



## In this bulletin: new estimates of total economic activity on St Helena for 2018/19

This Bulletin presents new estimates of Gross Domestic Product (GDP) and Gross National Income (GNI), and revisions to estimates for earlier years. 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](http://www.sainthelena.gov.sh/statistics).

### Gross Domestic Product

Gross Domestic Product (GDP) 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. For 2018/19, GDP at market prices is estimated to be £38.6 million. The annual growth rate in 2018/19 compared to 2017/18 was -1.1%; in other words, the volume of goods and services produced by the economy fell by 1.1%.

Table 1. Estimates of Gross Domestic Product, 2013/14 to 2018/19

	13/14	14/15	15/16	16/17	17/18	18/19
Basic prices (£ million, current)	30.0	33.5	35.6	33.1	35.6	36.4
Market prices (£ million, current)	34.9	39.0	41.6	38.8	38.1	38.6
Market prices (£ million, constant 18/19)	..	..	..	..	39.0	38.6
Annual GDP growth rate	..	..	..	..	..	-1.1%
GDP per capita (£, current)	7,950	8,530	8,960	8,570	8,280	8,230
GDP per capita (\$, current)	12,640	13,760	13,510	11,200	10,990	10,800

On a per capita basis, GDP for 2018/19 was £8,230 per person, or \$10,800. Countries with similar GDP per capita in 2018, according to the World Bank, were Malaysia (\$11,370), Russia (\$11,290) and Mauritius (\$11,240), which were all slightly higher, and Grenada (\$10,640), St Lucia (\$10,570), and the Maldives (\$10,330), all of which were slightly lower. Note that these comparisons have not been adjusted for the purchasing power of local currencies.

### Methodology improvements and revisions to earlier years

GDP estimation and measurement methods are continuously reviewed for improvements to both source data and methodology. A significant improvement in this release is the use of a new methodology for adjusting for the effect of price inflation. In Table 1, estimates given in 'current prices' are not adjusted for inflation, but those given in 'constant 18/19 prices' are. Inflation-adjusted estimates can be thought of as representing the volume of goods and services produced in the

economy, rather than their value. In all previous releases of GDP estimates on St Helena the Retail Price Index (RPI) has been used as the basis for the adjustment, but because companies do not usually purchase inputs of goods and services at retail prices, this year an improved method – where adjustments are made to the prices experienced by each industrial activity grouping separately – has been used. This improved measure of annual price changes as they affect GDP measurement (which is called the ‘GDP deflator’) from 2017/18 to 2018/19 is 2.5%, which is much lower than the average RPI for the same period (4.1%). Previous estimates of growth based on the RPI measure are not comparable with those based on the GDP deflator, which is only possible from 17/18 to 18/19, and so they are no longer quoted.

Other improvements have been made to both source data and methods this year, following further technical guidance from statisticians at the UK Office for National Statistics. This has resulted in significant revisions to estimates of GDP published for previous years. One important methodology change is the valuation of the output of government, a non-market producer, on a net basis (i.e. excluding an estimate of asset depreciation). This is a common practice in many smaller countries. A second change is the deduction of some ongoing and regular subsidy payments in the estimates valued at market prices, following the recommendations in the guidelines issued by the United Nations.<sup>1</sup> Together with other smaller methodology changes, these changes have been applied to estimates back to 2013/14, as far as possible. Table 2 shows the estimates of GDP using the previous methodology, including 18/19, compared to the estimates using the new methodology.

**Table 2. Revisions to Estimates of Gross Domestic Product, 2013/14 to 2018/19**

	13/14	14/15	15/16	16/17	17/18	18/19
<b>Previous methodology</b>						
Basic prices (£ million, current)	31.2	35.1	37.3	36.2	37.0	38.7
Market prices (£ million, current)	35.8	40.2	42.8	41.5	42.4	41.9
<b>New methodology</b>						
Basic prices (£ million, current)	30.0	33.5	35.6	33.1	35.6	36.4
Market prices (£ million, current)	34.9	39.0	41.6	38.8	38.1	38.6

### Breakdown of GDP by industrial activity

Table 3 shows the share of GDP by each major activity grouping for the last two years, together with an estimate of the growth in each activity group in real terms (i.e. adjusted for inflation). Industrial activities are grouped according to Revision 4 of the International Standard Industrial Classification (ISIC) – in some instances two or more standard groupings are combined, to avoid disclosure of information about individual companies.

