



In this bulletin: new estimates of Gross Domestic Product and Gross National Income

This Bulletin presents updated and revised statistics of St Helena's Gross Domestic Product (GDP), following on from the previous release of provisional estimates for 2014/15 in the Quarterly Statistical News Bulletin of October 2016. The statistics and indicators presented in this Bulletin can be downloaded in Excel format from the 'GDP' file on the St Helena Statistics website at:

www.sainthelena.gov.sh/statistics-data.

Gross Domestic Product

Gross Domestic Product is a key indicator of economic activity used around the world: it measures the total value of all the goods and services produced on St Helena during a year. Table 1 presents estimates of GDP and other key indicators. For 2017/18, total GDP (at market prices i.e. including customs duties) is estimated to be £42.4 million and total GDP per capita is estimated to be £9,220.

Table 1. Estimates of Gross Domestic Product and other key indicators, 2014/15 to 2017/18

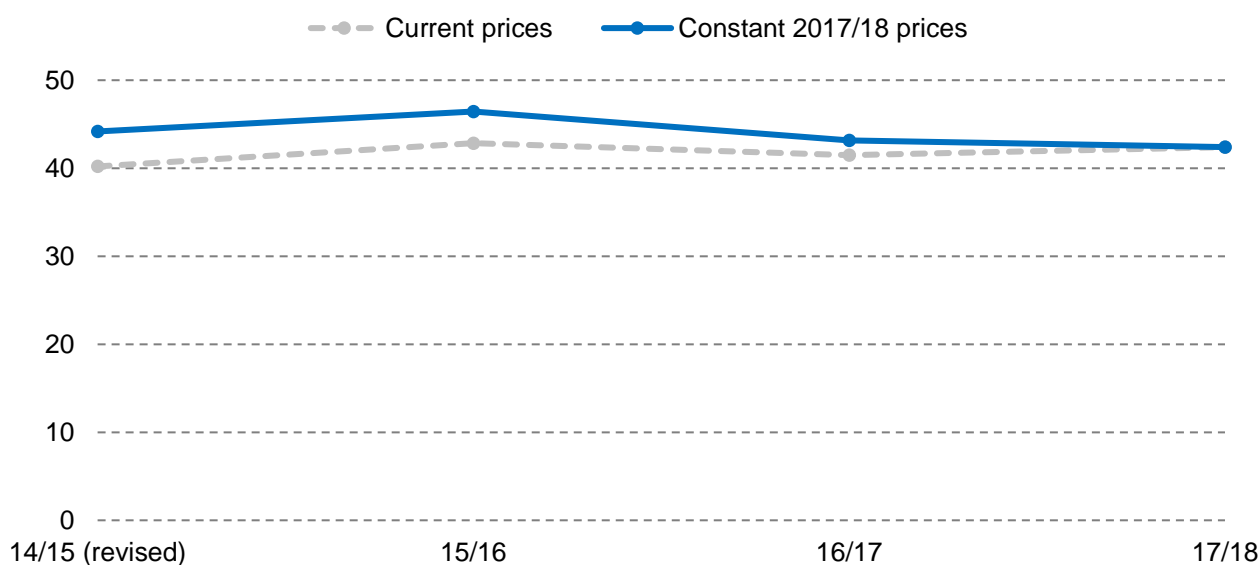
	14/15 (revised)	15/16	16/17	17/18
Gross Domestic Product				
Current basic prices (£ million)	35.1	37.3	36.2	37.2
Current market prices (£ million)	40.2	42.8	41.5	42.4
2017/18 constant market prices (£ million)	44.2	46.4	43.2	42.4
Annual growth rate in GDP	..	5.1	-7.1	-1.7
Per capita, current market prices, £	8,780	9,240	9,160	9,220
Per capita, constant 2017/18 prices, £	9,650	10,010	9,530	9,220
Per capita, current market prices, \$	14,160	13,930	11,970	12,230
Gross National Income				
Current market prices (£ million)	35.0	38.0	38.4	40.8
2017/18 constant market prices (£ million)	38.4	41.2	40.0	40.8
Per capita, current market prices, £	7,640	8,190	8,480	8,860
Per capita, constant 2017/18 prices, £	8,390	8,870	8,830	8,860
Annual growth rate in per capita GNI	..	5.7	-0.5	0.3
Per capita, current market prices, \$	12,310	12,340	11,090	11,750
Exchange rate (US \$ per St Helena £)	1.61	1.51	1.31	1.33

