4% if current performance is maintained.

However trading conditions are as tough as they have ever been over this 30 year period. And the economic environment has been made tougher over the last few years with the need to contend with cuts in public revenues not associated with economic conditions, and the consequent fiscal rebalancing exercise. The resilience of the economy, if sustained, will go a long way towards ensuring the Treasury achieves success in its goal of getting finances back into surplus by 2015/16 without continued recourse to reserves.

Job vacancies are running at levels above those of last year. And unemployment, though marginally up on figures for the same time last year, on a claimant count basis currently (September) stands at a rate of 2.3%, well within the 3% target ceiling set by Government. On the wider International Labour Organisation count the rate would be around 3.5%. This still compares favourably with an OECD average of 8% and an EU average of 11%.

Within the registered unemployed there are now 371 16-24 year olds who are also neither in education or training, a reduction of 47 from the 418 at the start of the year.

The Department of Economic Development is currently reporting successes with the establishment of new concerns in manufacturing, ICT, fiduciary work, and e-gaming. Alongside these sectors there is continued expansion of a number of niche areas. Aircraft and shipping registration provide examples. The Island's Aircraft Register is now the world's ninth largest business jet register. In total the registry has handled over 500 registrations since its inception. The Ship Registry has worked with great success to attract new shipping business to the Island, with record tonnage now on the books.

In all the Department anticipates the net creation of some 150 new jobs in the economy's export sectors this year and perhaps double this number in ancillary and domestic supply industries as a result.

Whilst the export sectors of the economy continue to perform well, the inward facing sectors are struggling with constrained household spending. Factors at play on the Isle of Man include:

— small increases in average earnings (up only 1.8% in 2012 when annual retail price inflation averaged 2.8%)
— increased deductions from salaries; from higher income tax and national insurance contributions (and, for many, from raised pension contributions)
— increased indirect taxation through higher excise duties.

Whilst depressed local spending is not a negative for the Island's exporting sectors particularly, it is bad news for suppliers to the domestic household sector. Retailing, leisure and construction are the areas most affected when discretionary consumer spending flags. The result is a two-speed economy split between the primary export sectors and the rest. Consequently what job losses there have been in the past few years have occurred principally in the construction and retail sectors, with the primary, export-earning sectors of the economy relatively unaffected in net terms.

The Island's inflation rate as measured by the Retail Price Index stands at 2.4% and at 1.6% under the Consumer Price Index. Both rates have hovered around their current levels for over a year now and can be expected to remain there in the short term, despite concerns over the volatility of energy prices. The Island is heavily reliant on the United Kingdom for its imports of consumer goods, so if expectations of low and stable inflation for the UK in 2013 are borne out then we can anticipate the same for the Island. Global commodity prices will continue to be key. Presently they are relatively stable and, alongside factors restricting manufacturing's ability to raise factory gate prices, the immediate inflation outlook is not threatening.

The Isle of Man Treasury forecast is that 2013/14 will see continued growth in GDP in the local economy, perhaps of 3-4%, and it foresees that growth continuing to come from an ever-widening number of sources. In what augurs well for the future sustainability of the economy and its public finances, it will also be the case that the economy will have been rebalanced away from Government spending. Projections are that the Isle of Man ratio of Government gross spending to GDP will have fallen from 24.8% in 2010/11 to around 22% in the current fiscal year.

MANUFACTURING

Current Situation

Confidence in the UK manufacturing economy in the period July to September improved across the board according to data collected by leading industry trade bodies. These show that 68% of British small and medium sized enterprises expressed confidence in the UK economic climate, an increase of 12% over the last quarter and 22% over the same period in 2012. Furthermore, 77% thought that international trade would continue to improve. This should ultimately help the Island's diverse range of businesses grouped in general manufacturing who for a little while now have seen sales volumes and selling prices under pressure. They have products that are supplied to UK businesses or are for consumer markets.

There are signs of encouraging growth in international business with orders from USA, Canada and France. Businesses are continuing to develop new products and routes to market and are continuing to invest for medium to long-term growth, including improving business infrastructure and skills.

In engineering the picture is becoming more positive, with some companies reporting year to date sales up as much as 8% on last year and some involved in aerospace up 14%. Employment levels at major engineering companies are at record highs due to very strong order books in the aerospace and oil and gas industries. However, to manage this high volume of work the companies currently have to use a number of contract engineers due to an immediate lack of local skilled personnel. The Government and the engineering sector have agreed to look into the feasibility and costs of advertising 'positions vacant' on an international scale to try and attract new talent and turn the contract positions in the sector into permanent staff.

The levels of investment being made by engineering companies remain very high and the Government is continuing to support this development in capability as well as support for a number of new start-ups.

The food and drink sector has shed over 20 jobs in recent months and the outlook remains challenging. However there is some optimism in the export markets, particularly for the Isle of Man Creamery which has recently received a high profile promotion for their premium Mature Cheddar with a large supermarket chain in the USA.

Outlook

The new 18 place foundation apprenticeship course for engineering at the Isle of Man College has been fully subscribed and will aim to provide the permanent staff needed in the future although it will be two years until they are adequately qualified.

FINANCIAL SERVICES

Current Situation

Recent surveys taken from the business community have indicated that business confidence remains reasonably buoyant despite the difficult trading conditions and global reporting changes.

As reported last quarter, a number of businesses have examined their cost base and made manpower reductions. This has resulted in a loss of jobs in banking so far this year, with more expected. However, the net loss of employment in financial services has been somewhat lessened because of a strong performance in professional services and better than expected performance in life insurance.

Banking deposit and funds under management levels, a good indicator of overall performance, have remained constant despite the low interest rate levels. Company incorporations, as a proxy for professional services and CSP activity, has remained constant but the number of deregistrations is marginally above new company registrations. This is unchanged from the previous quarter.

Outlook

The key priority for the next quarter is determining the final approach to the UK Independent Commission on Banking review. The Government will also continue to work with the private sector and other Government Departments on interpreting the rules for FATCA and communicating with industry. Research work will start on Africa and supporting the industry with technical comparison against overseas competitors.

