Orkney Economic Review 2010

ORKNEY ISLANDS COUNCIL

No. 24

Development and Environment Services
Orkney Islands Council, School Place, Kirkwall, KW15 1NY

www.orkney.gov.uk


NORTH RONALDSAY
PAPA WESTRAY
WESTRAY
SANDAY
EDAY
ROUSAY
EGILSAY
WYRE
MAINLAND
STRONSAY
SHAPINSAY
GRAEMSAY
HOY
BURRAY
FLOTTA
SOUTH RONALDSAY

This booklet aims to bring together and review the latest data available on the Orkney economy. The majority of the statistics come from published sources, which are credited below each table/ graph.

Whilst it is the purpose of the review to present up-to-date information, in a few cases, where entirely current data was not available at the time of going to print, more dated figures are shown.

In many cases historical data provided differs from that previously published. Updated statistics have been used where they have been provided.

Every care is taken in the production of this publication, however, neither the publisher nor the printer can accept responsibility for any errors or omissions.

Contents

Kirkwall Marina

Labour Market

Unemployment Rate % in Orkney 2003-2009

	2003	2004	2005	2006	2007	2008	2009
January	2.4%	2.2%	1.7%	1.4%	1.7%	1.1%	1.3%
February	2.4%	2.2%	1.8%	1.5%	1.5%	1%	1.4%
March	2.1%	2.2%	1.6%	1.6%	1.4%	1%	1.4%
April	1.9%	2%	1.6%	1.7%	1.2%	0.9%	1.4%
May	1.7%	2%	1.4%	1.6%	1%	0.8%	1.3%
June	1.5%	1.7%	1.3%	1.4%	0.9%	0.8%	1.1%
July	1.4%	1.6%	1.3%	1.5%	0.9%	0.7%	1.0%
August	1.5%	1.5%	1.2%	1.3%	0.9%	0.8%	1.0%
September	1.6%	1.4%	1.1%	1.2%	0.9%	0.9%	1.0%
October	1.6%	1.5%	1.2%	1.3%	1%	0.9%	1.0%
November	1.9%	1.5%	1.3%	1.4%	1.1%	1%	1.2%
December	2%	1.5%	1.4%	1.5%	1%	1.2%	1.4%
Average	**1.8%**	**1.8%**	**1.4%**	**1.5%**	**1.1%**	**0.9%**	**1.2%**

Source: Office for National Statistics (ONS)

Note: Unemployment rates are all people claiming unemployment related benefits, divided by the number of economically active people (the proportion of the population which is involved in employment, self-employment or is seeking full-time work, ONS).

Orkney's average unemployment rate in 2009 rose slightly. The increase in claimants between 2008 and 2009 could perhaps be attributed, in part, to the closure of the Kirkwall Woolworths store in December 2008 and a drop in activity within the construction sector during this period. However, as the following table illustrates, the recent trend is towards increasing numbers of job seekers and for increasingly lengthy periods of unemployment.

Claimant count, Job Seeker Allowance

December	2007	2008	2009	increase 2007-09	
				number	per cent
All Job Seekers	117	144	169	52	44.4
By age of claimant					
Aged 18-24	20	45	45	25	125.0
Aged 25-49	55	65	95	40	72.7
Aged 50 and over	35	30	30	-5	-14.3
By duration of claim					
Up to 6 months	90	120	135	45	50.0
6 to 12 months	5	15	20	15	300.0
Over 12 months	15	10	15	0	0

Source: Office for National Statistics (ONS)

Notes: Totals may not always tally due to rounding and, owing to rounding, the apparent movements by age group and duration may be exaggerated. Historically, unemployment generally tends be at its lowest during the summer months.

The age bracket displaying the largest increase (in percentage terms) in Orkney unemployment during the last two years is the 18-24 age-group and this is perhaps symptomatic of declining investment by businesses in general and, in particular, a reluctance or inability to invest in trainees and apprentices.

However, the overall rate of increase over the last two years, in percentage terms, is less than half that in Scotland or in Great Britain (GB).