GDP for 2014/15 is now estimated to have been £40.2 million, an upwards revision of £6.7 million compared to the previous published provisional estimate of £33.5 million. The revision to the provisional 2014/15 estimates is due to improved estimates of the activity involved in constructing the new airport, the value of owner-occupied housing, and the use of government capital (i.e. depreciation). The revision reflects the difficulty of measuring GDP in a small economy such as St

Helena; in particular the impact of large one-off activities (such as the construction of the airport) and the dependence of St Helena's economy on aid flows from abroad mean that trends and levels of GDP and associated indicators should be used with great caution. In addition, while the new estimates are improved, there are still considerable uncertainties in some of the data sources used in their compilation.

To measure the 'real' change in the size of the economy, (i.e. accounting for price inflation), St Helena's Retail Price Index (RPI) has been used to measure GDP in 2017/18 constant market prices. For 2014/15, 2015/16 and 2017/18 it is measured at £44.2 million, £46.4 million, and £43.2 million respectively. These estimates give a positive annual growth rate in the overall domestic economy for 2015/16 of 5.1% (when airport construction was underway), a larger negative annual growth rate for 2016/17 (-7.1%) following completion of the majority of airport construction, and a smaller negative annual growth rate in 2017/18 (-1.7%), during the period when scheduled airport operations were starting (Chart 1). Using this method to take account of inflation indicates that size of the economy on St Helena was slightly smaller in 2017/18 than it was in 2014/15.

Chart 1. Gross Domestic Product, 2014/15 to 2018/18, £ million, current and constant 2017/18 market prices



Per capita Gross Domestic Product

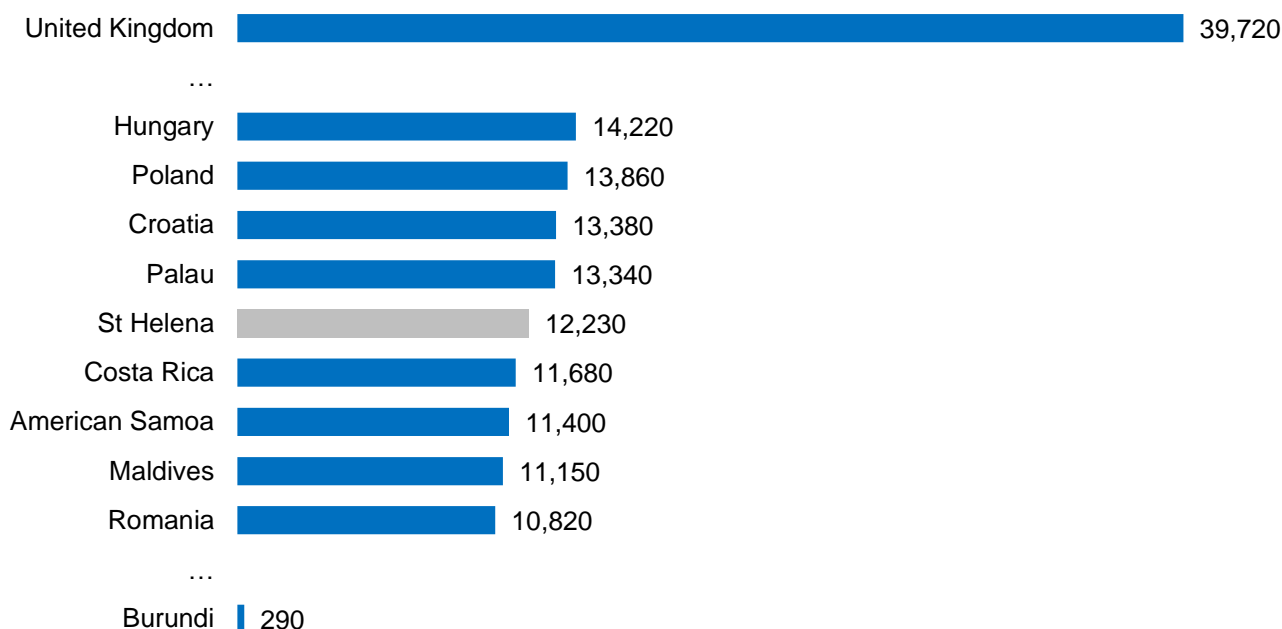
The size of an economy, measured using GDP, is influenced by the number of people that live there – large countries will typically have larger economies than smaller ones. For example, China has the second highest GDP in the world (the United States has the highest), some \$12.3 trillion in 2017. But it also has the highest population in the world, some 1.39 billion people in 2017. So to provide an estimate of the size of the economy that can be compared with other countries, per capita estimates are used: total GDP, divided by the size of the population. For 2017/18, St Helena's GDP per capita is estimated to be £9,220, or \$12,230.