E-BUSINESS

Current Situation

E-Gaming continues to grow rapidly. There are currently 54 licence holders, up around 20% on last year. The pipeline of those with a qualified interest is strong and will be increased as a result of the interest shown at the EiG conference and trade show held in Barcelona in the beginning of October.

An estimated total of 80 new jobs have already been created this fiscal year, almost matching the projections that had been made for the whole year. This shows around a 12% increase year on year. It is believed that Government revenues from the sector will have also increased and exceeded estimates.

Outlook

The prospects for the e-Gaming industry, both in terms of organic growth and by the attraction of new business, are good. An impact analysis has been completed by Government regarding the introduction of a Point of Consumption Tax (POC) by the UK Gambling Commission and its effect on Isle of Man licenseholders. The results show that from the companies surveyed there were no plans for any reduction of their staff or operations on the Island and in fact they all had plans to increase staff levels over the next 12 months. The Manx e-Gaming Association conducted their own independent analysis regarding POC and came to the same conclusions.

A key part of the Isle of Man's well-established credibility in e-Gaming worldwide is its clear requirements for the protection of players' funds. Government is continuing to explore new opportunities for player protection that may go a long way to removing the problems associated with banking provision on the Island and establishing relationships with additional banks on the Island.

The acknowledged skills gap in ICT has been the subject of extensive debate and consultation. A joint public/private working group has been formed to determine how to create the ICT skills needed. It is expected this will require major changes to our school curriculum.

Government is also working with the Manx Educational Foundation, a local not-for-profit organisation which is seeking to create an internationally-regarded centre for ICT education and training. It is backed by 20 local businesses and is working with important partners including the British Computer Society and Hewlett Packard.

Specific opportunities are being actively developed include FinTech, Open Source software provision, online dating and online video games, with a view to creating vibrant business clusters in a similar fashion to e-Gaming.

SPACE COMMERCE

Current Situation and Outlook

The entire strategy for the Isle of Man space industry is currently under review by the Department of Economic Development. The Department has created a new committee, the Space Commerce Consultative Committee (SCCC), to liaise with local industry on strategy and try to create a functional and beneficial space cluster for the businesses. The SCCC structure replaces the marketing/business development contract historically held by a contractor.

The industry has recently been surveyed to try to clarify the opportunities and statistics for the sector. The results are currently being analysed and the Department and Committee are looking at targeted ways to attract more space related business which will create a physical presence and employment.

The SCCC voted to sponsor the Euroconsult Paris Space week in June and a number of leads are being pursued by the companies involved as a result.

SHIPPING SECTOR

Current Situation

Activity on the shipping register is a good indicator of economic activity in the shipping sector. The table below shows the register continued to grow in the second quarter. The Gross Registered Tonnage is increasing as larger ships are registered and the Isle of Man is expected to achieve 14th place in the world rankings when it overtakes Germany in the next couple of months.

The commercial yacht sector is showing positive signs following a very successful Monaco Yacht Show in September.

Position as at: 30/9/13	**30/6/13**	**30/9/13**	**Net Change**
Merchant Ships	385	387	2
Commercial Yachts	102	101	-1
Demise chartered ships (in)	48	47	-1
Pleasure yachts	311	323	12
Fishing vessels	73	72	-1
Small Ships	126	123	-3
Fleet Total	**1045**	**1053**	**9**
Total Gross Registered Tonnes	15.3m	15.8m	0.5m

The following figures indicate the commercial activity related to shipping during this quarter:

- 40 vessels in total have been added to the register
- 13 vessels in commercial operation (ships and yachts) have been added
- 11 new ownership companies have been set up in the Isle of Man
- 13 vessels have contracted Representative Persons on the Isle of Man
- 60 mortgages have been arranged through Isle of Man advocates
- 1024 separate transactions have been recorded with the registrars.

Outlook

The global shipping industry is now showing definite signs of recovery, with some owners placing orders for ships to be delivered after 2014. More Asian operators are choosing the Isle of Man register and this looks set to continue as work with new clients in the region continues. Asian owners now account for over 38% of the tonnage on the register.

AIRCRAFT REGISTER

Current Situation

The summer months have traditionally been a slightly quieter period than the rest of the year and 2013 has continued the tradition with slightly lower than average new registrations. The volume of work associated with maintaining the existing fleet continues to grow. 27 aircraft have been registered during this quarter and it has ended with the identical number of pending aircraft (33), indicating a healthy and continuing interest from owners and operators wishing to join the register.

Aircraft Register Total	30/06/13	30/09/13	**Gross Change**
Executive jets	417	433	16
Airliners between commercial lease	78	87	9
Helicopter/turbo prop/small plane	117	119	2
Aircraft Fleet	*612*	*639*	*27*
Aircraft Register Net	30/06/13	30/09/13	**Net Change**
Executive jets	310	314	4
Airliners between commercial lease	22	23	1
Helicopter/turbo prop/small plane	87	85	-2
Aircraft Fleet	*419*	*422*	*3*

CONSTRUCTION

Current Situation and Outlook

Public non-residential construction activity remains depressed and the market outlook has not changed significantly from the last quarter. Infrastructure investment however is reasonably strong with continued support for the IRIS Regional programme and Strategic Highway improvements. So is public sector housing activity.

The construction market continues to be highly competitive as contractors compete for a reduced number of projects. The industry continues to be squeezed by falling tenders and rising materials prices, although the drop in prices appears to be levelling out, with some recovery seen in the mechanical and electrical sector.

Projects with construction costs of £44 million are included in Government's Capital Programme for 2013/14. Government Capital Schemes act to shore-up the sector, but there are a small number of significant private developments of private dwellings which provide substantial work and income opportunities.

Ongoing difficult economic conditions probably explain why there is still a lack of demand for new housing generally. There have been recent reports that sales of new houses have increased and that there has been a pick-up in the level of existing property sales.