JSA Claimants

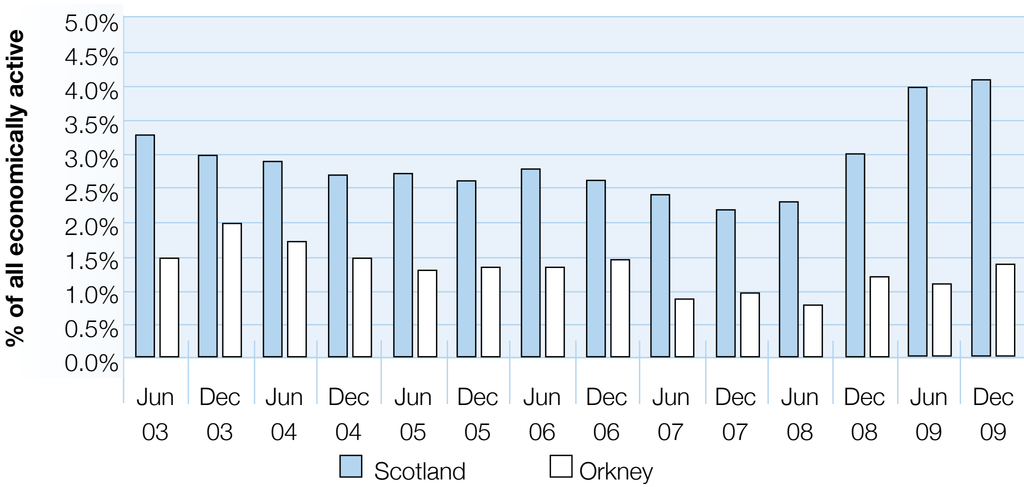
	December 2007 (%)			December 2009 (%)			increase over period (%)		
	Orkney	Scotland	GB	Orkney	Scotland	GB	Orkney	Scotland	GB
Claimants %	1.0	2.2	2.1	1.4	4.1	4.1	40	86	95

Source: ONS

Note: Claimant % is a proportion of resident working age people (estimated)

This is a consistent position and the following chart illustrates the relative health of the Orkney labour market over the past five years.

Unemployment Rate in Orkney Relative to Scotland 2003-2009



Source: Office for National Statistics

Unemployment in Orkney can be further broken down by electoral wards, illustrating the differences that can occur in Orkney, both across the Mainland and between islands. The following table shows however that even the highest rate of unemployment in Orkney is lower than the Scottish average.

Orkney Job seekers

at September 2009	Total rate	Total number	Men; Rate	Men; number	Women; Rate	Women; number
Wards with highest rate of unemployment						
Sanday	2.3%	7	2.5%	4	2.1%	3
Stromness West	2.0%	6	2.5%	4	1.4%	2
Kirkwall St Olafs	1.9%	6	2.0%	3	1.8%	3
Kirkwall St Magnus	1.9%	11	2.8%	8	1.0%	3
Harray and Firth	1.8%	11	2.5%	8	1.0%	3
Wards with lowest rate of unemployment						
Westray and Papa Westray	0.0%	0	0.0%	0	0.0%	0
Burray and South Ronaldsay	0.1%	1	1.0%	0	0.3%	1
Kirkwall Weyland	0.3%	2	0.3%	1	0.3%	1
Sandwick	0.4%	2	0.4%	1	0.4%	1
Evie and Rendall	0.5%	2	0.4%	1	0.5%	1

Source: Scottish Government Analytical Services Division

The number and percentages of job seekers in Orkney's wards can change significantly from month to month. The above table is only indicative of the situation at September 2009.

Economic Activity

The percentage of the Orkney population who are ***economically active***, i.e either in employment or actively seeking employment, tends to be higher than both the Scottish and Great Britain averages.

Economically Active as % of (estimated) working age population

Year	Orkney (%)	Scotland (%)	GB (%)
July 2005-June 2006	87.4	79.5	78.4
July 2006-June 2007	83.7	80.0	78.6
July 2007-June 2008	87.3	80.0	78.8
July 2008-June 2009	88.1	79.7	78.9
Mean	85.9	79.8	78.7

Source: ONS

Self-employment is more prevalent in Orkney than in the rest of Great Britain.

Self-employment – regional comparison

	Orkney		Scotland	Great Britain
	count	%	%	%
Self-employed at June 2009	1800	11.9	7.5	9.1

Source: ONS

A relatively higher percentage of the Orkney employee jobs are also part-time in nature and this is likely to result in lower than average household incomes.