Compared to other countries, the four countries immediately below St Helena in the global ranking (using 2017 estimates for other countries) are Costa Rica, American Samoa, The Maldives, and

Romania; and the four countries immediately above St Helena in the ranking are Palau, Croatia, Poland and Hungary (Chart 2). The country with the highest published GDP per capita in 2017 was Luxembourg; the country with the lowest was Burundi. The GDP per capita of the United Kingdom in 2017 was \$39,720.

Please note that these estimates do not account for purchasing power of different currencies in different economies; further work would be needed to accurately establish the purchasing power of the St Helena pound compared to the rest of the world. It is also important not to compare this figure with estimates of average wages or incomes; GDP measures the combined incomes of both companies and individuals, and GDP per capita estimates are expressed as a ratio to the whole population, including those both economically active and inactive.

Chart 2. GDP per capita for selected economies, 2017, current market prices, \$

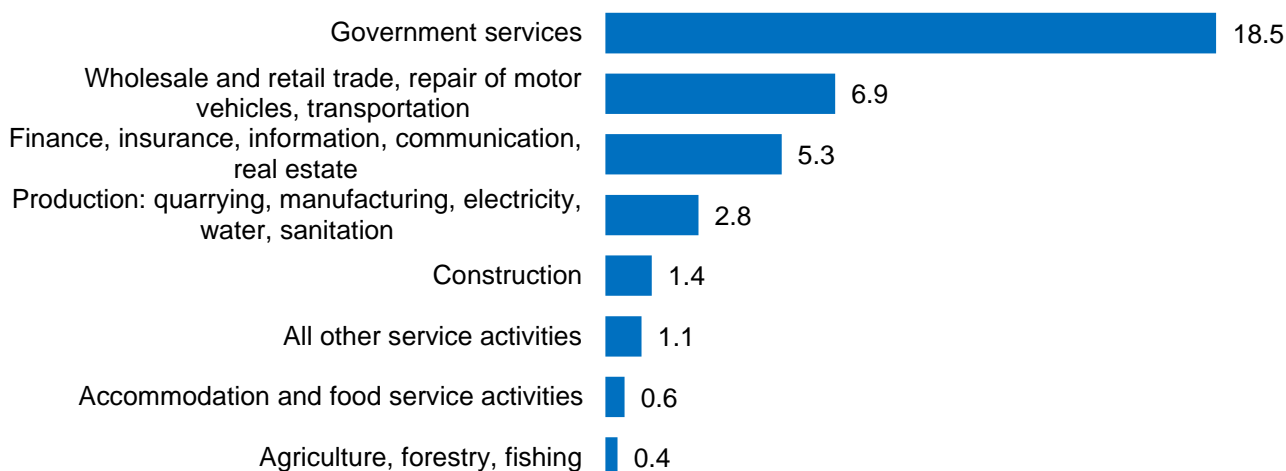


Note: St Helena is 2017/18 financial year; all other countries are 2017 calendar year. Data source for other countries: World Bank, World Development Indicators (<http://data.worldbank.org>).