<sup>1</sup> System of National Accounts 2008, United Nations: <https://unstats.un.org/unsd/nationalaccount/sna.asp>

Apart from Government and Public Administration, which produces 46% of total GDP, the largest groups in terms of total contribution to GDP are Wholesale and Retail Trade (including Repair of Vehicles and Motor Cycles) (ISIC category G), and Finance, Insurance, Information and Communication (ISIC categories J and K combined), with around 14% each. Production activities (ISIC categories B-E; Quarrying, Manufacturing, Electricity, Water, and Sanitation) contribute slightly more than 9% of GDP, with Construction (ISIC category F), Real Estate Activities (including rental properties, ISIC category L), and Transportation and Storage (including the Airport, ISIC category H), all around 4% of GDP.

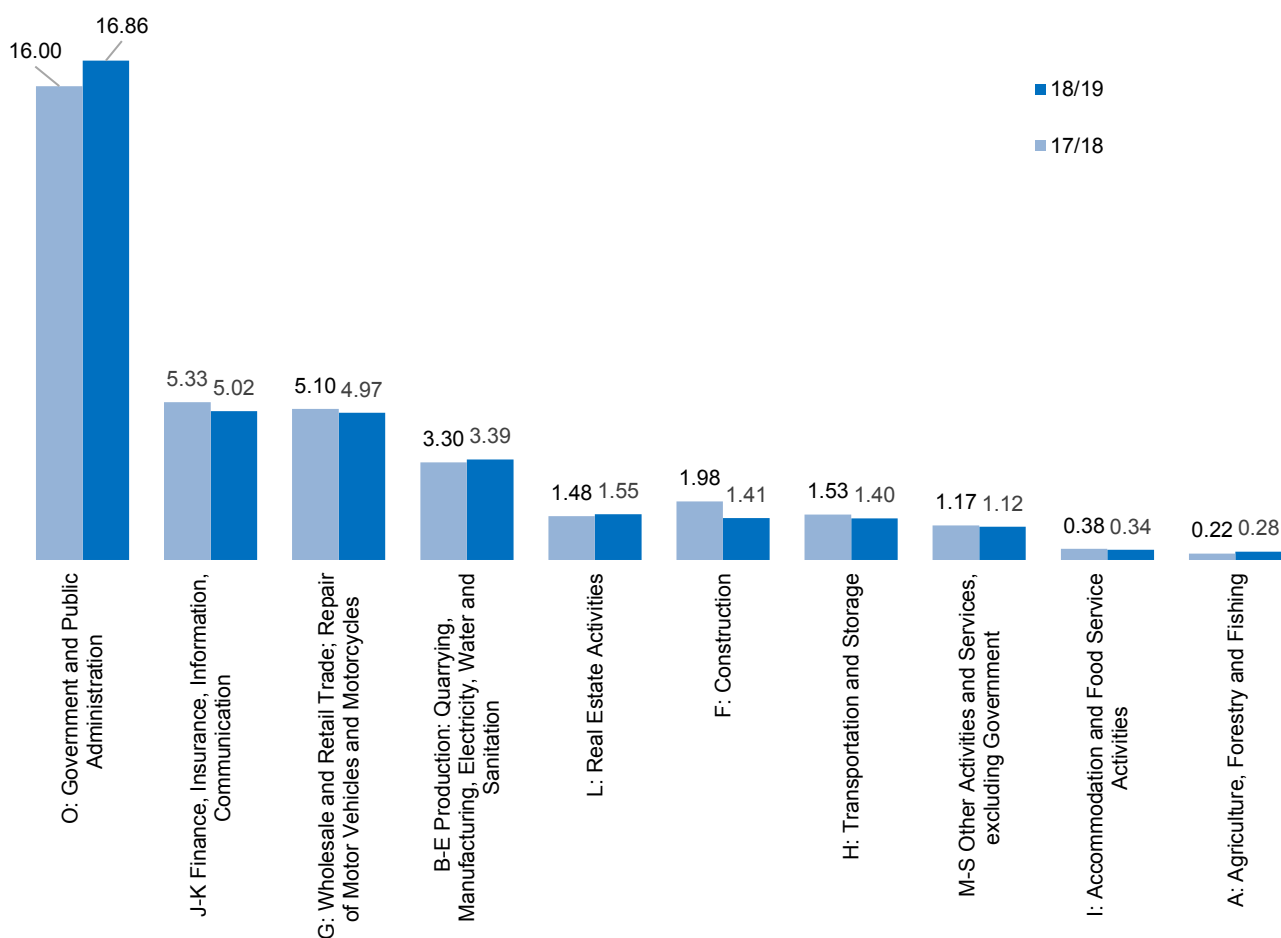
Table 3. Gross Domestic Product by Industrial Activity, 2017/18 and 2018/19