Distribution of employee jobs, 2008

	Orkney (employee jobs)	Orkney (%)	Scotland (%)	GB (%)
Total employee jobs	**9,300**	-	-	-
Full-time	5500	59.5	67.8	68.8
Part-time	3800	40.5	32.2	31.2
Employee jobs by industry				
Manufacturing	500	5.5	8.7	10.2
Construction	900	9.2	5.9	4.8
Services	7200	76.8	81.9	83.5
Distribution, hotels & restaurants	2100	22.8	22.2	23.4
Transport & communications	900	9.8	5.1	5.8
Finance, IT, other business activities	600	6.0	19.1	22.0
Public admin, education & health	3200	34.4	30.0	27.0
Other services	400	3.8	5.4	5.3
Tourism-related*	1000	11.1	8.9	8.2

Source: ONS annual business inquiry employee analysis (employee jobs rounded to nearest 100)

*Tourism consists of industries that are also part of the services industry

Compared to Great Britain as a whole, employment in construction was much more significant in Orkney during 2008, whereas manufacturing was a much less prominent industry. Unsurprisingly, in respect of in an island community, employment in the transport and communications sector and in public administration, education and health, is also much more significant in Orkney. Orkney's geography and dis-economies of scale also create fewer local opportunities in finance, IT and other business activities.

Data on the numbers of all businesses registering or deregistering for VAT is no longer available for dates after 2007. This has been replaced with a table of business births and deaths, but only in respect of what is termed 'Active Enterprises' i.e. those registered either for VAT and/or PAYE. The data therefore does not include the many small businesses in Orkney who are not employers.

Active Enterprises - Orkney

	2004	2005	2006	2007	2008	totals 2004-08
business births	75	90	60	65	55	345
business deaths	60	50	65	55	60	300
total active enterprises (end 2008) = 800						

Source: Scottish Government Analytical Services

The 800 active enterprises consisted of the following businesses, categorised by the number of persons employed by each.

Orkney business stock by scale

	Employment Size Band				
	0 - 4	5 - 9	10 - 19	20 +	Total
enterprise stock 2008	555	130	60	55	800

Owing to the very small number of Orkney businesses sampled by them, the reporting of productivity (or Gross Value Added [GVA]) by government statistics agencies has traditionally been unreliable. Nevertheless, an indication of GVA in three of the industrial sectors is provided in the following table and compared to Scotland as a whole. The 2007 data is the most recent available.

Gross Value Added, at basic prices, by Industry in years 1998, 2006 & 2007

	Orkney				Scotland			
Industry	**1998**	**2006**	**2007**	**change 1998-2007**	**1998**	**2006**	**2007**	**change 1998-2007**
GVA (£ millions)								
Construction	17	48	40	+135%	3,206	6,037	6,373	+99%
Manufacturing	60	28	33	-45%	12,661	13,646	13,486	+7%
Services*	50	77	68	+36%	23,308	36,331	36,759	+58%
	Orkney				**Scotland**			
GVA per employee (£)	**1998 (£)**	**2006 (£)**	**2007 (£)**	**change 1998-2007**	**1998 (£)**	**2006 (£)**	**2007 (£)**	**change 1998-2007**
Construction	24,419	60,792	53,172	+118%	23,224	47,675	50,051	+116%
Manufacturing	63,932	52,515	66,297	+4%	38,969	61,402	61,252	+57%
Services*	15,392	21,441	17,447	+13%	22,397	29,874	29,458	+32%

* Services here excludes: Financial Intermediation, Public Administration and Health & Social Work

Source: Scottish Government Analytical Services

- **Construction**: Between 1998 and 2007, total GVA and GVA per employee increased substantially in both Orkney and Scotland with output per employee in Orkney slightly higher than the Scottish average.
- **Manufacturing**: Considering all other data, it would appear that the 1998 GVA figures could have been wrongly reported. However, following an apparent increase in output in Orkney between 2006 and 2007, output per employee, again, is higher than average.
- **Services**: Orkney's service sector appears to have consistently under-performed against the Scottish average with productivity actually falling in Orkney between 2006 and 2007. Service sector output is however very difficult to measure and can be particularly unreliable in respect of small sample numbers.

Earnings

Because of the small number of Orkney employees sampled, data published by national statistic agencies in respect of average Orkney weekly earnings is unreliable and is not reported here.

Population

Although Orkney's population natural growth rate (births minus deaths) was still negative in both 2008 and 2009, the gap was smaller than it has typically been for many years, with registered births at its highest level for some years. Estimated in-migration was however much lower than during recent years and this might have been assumed to be influenced by the difficult conditions prevailing in the UK economy and housing market.