Sectoral breakdown of GDP

The 2017/18 estimate of GDP has been compiled using the 'Production' approach, which is the most common method in countries around the world, but which has not been used on St Helena previously. This approach calculates GDP as the total of 'Gross Value Added' for each sector in the economy, illustrated in Chart 3; the contribution of each sector is recorded in 2017/18 basic prices (i.e. excluding taxes on production and customs duties). Government Services contributed the most (£18.5 million, or 50%) with Agriculture, Forestry and Fishing contributing the least. Wholesale and Retail Trade (including Motor Vehicle Repair and Transport) is the second largest sector, contributing around 19% of total Gross Value Added.

Chart 3. Gross Value Added by Sector, 2017/18 basic prices, £ million

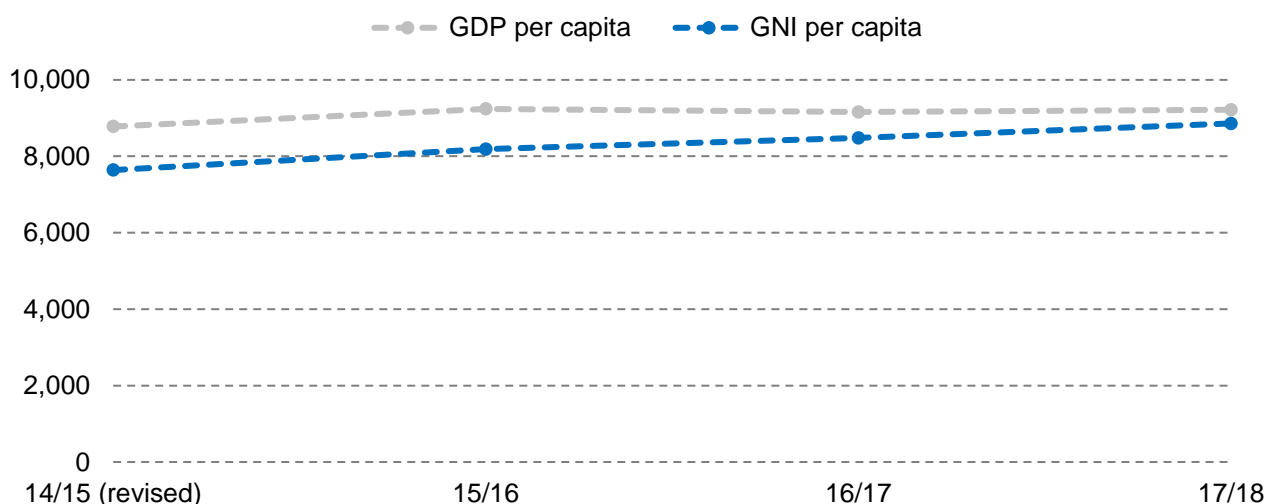


Gross National Income

An alternative measure to GDP is called Gross National Income (GNI). GDP is a measure of the total goods and services produced within the territory of St Helena, and GNI is a measure of the value received of the goods and services produced by St Helena’s residents, regardless of where they produce those goods or deliver those services. GNI is derived from GDP, and it should be noted that there are considerable weaknesses in the additional data sources needed to compute GNI; the estimates should therefore be used with caution, and considered to be indicative only.

Chart 4 shows the nominal levels (i.e. without inflation adjustment) of GDP and GNI per capita. Over the four years 2014/15 to 2017/18, the difference between the two has narrowed; there was a larger gap between the two during airport construction, largely due to the non-resident nature of Basil Read, the South African company contracted by the St Helena Government to build the airport.

Chart 4. Gross Domestic Product and Gross National Income per capita, 2014/15 to 2017/18, £ nominal market prices



Notes and Methodology

Revisions: Please note that all estimates published in this bulletin should be considered to be provisional and subject to future revision as additional data sources and clarifications become available (the development of St Helena's National Accounts is an ongoing program). This bulletin presents revised estimates for 2014/15.