Persons seeking work in the construction sector account for the largest group of unemployed workers. September 2013 unemployment statistics record that 14.6% of the registered unemployment is related to the sector.

The lack of construction activity is reflected in quarry output. Outputs are at a 12 year low and 2012 output stood at only 41% of 2001's quarry output.

CLEAN TECH

Current Situation and Outlook

Government continues to promote inward investment in the Island's clean tech sector, including presenting at the Offshore Wind session of the Envirotech & Clean Energy Summit in London. This event brings together hundreds of the industry's most active and influential investment decision-makers, financiers, company leaders, entrepreneurs and technology pioneers.

The economic viability of offshore renewable energy projects is dependent on access to UK renewable incentives for energy exported to the UK. The current UK legislation to enable joint projects in Isle of Man territorial seas is contained in the Energy Bill which is progressing in the current UK legislative programme and is expected to be completed by the end of 2013.

Several clean tech businesses have recently been established on the Island, including SupaHome by Maple Ltd.

The outlook for the next quarter remains positive for the clean tech sector, with a number of proposals which will result in employment opportunities being progressed.

TOURISM

Current Situation and Outlook

All the evidence points to 2013 being a reasonable year. Several major hotels have reported that revenue is in line with last year (which in turn was up on 2011). Occupancy rates are down 2-4% but room rates are up by the same level as hotels have seen a rise in higher-value tourists and business visitors, with some leading hotels turning away some low-value group business. Some smaller, lower-value accommodation providers have fared less well and they tend to be the most vocal, giving an unduly negative picture of the sector. Several of the better quality self-catering providers have reported revenues up over 5% on last year. This illustrates that there will be winners and losers as visitors seek ever better quality.

The new format for the Festival of Motorcycling has been a great success, with key private businesses estimating increased revenues of 15-25% on last year and higher than ever with the Manx Grand Prix. A recently released Treasury study estimated MGP visitors numbered 13,407 this year, 50% more than in 2009.
The lack of good, timely information on how well the sector is doing remains a key issue. Government is working with key private businesses to address this.

The Mannin Hotel is the main expected source of growth in hotel accommodation and this is due to open in spring 2014.

FILM & MEDIA

Current Situation

The sector is on target to achieve at least four productions in the year, generating around 4,000 bed nights, 16 trainee placements and £2m domestic spend.

The Christmas Candle is anticipated to be released in the UK in prior to Christmas 2013. Pinewood Pictures are handling the UK release and may yet choose to make it a TV broadcast. In the US it will likely play much better as a theatrical (cinema) release, given the strong religious message.

The Isle of Man Film Festival weekend took place at the Broadway Cinema from the 14th to the 16th September. The festival was very successful in profiling the aspiring filmmakers in our community. Not all events were fully attended, but the two day workshop was successful and the local film screening night was sold out.

Outlook

The UK Film Tax Credit is expected to extend to the production of videogames in Spring 2014 after EU consultation. This will enhance the benefits of a UK/IOM structured videogame company.

There are several projects under consideration by Pinewood Pictures currently. An action drama *Take Down* is anticipated to arrive for a five-week shoot in March or April 2014. Period biopic drama *Goodbye Christopher Robin* (about AA Milne, author of *Winnie the Pooh*) is due to shoot in June 2014, and a two-part TV Drama about Laurel and Hardy is due to shoot after the start of the new financial year, dates to be confirmed. Producers from BBC Comedy have visited the Island to scout locations and are confident they can meet their scene requirements.

Pinewood Pictures are currently releasing several of the productions made since the new partnership was announced. Both *Belle* and *Dom Hemingway* had very positive critical reception at their premieres at the Toronto International Film Festival in September. The Festival is a good launch pad for their North American release. *Belle* is to be released in the UK in February 2014 and in the US in May 2014. *Dom Hemingway* is released via Lionsgate in the UK on 14 November 2013 and via Fox Searchlight in the US on 14 April 2014.

AGRICULTURE

Current Situation

Over £540,000 has now been paid out of the Agriculture Severe Weather Assistance Scheme to over 200 Island farmers. This support has in many cases been invaluable in ensuring the viability of farm businesses. The Scheme is in keeping with what was promised. In addition over £148,864 has been raised by the Isle of Man Agricultural Benevolent Trust and mostly already distributed. Support has yet to be delivered in other jurisdictions.

Live exports of beef cattle aged between 18 and 30 months are up slightly so far this year. This age group of cattle is important as it represents the mainstay of IOM Meats (IOMM) throughput. A recent change in IOMM's pricing policy has made it more competitive against prices offered by exporters and hopefully this will reverse the trend. Live exports of cull cattle are substantially down. The price changes are also intended to address the rapid increase in sheep exports over the last four years, which do now appear to be reducing.

Isle of Man Creamery is progressing with its restructuring. Due to favourable market conditions exports of cheese and liquid milk are currently a profitable part of the business.

Work is underway in conjunction with Treasury in developing a sustainable food procurement policy for Government. This work will feed into the Food Security Policy which was recommended as an outcome of a report by the Council of Ministers on Environment and Infrastructure Policy in May of this year.

The development of an Uplands Strategy is progressing, with a Steering Group of representative bodies being convened by an independent chair. The group have identified the key role the uplands play in tourism, landscape, provision of water, carbon storage and wildlife habitat and are looking at the contribution agriculture, shooting, recreation and other activities can make to the sustainable management of this resource. This work will be used in part to address the challenge of "increasing biodiversity and landscape management through voluntary additional arrangements within the Countryside Care Scheme" which has also been identified from the Council of Ministers Environment and Infrastructure Policy report.

All 2013 EU Common Agricultural Policy (CAP) payments over €2,000 claimed this year are set to be reduced by 4% in order to make up a funding shortfall. The 2014 direct payments budget, out of which 2013 subsidies will be paid, is €1.47bn below requirements, meaning a so-called 'financial discipline' mechanism will be used for the first time.