	Share of GDP at factor cost, current prices		Constant 18/19 prices £ millions		Growth rate
	17/18	18/19	17/18	18/19	
A: Agriculture, Forestry and Fishing	0.6%	0.8%	0.22	0.28	28.4%
B-E: Quarrying, Manufacturing, Electricity, Water, and Sanitation	9.0%	9.3%	3.30	3.39	2.5%
F: Construction	5.5%	3.9%	1.98	1.41	-29.0%
G: Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	13.8%	13.7%	5.10	4.97	-2.6%
H: Transportation and Storage	4.1%	3.9%	1.53	1.40	-8.6%
I: Accommodation and Food Service Activities	1.0%	0.9%	0.38	0.34	-9.9%
J-K: Finance, Insurance, Information, Communication	14.1%	13.8%	5.33	5.02	-5.8%
L: Real Estate Activities	4.2%	4.3%	1.48	1.55	4.5%
M-S: Other Activities and Services, excluding Government	3.0%	3.1%	1.17	1.12	-3.8%
O: Government and Public Administration	44.8%	46.4%	16.00	16.86	5.4%
<b>Gross Domestic Product (GDP) at factor cost</b>	<b>100.0%</b>	<b>100.0%</b>	<b>36.50</b>	<b>36.35</b>	<b>-0.4%</b>
Indirect taxes, less subsidies on production			2.52	2.22	-11.6%
<b>Gross Domestic Product (GDP) at market prices</b>			<b>39.02</b>	<b>38.57</b>	<b>-1.1%</b>

The most striking change in the composition of GDP between 17/18 and 18/19 is the fall in the value added of the Construction industry, of just under 30% or around £0.6 million. This corresponds to the end of the Airport Construction Project, the winding down of the associated Bulk Fuel Installation

(BFI) construction project, the departure of the Basil Read construction company from the Airport Project and the Island due to its 'business rescue' status, and the absence of a Capital Investment Programme by the St Helena Government. The contribution to GDP by four industrial groupings grew: Agriculture, Forestry and Fishing (ISIC category A), production activities of Quarrying, Manufacturing, Electricity, Water, and Sanitation (ISIC categories B-E), Real Estate Activities (ISIC category L), and Government and Public Administration (ISIC category O). See Table 3 and Chart 1.

Chart 1. Composition of GDP by industrial Activity, 2017/18 and 2018/19 basic prices, £ million



### Gross National Income

An alternative measure to GDP is called Gross National Income (GNI). GDP is a measure of the total value of 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 by adding income earned abroad by residents and deducting income earned on St Helena by non-residents. The place of residence is defined as the ‘centre of economic interest’ of a business or individual, but for practical reasons a one-year rule is usually applied; that is, the place where someone has lived for a year or more. GNI is a useful measure because it values the economic activity of the residents of a territory. But there are difficulties obtaining data to calculate some of these additional measures, and

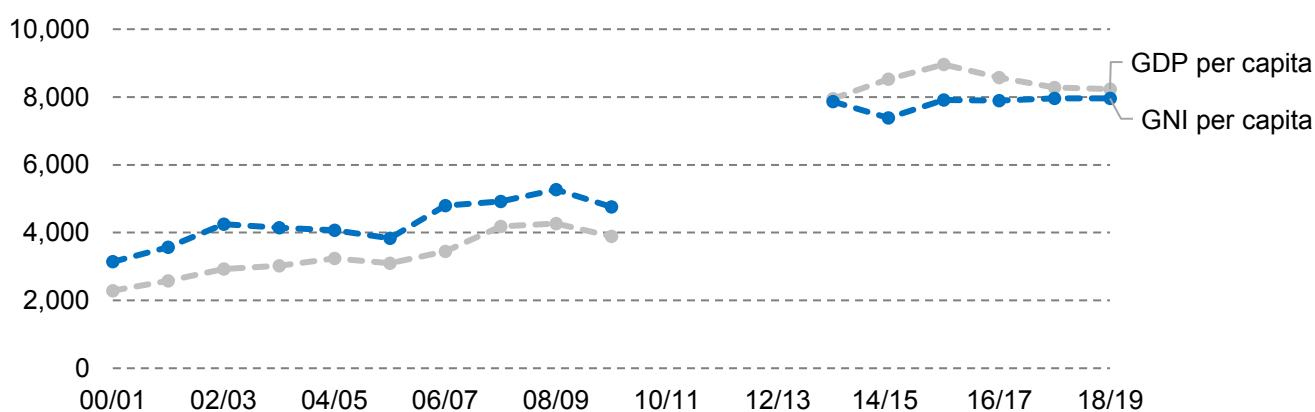
GNI estimates should therefore be used with caution.

