



GOVERNMENT OF GIBRALTAR

**THE
NATIONAL INCOME
ESTIMATES**

1996/97 – 2000/01

STATISTICS OFFICE

National Income Estimates

The tables contain estimates of the Gross Domestic Product of Gibraltar for the period 1996/97 to 2000/01. This is the first time that Gibraltar's National Income Accounts are being published in a disaggregated form. Previously, only the finalised figure for overall GNP/GDP estimates were published.

As explained below, GNP/GDP estimates became increasingly unreliable towards the mid-1990s and it was decided to suspend calculations from 1996/97 onwards pending a comprehensive review of the Accounts and subsequent verification using the results of the Input/Output Study which was commissioned later on.

The national accounts estimates in Gibraltar are calculated in two ways using both income and expenditure data. There is a third method known as the production or output method whereby the value of final output added by each industry is measured. In Gibraltar, this is only applied whenever an Input/Output Study is conducted. In theory, all three methods should give the same result for GDP. In practice, this is not usually the case because the data used by the different methods necessarily have different degrees of coverage and accuracy. The conventional way of reconciling estimates under these methods is the use of a balancing figure called the residual error.

The tables for Gibraltar's GNP and GDP consequently show a "residual error" which balances the annual discrepancy between the income and expenditure methods of calculation. This balancing adjustment is always shown under the expenditure tables, as advised by Mr H. Fell in his review of the accounts in 1990, since the income GDP estimate is deemed the more accurate. The preparation of National Income Accounts depend on a wide range of data of varying accuracy and completeness. Accordingly, each component item is therefore given an accuracy rating to highlight the likely margin of error inherent in that particular figure. (A – up to 5%, B – up to 15%, C – 15% or more). The accounting terms and concepts are based on the Government Statistical Service publication "United Kingdom National Accounts : Sources and Methods" (HMSO 1985).

A number of revisions have been carried out over the years both in terms of concepts and data compilation. The most recent review has been that of K. Mansell in 1998. This review was aimed primarily at identifying the possible reasons for the large size of the "residual error" which, for 1994/95 had reached a level of £113.62 million – almost 35% of the GDP estimate itself. Residual errors of this size are too large to render the resulting GDP estimate sufficiently meaningful or reliable, hence the decision to suspend publication of unreliable economic data until the basis of the data could be rectified and verified. The increasing size of the residual error in turn reflected the increasing difficulties in measuring GDP following the significant shift during the 1990's from a traditionally dominant public sector economy (for which data on economic variables was largely available) to a private sector led economy (for which economic data was not easily available). The Mansell Report

identified a number of changes to the treatment of certain economic variables together with a number of other conceptual adjustments.

The decision to commission an Input/Output Study of the economy was an integral part of the review of Gibraltar's National Accounts. It was decided to await the outcome of that Study in order to further verify the accuracy and reliability of the revised GDP/GNP estimates. This caused some delay in the production of GDP/GNP estimates from 1996/97 onwards given that the Study took over two years to complete. But it was thought preferable to delay publication than to continue to publish figures upon whose accuracy little reliance could be placed.

The Input/Output Study estimate of the Gibraltar GDP for 1999/00 was provisionally estimated at £417.5 million, as published in the 2001 Abstract of Statistics. This was subsequently adjusted to £411.0 million by the end of the Study. The GDP figure using the normal income and expenditure methods has been calculated at £409.89 million. The closeness of the estimates using the three different methods of calculation in respect of 1999/00 indicated that a significant degree of confidence and reliability can now be placed on the revised computation of Gibraltar's GNP/GDP figures. Now that the Input/Output Study has been completed, it is possible to resume calculation of GNP/GDP estimates from 1996/97 onwards and publish the figures with confidence as to their reliability. In addition, Government has decided to initiate the practice of publishing details of the calculations.

Figures for the period 1996/97 to 2000/01 have been produced and are set out in this Report.

The following table shows the rate of change on an annual basis in the GDP figures in respect of the period 1996/97 to 2000/01. The change in money terms is the percentage change in the figures from one year to the other. The change in real terms adjusts the change in money terms by taking into account price inflation over the period.

<u>Year</u>	<u>GDP</u> <u>£ (million)</u>	<u>% change</u> <u>Money terms</u>	<u>% change</u> <u>Real Terms</u>
1996/97	352.12	-	-
1997/98	364.51	+ 3.5	+ 2.7
1998/99	393.23	+ 7.9	+ 7.1
1999/00	409.89	+ 4.2	+ 2.9
2000/01	433.61	+ 5.8	+ 3.9

Abbreviations to the tables in the Report.

GOVT	-	Government
GDP	-	Gross Domestic Product
GNP	-	Gross National Income Product
CAP	-	Capital
F'MTN	-	Formation

Statistics Office
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£ MILLION

EXPENDITURE METHOD

	* 1996/97	1997/98	1998/99	1999/00	2000/01
CONSUMERS' EXPENDITURE	B 205.99	209.12	212.28	216.20	221.50
GOVT. FINAL CONSUMPTION	A 81.79	100.41	109.54	119.56	134.86
GROSS DOMESTIC FIXED CAP. F.MTN	C 26.12	31.40	36.57	50.58	38.70
TOTAL DOMESTIC EXPENDITURE	C 313.90	340.93	358.39	386.34	395.06
EXPORTS OF GOODS AND SERVICES	C 481.71	413.47	414.17	526.91	652.35
IMPORTS OF GOODS AND SERVICES	B -393.96	-335.33	-347.19	-451.74	-538.76
RESIDUAL ERROR	-14.71	-15.33	11.05	-3.15	-22.39
GDP (MARKET PRICES)	B 386.94	403.74	436.42	458.36	486.26
SUBSIDIES	C 5.28	5.33	5.37	5.44	5.54
TAXES ON EXPENDITURE	A -40.10	-44.56	-48.56	-53.91	-58.19
GDP (FACTOR COST)	B 352.12	364.51	393.23	409.89	433.61
NET PROPERTY INCOME FROM ABROAD	C -2.24	-1.32	-1.77	-2.69	-2.02
NET FACTOR INCOME FROM ABROAD	B -17.26	-17.18	-19.93	-23.38	-30.15
GNP (FACTOR COST)	B 332.62	346.01	371.53	383.82	401.44

INCOME METHOD

	* 1996/97	1997/98	1998/99	1999/00	2000/01
INCOME FROM EMPLOYMENT	B 212.65	212.46	223.07	233.76	248.06
INCOME FROM SELF-EMPLOYMENT	C 32.05	37.79	43.70	44.19	44.75
GROSS TRADING PROFITS OF COMPANIES	C 44.64	45.00	53.57	55.36	60.91
GROSS TRADING SURPLUS OF GOVERNMENT ENTERPRISES	A 4.00	5.03	4.55	4.00	3.25
RENT	C 59.79	65.25	69.37	73.62	77.70
TOTAL DOMESTIC INCOME	B 353.13	365.53	394.26	410.93	434.67
LESS STOCK APPRECIATION	C -1.01	-1.02	-1.03	-1.04	-1.06
GDP (FACTOR COST)	B 352.12	364.51	393.23	409.89	433.61
NET PROPERTY INCOME FROM ABROAD	C -2.24	-1.32	-1.77	-2.69	-2.02
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