The 5th Isle of Man Food & Drink Festival returned to the Villa Marina Gardens on the 21st and 22nd September with over 4,300 visitors attending, including around 1,000 children. Activities included milking demonstrations, talks on how mushrooms are grown, and presentations on how this year's milling wheat harvest is being transformed into flour and bread. Exhibitors reported excellent sales and many made new contacts or secured new business opportunities.

This year saw a rise in food and drink producers attending the Festival to well over 40 exhibitors, including new businesses such as Noa Bakery, Mannbiltong, and Doggielicious, all using locally produced ingredients in their products. Ramsey Bakery and Tesco also showed interest in attending this event, but unfortunately applied too late as all available site space was filled months in advance.

Outlook

The final negotiations on the future shape of the CAP for the period to 2020 have been agreed by EU decision-makers and approved by national government experts, paving the way for formal adoption by both the EU Parliament and Council. One of the headlines of the reform is a 'greening' of direct support payments, where 30% of payment will be based on delivering environmental benefits. National governments (and the devolved UK parliaments) will consult on their proposed implementation. The considerable scope for national choices allowed in the proposals means the precise shape of EU farm support will be unclear for 12-18 months. However, the CAP budget for 2014-2020 will be 13% less than allocated for 2007-2013, meaning payments are likely to reduce.

IOMM, DoI, DEFA and Treasury are in the final stages of agreeing subvention and lease agreements for the refurbishment and future running of the meat plant. Subject to terms being imminently agreed, refurbishment is scheduled to commence in February 2014.

May Tynwald resolved "That the matter of current agricultural policy, particularly in respect of the Countryside Care Scheme, the meat plant and associated matters, be referred to the Environment and Infrastructure Committee to report by December 2013." The committee has started the enquiry with initial submissions having been submitted by 31st July 2013.

FISHERIES

Current Situation

After a slow start to the Isle of Man queen scallop trawl fishery in mid-June, fishing picked up in July and with the extended period of fine weather throughout the summer local processors have reported a good season with sales on a par with last year. In particular it has been reported quality of product has been excellent due to the increase in the minimum landing size from 50mm to 55mm.

A Total Allowable Catch (TAC) of 4,000 tonnes for the fishery was recommended by the Isle of Man Queen Scallop Management Board (QMB) based on scientific surveys undertaken by Bangor University. To ensure the uptake of this TAC was appropriately managed to prolong the fishery and avoid early closure, a decision was taken in July to introduce emergency byelaws to restrict fishing to 4 days each week and introduce a daily limit on catch of 3.5 tonnes. This had the desired effect of slowing the uptake and the fishery remained open until 10th October.

Due to the sustainable management measures in place, it was confirmed in July that the fishery has passed its second surveillance audit under the Marine Stewardship Council accreditation schemes, with a note on the good progress made in achieving the conditions set for the fishery.

In conjunction with the Manx Fish Producers Organisation (MFPO), a survey of scallop density was carried out by the Fisheries Directorate within the Fisheries Management Zone of Ramsey Bay Marine Nature Reserve. This area is leased to the MFPO to manage and the results will be used to produce a sustainable harvest strategy for the fishermen who wish to fish it for the first time in five years whilst complying with the need to maintain the ecological integrity of the Zone.

Outlook

The new Fisheries Act 2012 comes into operation on 1st October 2013, combining the existing Sea Fisheries Act 1971 and the Inland Fisheries Act 1976.

The queen scallop dredge fishery is due to open on 1st October, with a TAC of 1,000 tonnes. With good weather it is envisaged the TAC will be taken within a couple of weeks and the fishery then closed. A consultation is to be launched at the end of November, seeking views on proposals for management of the queen scallop fishery in

2014. The UK Fisheries Administrations will be consulted at the same time in accordance with the Fisheries Management Agreement.

RETAILING

Current Situation and Outlook

This has been a generally quieter quarter in terms of negative feedback received from the sector, but trading conditions remain difficult at best.

The Department of Economic Development and the Chamber of Commerce Retail Committee have now agreed a formal Retail Strategy to take the sector forward into the future. The strategy will be placed before the Council of Ministers in the coming weeks.

Work has started on the preparation of a Central Douglas Master plan. An invitation to tender has been issued for suitably qualified consultants to undertake the work. This is an important piece of work to create a vision and certainty for the future which should encourage investment in the town.

Regeneration works in Douglas and other towns are continuing to be implemented. In particular, good progress is now being made on the Regent Street/Duke Street works phase and this is on schedule to be completed before the crucial Christmas shopping period.

Treasury's recently published 2011/12 National Income Accounts show the contribution made by the retail sector to have fallen by some 20%. This is understood to be principally a result of some closures and rationalisation undertaken by other businesses to improve efficiency and profitability. During a period of economic uncertainty it is often the case that household and business spending is squeezed and focussed on essential items.

The number of empty shop units in the main Douglas high street remains relatively high but work continues to address this issue. Conversely, inward investment enquiries are healthy, with coffee chain expansion around the Island, and a number of potential new restaurant operators and UK multiple clothing chains recently stating an interest in operating new stores in Douglas.

The Department of Economic Development has agreed to continue to fund the Retail Customer Skills Training Course delivered by the Isle of Man College for a further 12 months.