Approach: There are three basic methods of compiling total GDP: the expenditure, income, and production approaches. Prior to 2016, St Helena published estimates based on the expenditure approach, and in 2016 a figure for 2014/15 was published based on the income approach. This Bulletin presents new estimates for 2017/18 based on the production approach, and estimates for 2014/15 to 2016/17 based on the income approach. As far as practicable in a small economy with limited resources, the compilation methods used follow the international guidance published in the '2008 System of National Accounts' by the United Nations.

GDP at basic prices: The income approach estimates at basic prices are derived as the sum of total compensation of employees, the gross operating surplus of companies and non-profit institutions, an estimate of government depreciation, the incomes of sole traders, and an estimate of the rental value derived by households from the owner-occupation of their homes. The production approach estimates at basic prices are derived as the sum of the gross value added of companies, government expenditure, plus an estimate of government depreciation, the incomes of sole traders, and an estimate of the rental value derived by households from the owner-occupation of their homes.

GDP at market prices: For both the production and income approaches, GDP at market prices is derived by adding total import taxes on products and taxes on production to total GDP at basic prices.

Inflation adjustment: Estimates are presented in both nominal and real terms (referred to this bulletin as constant 2017/18 prices). Estimates in nominal terms will change due to both the effect of price changes and because of growth in the size of the economy. Changes in the size of the economy can only be measured using estimates expressed in real terms. Real terms estimates have been calculated using inflation estimates derived from St Helena's Retail Price Index. It should be noted that this is not the usual recommended method (which is to use a special inflation estimate known as a GDP deflator). This is because the detailed price data needed to calculate a GDP deflator is not available, and because the GDP deflator calculations require GDP estimates derived using the production method – and 2017/18 is the first year that this has been done.

Measurement issues: There are significant measurement difficulties in estimating GDP and related indicators for St Helena. In some areas there are very limited (or no) sources to estimate some GDP components. For 2017/18, an improvement was to obtain data directly from larger companies using a set of questions added to the 2018 Business Survey. Additionally, the recommended measurement framework and concepts are not designed for measuring GDP in small, aid-dependent economies. Estimates are very sensitive to certain recording or classification conventions, which, while appropriate for larger economies, may distort trends and levels in smaller countries. There are further measurement difficulties in calculating GNI; in particular there are very limited data sources to estimate the income received from abroad by resident individuals and companies, and the income transferred abroad by non-resident individuals and companies (for the purpose of the GNI estimates presented in this bulletin, it has been assumed that the net income received from abroad by resident individuals is similar in size to the net income transferred abroad by non-residents).

Per capita estimates: For calculating per capita estimates of GDP and GNI, the population total used is the average of the end of month population estimates for the period, as published on the website of the St Helena Government.

Currency conversion: For converting from St Helena pounds (£) to United States dollars (\$), the average daily spot rates published by the Bank of England have been used.

Data sources: The primary sources that have been used to compile GDP and related measures include the 2018 Business Survey, the 2017/18 Income Tax database, published company accounts, and population estimates published by Statistics Office. Thanks are extended to all the companies and businesses that responded to the Business Survey, and to the Income Tax office for their cooperation and help in using the data from tax returns for this purpose.

Technical advice and support: Compiling estimates of Gross Domestic Product and related National Accounts is a highly complex and specialised task which would not have been possible without technical advice and support to the St Helena Statistics Office from the Office of National Statistics (ONS) in the United Kingdom. Thanks are especially due to Jim O'Donoghue of the ONS Methodology Advisory Service for his expertise and patience.

Questions or comments?

Please get in touch: we are Neil Fantom, Statistical Commissioner, Justine Joshua and Stuart Moors, Senior Statistical Assistants, and Bertina Benjamin, Statistics Assistant. You can find us in person at the Statistics Office on the **first floor of the Castle**, Jamestown, at the back of the main courtyard. You can also contact us by telephone: our direct line is **22138** or via the Castle switchboard on 22470. If calling from overseas, the international dialling code for St Helena is +290. Our general office e-mail address is **statistics@sainthelena.gov.sh**, or you can email team members directly (the format is `firstname.lastname@sainthelena.gov.sh`).