Table 4. Gross National Income, 2013/14 to 2018/19

	13/14	14/15	15/16	16/17	17/18	18/19
Current market prices (£ million)	34.5	33.8	36.7	35.7	36.6	37.3
Per capita, current prices, £	7,870	7,380	7,910	7,890	7,960	7,960
Per capita, current prices, \$	12,510	11,910	11,930	10,320	10,570	10,450

Table 4 shows the nominal levels (i.e. without inflation adjustment) of GNI per capita since 2013/14. In recent years, GNI per capita has been relatively flat in St Helena Pounds, but has decreased when measured in US Dollars because of the loss of value of the British Pound following the decision to leave the European Union. Chart 2 compares GNI per capita with GDP per capita: prior to the start of Airport construction around 2012, GDP per capita was estimated to be less than GNI per capita. This means that income from abroad of resident institutions and individuals was estimated to be higher than income on St Helena of non-residents; since 2013/14, this situation is estimated to have reversed, due to the increase in activity of non-residents on St Helena. Over the six years 2013/14 to 2018/19, the difference between the two widened slightly and then narrowed as the construction work to build St Helena Airport ended.

Chart 2. Gross Domestic Product and Gross National Income per capita, 2000/01 to 2018/19, £ nominal market prices



**Notes and Methodology**

Revisions: Please note that all estimates published in this bulletin should be considered provisional and subject to future revision as additional data sources become available and further improvements are made to the methodology (the development of St Helena’s National Accounts is an ongoing programme of work). This bulletin presents revised estimates for 2013/14 through to 2017/18 and new estimates for 2018/19.

**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 estimates for 2017/18 and 2018/19 based on the production approach, and revised estimates for 2013/14 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, 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 and government consumption expenditure, plus 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 indirect taxes on products and production, such as customs duties and service taxes, to total GDP at basic prices, and subtracting regular government subsidies to companies.

**Inflation adjustment:** Estimates are presented in both nominal and real terms (referred to in this bulletin as current prices, and constant 2018/19 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. But changes in the size of the economy can only be measured using estimates expressed in real terms, adjusted for price inflation. Estimates in real terms have been calculated using specific inflation estimates for each industrial grouping of economic activity, an improvement on past practice of using St Helena's Retail Price Index. This is the recommended method and is possible this year because two years of GDP estimates using the production method are available (2017/18 and 2018/19).

**Measurement issues:** There are significant measurement difficulties in obtaining accurate source data for estimating GDP and related indicators for St Helena. Additionally, it is noted that the recommended measurement frameworks and concepts are not always well suited to measuring economic activity 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. In particular, 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 St Helena Government website by the Statistics Office.

**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 Business Survey conducted by the Statistics Office, Income Tax returns, published company accounts, and population estimates published by the 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. Data confidentiality is maintained, as required by the 2000 Statistics Ordinance.

Technical advice and support: Compiling estimates of Gross Domestic Product and related National Accounts is a highly complex and specialised task that has only been possible because of the technical advice and support provided by the Office of National Statistics (ONS) in the United Kingdom. Thanks are especially due to Jim O'Donoghue of the ONS Methodology Advisory Service (2017/18 estimates) and Robin Youll (2018/19 estimates) for their expertise and patience.

### Have more questions or comments?

Please get in touch: we are Neil Fantom, Statistical Commissioner, Kelly Clingham and Justine Joshua, Senior Statistical Assistants, and Bertina Benjamin, Statistical 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`).