ECONOMIC INDICATORS

A. GENERAL

1. Labour Market

a) Unemployment

	2011			2012			2013		
	Males	**Females**	**Total**	**Males**	**Females**	**Total**	**Males**	**Females**	**Total**
March	626	265	891	735	296	1,031	855	353	1,208
June	604	242	846	699	293	992	722	334	1,056
September	637	253	890	702	312	1,014	706	316	1,022
December	713	266	979	741	279	1,020			

b) Employment

	Number of Employers	Number of Persons in Employment
Quarter 3 2008	3,964	42,167
Quarter 4 2008	3,979	42,054
Quarter 1 2009	3,986	41,157
Quarter 2 2009	4,003	41,846
Quarter 3 2009	3,998	42,333
Quarter 4 2009	4,026	42,249
Quarter 1 2010	4,037	42,198
Quarter 2 2010	4,066	43,173
Quarter 3 2010	4,073	43,282
Quarter 4 2010	4,103	43,259
Quarter 1 2011	4,126	43,134
Quarter 2 2011	4,135	43,909
Quarter 3 2011	4,140	44,251
Quarter 4 2011	4,154	44,152
Quarter 1 2012	4,170	43,889
Quarter 2 2012	4,040	44,504
Quarter 3 2012	4,186	44,882
Quarter 4 2012	4,198	44,814
Quarter 1 2013	4,232	44,732
Quarter 2 2013	4,253	45,406
Quarter 3 2013	4,283	45,832

c) Self employment - ITIP ‘A’ Cases (self-employed) and ‘C’ cases (employed and self-employed)

	2010	2011	2012	2013
Quarter 1	7,369	7,708	7,840	7,945
Quarter 2	7,379	7,568	7,689	7,819
Quarter 3	7,372	7,510	7,692	7,725
Quarter 4	7,477	7,471	7,755	

d) Job Vacancies

Vacancies notified during the Quarter:

	2011			2012			2013		
	F/T	P/T	Total	F/T	P/T	Total	F/T	P/T	Total
Quarter 1	1,337	381	1,718	1,048	397	1,445	1,126	434	1,560
Quarter 2	1,236	475	1,711	1,101	403	1,504	1,258	575	1,833
Quarter 3	1,134	498	1,632	1,039	569	1,608	1,302	670	1,972
Quarter 4	764	417	1,181	834	369	1,203			
Total	**4,471**	**1,771**	**6,242**	**4,022**	**1,738**	**5,760**			

e) Unemployment and Vacancies by Occupation

	No. of unemployed at end of Sept		No. of vacancies notified during Sept		No. of vacancies remaining at end of Sept	
	2012	2013	2012	2013	2012	2013
Farmwork	18	16	1	17	0	16
Engineering – skilled	11	17	18	25	3	13
Factory Work – unskilled	19	14	8	4	1	2
Construction – trades/skilled	118	91	28	39	15	10
Construction – unskilled	96	75	4	2	0	2
Banking and Insurance – administration	37	33	10	20	3	10
Finance and Accounting – professional	13	9	13	23	6	9
Health and personal care	19	29	69	45	41	41
Education/teaching	14	13	19	23	10	24
Other professions	15	14	10	25	5	25
Management and Consulting	25	26	14	9	6	7
ICT	13	10	13	22	6	12
Rest of administrative/clerical	94	88	33	30	8	12
Drivers	28	28	23	14	18	6
Hospitality	130	124	138	133	65	82
Domestics and Office Services	33	46	13	23	14	12
Retailing/Sales/Buying	115	114	148	131	87	103
Other/not classified	216	54	6	18	5	7
No previous job		221		0		0
Total	**1014**	**1022**	**568**	**603**	**293**	**393**

f) Work Permits

i) New Work Permits Issued

	2010	2011	2012	2013
Quarter 1	708	604	500	353
Quarter 2	812	751	546	598
Quarter 3	699	827	713	648
Quarter 4	597	572	491	
Total	**2,816**	**2,754**	**2,250**	

ii) Renewals

	2010	2011	2012	2013
Quarter 1	1.014	775	670	524
Quarter 2	1,081	859	746	678
Quarter 3	866	840	781	874
Quarter 4	1,027	722	637	
Total	**3,988**	**3,196**	**2,834**	

iii) Employed Permits

	2010	2011	2012	2013
Quarter 1	1,578	1,250	1,061	807
Quarter 2	1,728	1,461	1,190	1,158
Quarter 3	1,421	1,567	1,352	1,389
Quarter 4	1,490	1,175	1,039	
Total	**6,217**	**5,453**	**4,642**	

iv) Self-employed Permits

Quarter 1	144	129	109	70
Quarter 2	165	149	102	118
Quarter 3	144	100	142	133
Quarter 4	134	119	89	
Total	**587**	**497**	**442**	

v) Indefinite Permits

Quarter 1	2	1	1	2
Quarter 2	8	1	2	0
Quarter 3	1	7	0	1
Quarter 4	1	0	2	
Total	**12**	**9**	**5**	

vi) Temporary Permits

Quarter 1	1,720	1,378	1,169	875
Quarter 2	1,885	1,609	1,290	1,276
Quarter 3	1,564	1,660	1,494	1,521
Quarter 4	1,623	1,294	1,126	
Total	**6,792**	**5,941**	**5,079**	

* Provisional

2. National Insurance

Number issued to foreign nationals

	2010	2011	2012	2013
Quarter 1	75	95	60	80
Quarter 2	108	143	98	100
Quarter 3	136	109	99	101
Quarter 4	66	61	100	
Total	**385**	**408**	**357**	

3. Child Benefit

Net transfers, children and adults

	2010	2011	2012	2013
Quarter 1	20	26	-9	70
Quarter 2	38	34	26	46
Quarter 3	30	80	46	28
Quarter 4	231	148	-22	
Total	**319**	**236**	**41**	

4. Inflation

	2010	2011	2012	2013
March	5.0%	6.7%	3.0%	3.3%
June	5.3%	6.4%	2.5%	2.9%
September	4.7%	5.9%	2.8%	2.4%
December	5.5%	4.7%	2.5%	

5. Passenger Arrivals

	2010	2011	2012	2013
Quarter 1	110,633	106,774	107,086	109,971*
Quarter 2	197,468	199,000	195,368	200,556*
Quarter 3	216,500	210,564	209,158	214,385*
Quarter 4	128,707	127,969	131,001	
Total	**653,308**	**644,307**	**642,613**	

* Provisional

6. Business Visitors

	2010	2011	2012	2013
Quarter 1	17,506	16,202	14,784	16,097*
Quarter 2	17,823	15,609	17,153	17,808*
Quarter 3	20,436	23,023	18,117	17,408*
Quarter 4	14,591	13,332	15,508	
Total	**70,356**	**68,166**	**65,562**	

* Provisional

7. Non-Business Visitors

	2010	2011	2012	2013
Quarter 1	23,074	22,201	27,746	26,081*
Quarter 2	77,343	85,143	83,423	84,314*
Quarter 3	88,580	89,280	89,154	83,115*
Quarter 4	28,435	29,694	28,586	
Total	**217,432**	**226,318**	**228,909**	

* Provisional

8. Postal Traffic (000s)

a) Letter Mail

i) Inward

	2010	2011	2012	2013
Quarter 1	128	124	131	87
Quarter 2	100	114	105	76
Quarter 3	126	112	105	71
Quarter 4	140	139	115	

ii) Posted (IOM Delivery)

	2010	2011	2012	2013
Quarter 1	73	72	74	62
Quarter 2	76	75	67	66
Quarter 3	72	71	63	60
Quarter 4	85	83	76	

iii) Posted (UK & International Delivery)

Quarter 1	72	61	63	67
Quarter 2	68	66	62	64
Quarter 3	63	61	62	58
Quarter 4	79	78	83	

b) Parcel Mail

i) Inward

Quarter 1	68	62	71	51
Quarter 2	67	51	61	56
Quarter 3	82	40	58	63
Quarter 4	95	80	70	
Total	**312**	**233**	**260**	

ii) Posted

Quarter 1	71	57	71	71
Quarter 2	86	71	71	57
Quarter 3	71	71	71	71
Quarter 4	86	71	71	

9. Electricity Consumption (Thousand Units)

i) Domestic

	2010	2011	2012	2013
Quarter 1	53,664	60,174	50,373	51,798
Quarter 2	41,725	38,342	39,268	42,433
Quarter 3	33,110	32,487	33,178	29,533
Quarter 4	34,134	40,129	39,570	
Total	**162,633**	**171,132**	**162,389**	

ii) Non-Domestic

	2010	2011	2012	2013
Quarter 1	58,815	62,155	55,658	56,938
Quarter 2	52,841	48,844	49,556	43,488
Quarter 3	52,577	50,093	51,451	51,874
Quarter 4	55,893	53,742	54,267	
Total	**220,126**	**214,834**	**210,931**	

iii) Total

Quarter 1	112,479	122,329	106,030	108,736
Quarter 2	94,565	87,186	88,824	85,920
Quarter 3	85,687	82,580	84,629	81,408
Quarter 4	90,026	93,871	93,837	
Total	**382,758**	**385,966**	**373,320**	

10. <u>Housing</u>

(i) Total number of residential property sales over the 12 months to September:

	2010	**2011**	**2012**	**2013**
Houses only	1397	1,370	1,507	1280*
Flat/apartments	254	258	254	232*

(ii) Average residential property price over the 12 months to September (£):

Houses only	290,657	291,009	272,963	257,394*
Flat/apartments	175,528	177,612	169,728	160,501*

* Provisional – final sales figures will be higher

11. <u>Planning applications approved</u>

	2010	**2011**	**2012**	**2013**
Quarter 1	487	370	495	387
Quarter 2	361	460	478	412
Quarter 3	486	494	422	357
Quarter 4	421	439	400	
Total	**1,755**	**1,763**	**1,795**	

B. FINANCIAL AND RELATED SERVICES

1. Banking

(a) Number of Licenses

	2011	2012				2013		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Deposit Taking	33	33	33	33	32	32	30	30
Investment Business	66	64	64	64	62	56	55	54
Services to Collective Investment Schemes	66	65	64	65	65	63	63	60
Corporate Services	185	182	183	183	184	183	181	176
Trust Services	130	129	131	131	133	131	128	127
Money Transmission Services	4	4	4	4	6	6	6	9
Management/Administration Services						9	9	6

(b) Deposit Base (£ billions)

	Total Bank Deposits	Sterling	Non-Sterling
June 2007	61.02	41.71	19.31
September 2007	62.25	42.56	19.69
December 2007	63.36	42.24	21.12
March 2008	65.59	43.36	22.23
June 2008	66.26	43.90	22.36
September 2008	66,26	43.13	23.13
December 2008	69.96	43.71	26.25
March 2009	66.95	43.26	23.69
June 2009	63.46	42.65	20.81
September 2009	63.34	41.58	21.76
December 2009	63.10	39.26	23.84
March 2010	63.09	38.85	24.24
June 2010	63.77	38.58	25.19
September 2010	62.09	38.59	23.50
December 2010	62.21	37.96	24.25
March 2011	59.53	37.49	22.04
June 2011	59.41	37.53	21.88
September 2011	59.62	36.87	22.75
December 2011	57.23	36.38	20.85
March 2012	57.55	36.45	21.10
June 2012	56.97	36.44	20.53
September 2012	56.98	36.13	20.85
December 2012	56.45	36.32	20.13
March 2013	59.84	35.99	23.85
June 2013	55.18	33.91	21.27

2. Insurance

(a) Number of Insurance Companies

	2011			2012			2013		
	Life	Captive	Total	Life	Captive	Total	Life	Captive	Total
March	16	107	156	16	96	148	16	93	143
June	16	106	155	16	94	144	16	93	143
September	16	105	154	16	92	141	16	92	141
December	16	102	150	15	93	142			

(b) Life and non-Life Premiums (£ billions)

	2009	2010	2011	2012
31 December	7.4	10.1	8.9	7.5

3. Funds under Management

(i) All Schemes ($ billions)

	2010	2011	2012	2013
March	32.5	28.1	22.6	21.7
June	31.4	29.6	21.9	20.9
September	27.1	27.9	21.9	
December	27.9	22.3	22.3	

(ii) Life and non-Life Insurance Funds (£ billions)

	2009	2010	2011	2012
31 December	47.1	55.2	55.3	58.6

4. Ship Registration

i) Number of Merchant (non-Demise) Ships Registered

	2010	2011	2012	2013
Quarter 1	342	352	376	385
Quarter 2	345	362	389	385
Quarter 3	341	365	396	387
Quarter 4	344	373	391	

ii) Gross Registered Tonnage

Quarter 1	9,768,848	10,742,793	12,624,625	14,039,974
Quarter 2	10,297,483	11,193,208	13,362,004	14,439,946
Quarter 3	10,620,385	11,831,113	14,030,406	14,943,421
Quarter 4	10,731,313	12,349,670	14,137,586	

5. Company Registration

i) New Companies Formed

	2011			2012			2013		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
Quarter 1	304	69	260	275	45	252	246	42	286
Quarter 2	282	31	335	266	95	281	221	47	325
Quarter 3	256	82	264	250	56	231	224	81	318
Quarter 4	243	79	307	227	75	234			
Total	**1,085**	**261**	**1,166**	**1,018**	**271**	**998**			

(a) refers to formations under the 1931 Act
(b) refers to conversions to 2006 Act companies
(c) refers to new 2006 Act companies (excluding conversions)

ii) Companies Removed

	2010	2011	2012	2013
Quarter 1	1,729	1,084	1,026	1,014
Quarter 2	481	361	417	335
Quarter 3	650	456	327	327
Quarter 4	370	353	374	
Total	**3,230**	**2,254**	**2,144**	

* includes conversions to 2006 Act incorporation

iii) Total Companies on Register

	2010		2011		2012		2013	
	(a)	**(b)**	**(a)**	**(b)**	**(a)**	**(b)**	**(a)**	**(b)**
Quarter 1	24,077	4,706	22,696	5,701	21,582	6,726	20,447	7,633
Quarter 2	23,877	4,954	22,617	6,001	21,431	6,990	20,333	7,804
Quarter 3	23,530	5,312	22,417	6,973	21,354	7,175	20,230	8,049
Quarter 4	23,461	5,619	22,307	6,542	21,207	7,396		

(a) refers to incorporations under the 1931 Act
(b) refers to incorporations under the 2006 Act

iv) Trusts

	2009/10	2010/11	2011/12	2012/13
Trusts	20,313	20,905	21,411	19,569
Private Trust companies	262	220	347	292
Total	**20,575**	**21,125**	**21,758**	**19,861**

APPENDIX B

REVENUE ACCOUNT

30 September 2013

	Actual 2012-13 £'000	Actual to 30 Sep 12 £'000	% of Actual	Estimate 2013-14 £'000	Estimate inc. Supp. Votes 30 Sep 13 £'000	Actual to 30 Sep 13 £'000	% of Estimate
Income							
Customs and Excise	296,000	147,000	50%	312,000	312,000	156,000	50%
Income Tax	185,979	58,423	31%	191,000	191,000	63,195	33%
Other Treasury Income	15,210	2,353	15%	13,900	13,900	2,038	15%
Total Income	497,189	207,776	42%	516,900	516,900	221,233	43%
Expenditure							
Net Voted Services	534,318	258,770	48%	547,862	547,862	259,061	47%
Surplus (Deficit)	(37,129)	(50,994)		(30,962)	(30,962)	(37,828)	
Add:							
Transfers from/(to) Reserves	15,000	(5,000)	(33%)	31,000	31,000	35,000	113%
Add:							
Balance b/f 1st April	56,660	56,660	100%	30,066	30,066	34,531	115%
Balance c/f	**34,531**	**666**		**30,104**	**30,104**	**31,703**	

SUMMARY

1. Compared with the same period last year income at £221.2 million is £13.5 million (6%) higher, whilst Departments' net payments at £259.1 million are £1.0 million higher.
2. Customs' net cash receipts of £156.0 million for the 6 months to 30 September 2013 have been adjusted to the proportion of annual estimate for the year and are £9.0 million (6%) up on last year's position. It is currently anticipated that the Customs Estimate for the year will be attained.
3. Income Tax receipts at £63.2 million are £4.8 million (8%) higher than the same period for last year. It is currently anticipated that the Income Tax Estimate for the year will be attained.
4. 'Other Treasury Income' includes £10.8 million from interest on investments, including income from Reserve Fund investments, which is remitted quarterly in arrears. It is currently anticipated that the 'Other Treasury Income' Estimate for the year will be attained.
5. At this, the second quarter stage of the year, taking normal seasonal patterns into account and assuming year-on-year accruals are unchanged only the Department of Community Culture and Leisure is indicating a potential overspend for the year. However, a number of other Departments are continuing to experience significant financial pressures and will find it challenging to remain within their Votes for the year.
6. A transfer from Reserves of £31 million was included within the Budget presented to Tynwald in February 2013 (Page 19 of the Budget (GD No. 01/13)).
7. The actual balance brought forward at the 1 April 2013 of £34.5 million was £4.4 million higher than the "Probable" shown in the Budget in February 2013, as a result of income being £4.5 million higher and expenditure being £4.9 million lower than "Probable", with the transfer to the Housing Reserve Fund of £5.0 million approved in 2012 being applied in 2012-13.

APPENDIX C

CAPITAL SPENDING

1st April 2013 to 30th September 2013

1. Introduction

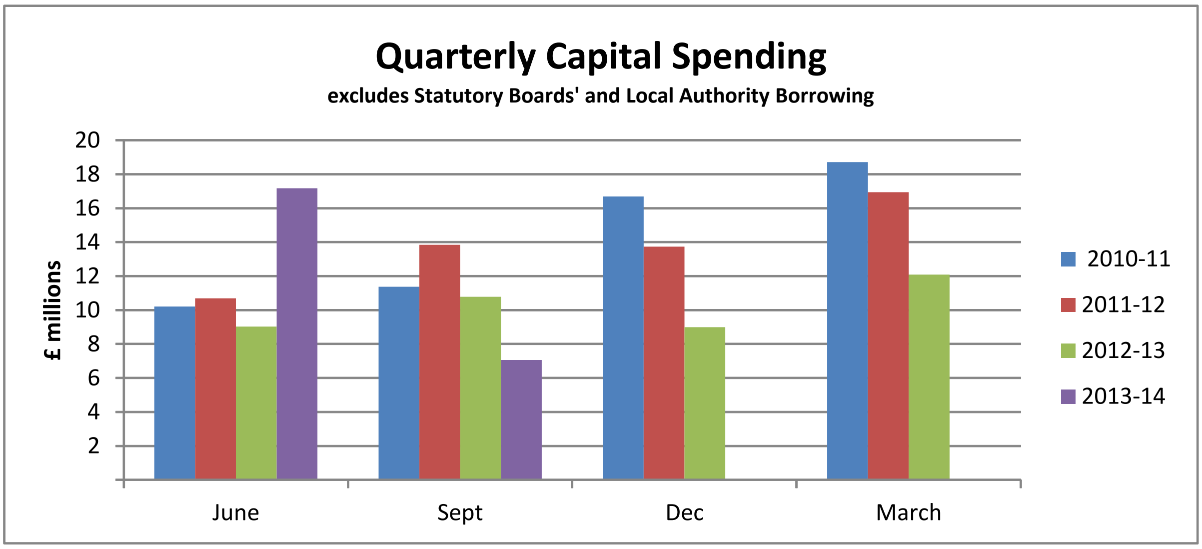
Government Departments' capital spending, excluding borrowing authorities and £9.85m land purchases, for the first half year to 30th September 2013 was £15.35 million against an estimate of £17.28 million (89%).

This spending represents 33% of the full year estimate. Spending over the same period last year was £19.82 million (34% of full year estimate).

FINANCIAL POSITION

	1 April to 30 September 2013			Forecast for Year			
	Actual 2012-13 £'000	Actual 2013-14 £'000	2013-14 as % of 2012-13	Revised* Estimate 2013-14 £'000	Treasury Forecast 2013-14 £'000	Forecast Under-Spend £'000	Forecast as % of Estimate
Government Total	19,818	25,204	127	48,719	38,975	9,744	80.0%
Statutory Boards' Spending	8,600	40,402	470	54,765	49,359	5,406	90.1%

* Revised Estimate 2013-14 refers to original 2013-14 Budget plus supplementary votes approved by Tynwald



2. Capital Spending Summary 1 April to 30 September 2013

(includes Statutory Boards' spending, excludes Statutory Boards' borrowing)

	Original 2013-14	Revised 2013-14	Actual spend	spend against original est	spend against revised est	spend against YTD est
	£	£	£	%	%	%
Community, Culture & Leisure	6,237,000	6,237,000	1,287,319	20.6	20.6	73.6
Economic Development	1,570,000	1,570,000	34,912	2.2	2.2	6.2
Education & Children	7,433,494	7,433,494	2,662,751	35.8	35.8	85.6
Environment, Food & Agriculture	2,071,000	2,478,000	809,093	39.1	32.7	78.2
Health	3,243,031	3,243,031	547,714	16.9	16.9	72.3
Home Affairs	3,295,170	3,295,170	393,066	11.9	11.9	25.7
Infrastructure	14,166,359	15,936,359	15,033,631	106.1	94.3	336.3 *
Social Care	7,815,042	7,815,042	4,335,746	55.5	55.5	115.0
Manx Museum & National Trust	710,554	710,554	99,949	14.1	14.1	32.8
Government Total	**46,541,650**	**48,718,650**	**25,204,181**	**54.2%**	**51.7%**	**145.8%**
Treasury (Contingency Fund)	1,000,000	1,000,000	0			
	47,541,650	**49,718,650**	**25,204,181**			
Statutory Boards' Spending						
MEA	38,462,000	38,462,000	35,643,000	92.7	92.7	97.0
Sewerage Schemes	10,526,836	10,526,836	3,100,715	29.5	29.5	82.4
	96,530,486	**98,707,486**	**63,947,896**			
Water Schemes	3,200,000	3,200,000	1,380,415	43.1	43.1	94.5
Post Office	2,576,099	2,576,099	278,212	10.8	10.8	120.6
	102,306,585	**104,483,585**	**65,606,523**			

* DOI's year to date spend is distorted by significant land/property purchases totalling £9.85m

Spending analysed by type of scheme for the period 1 April to 30 September 2013 compared to same period last year	2012-13	2013-14	2013-14 spend as % of 2012-13 spend	Actual spend by Statutory Boards	2013-14
	£	£	%	£	£
Construction	13,396,498	7,372,393	55.0	107,946	7,480,339
Engineering	2,257,443	3,251,779	144.0	5,124,130	8,375,909
Plant / Equipment	3,131,010	2,174,367	69.4	170,266	2,344,633
Land Acquisition	0	9,850,000	0.0	0	9,850,000
Loan Schemes	879,892	2,469,200	280.6	35,000,000	37,469,200
Other	153,419	86,442	56.3	0	86,442
	19,818,262	25,204,181	127.2	40,402,342	65,606,523

GOVERNMENT CASH AND INVESTMENTS

Value of Externally Managed Investments

As at 30th September 2013	Book cost £ millions	Market value £ millions
National Insurance Investment Account	671.9	713.6
Reserve Fund	328.0	350.8
Hospital Estates Development Fund	45.0	46.3
Manx Currency Account	32.6	33.7
Public Service Employees Pension Reserve	228.0	247.0
	1,305.5	1,391.4

Note:
Each of the funds has its own investment strategy according to its investment needs. Treasury's investment strategy for those reserve funds which have a significant exposure to equities is to maximise the total return on the funds over the long term. The short term fluctuations of market values are therefore considered of less importance than the long term return on investments held.

Bank Deposits and Call Accounts Held in Local Banks

Fixed term deposits and call accounts directly held by Treasury as at 30th September 2013 totalled:

Sterling	£150.87 million
Euro	Nil