Orkney Population Change

Year ended 30 June	Births	Deaths	Natural growth	Migration (net)	Population
1994	257	247	10	40	19,810
1996	217	242	-25	-45	19,800
1998	200	244	-44	-246	19,550
2000	163	220	-57	-63	19,480
2000	(revised)				19,290
2002	176	210	-34	24	19,210
2004	167	224	-57	247	19,500
2006	194	208	-14	194	19,770
2007	190	255	-65	155	19,860
2008	214	225	-11	41	19,890
2009	200	209	-9	92	19,973

Source: General Register Office for Scotland (GROS)
NOTE: population and migration figures post 2001census are estimates

The estimated 2009 population is slightly lower than that predicted by GROS in 2007, predictions which were based upon the estimated population figure in respect of 2006. The Orkney population is now predicted to reach 21,501 in 2023.

Predictions for an ageing population are highlighted in the following table.

Predicted population changes (per cent) 2008 to 2023

	All ages	Children 0-15	Working age*	Pensionable age*
Scotland	5	2	4	14
Orkney	8	-1	4	26

* Pensionable age is 65 for men, 60 for women until 2010; between 2010 and 2020 pensionable age for women increases to 65

Source: GROS

An Orkney **Population and Migration** study was completed in April 2009 and the comprehensive report can be viewed at: http://www.orkney.gov.uk/nqcontent.cfm?a_id=14382&tt=orkneyv2.

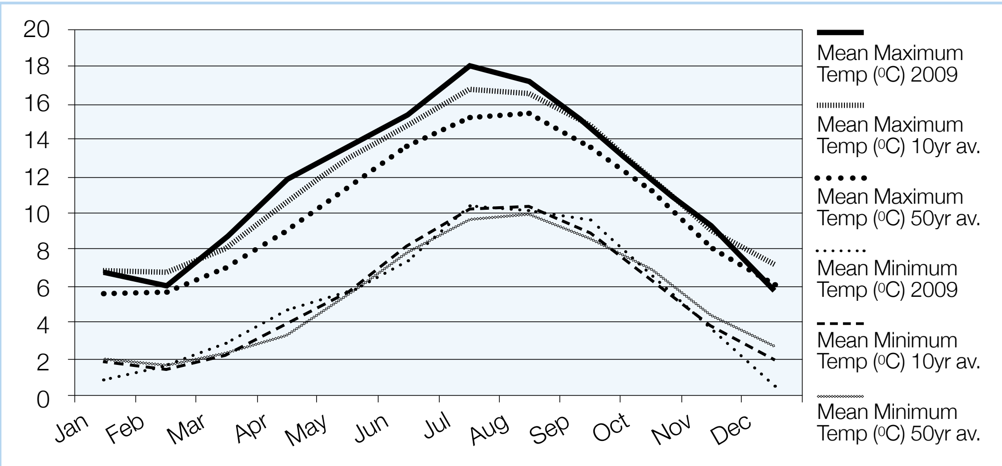
Weather

Temperature

	Mean MAXIMUM Temp (°C)			Mean MINIMUM Temp (°C)		
	2009	10 Yr Av	50 Yr Av	2009	10 Yr Av	50 Yr Av
Jan	6.7	6.9	5.5	0.9	1.9	2.0
Feb	6.0	6.7	5.6	1.6	1.4	1.6
Mar	8.6	8.0	7.0	2.8	2.2	2.3
Apr	11.9	10.6	9.0	4.7	3.9	3.3
May	13.6	13.0	11.4	5.7	5.7	5.5
Jun	15.3	14.8	13.7	7.4	8.1	7.8
Jul	18.0	16.7	15.2	10.3	10.2	9.7
Aug	17.2	16.5	15.4	10.1	10.3	9.9
Sep	14.7	14.8	13.6	9.6	8.9	8.6
Oct	11.7	11.8	11.2	6.6	6.4	6.9
Nov	9.2	9.0	8.0	3.6	3.8	4.3
Dec	5.8	7.2	6.1	0.5	2.0	2.7
Average	11.6	11.3	10.1	5.3	5.4	5.4

Sources: 2009 data: Loch of Hundland climate station
10 year average, period 2000 – 2009: Loch of Hundland climate station
50 year average: Kirkwall Airport data 1950-2000

The comparisons are more clearly illustrated in the following chart.



As data from the Meteorological Office (taken at Kirkwall Airport) is now less readily available, weather statistics for 2009 and the 10-year averages are provided from the Loch of Hundland climate station, privately operated by Keith Johnson. Comparison of the ten and fifty year averages shows a fairly consistent increase in the mean monthly maximum temperatures throughout the year. The chart also reflects the higher than average temperatures experienced in 2009 during the spring and summer period. There is less evidence of a consistent trend in the average minimum temperatures although it is clear that the April to September period has been consistently milder over the past ten years than it was over the preceding fifty-year period.

This overall trend is in line with the well-documented concept of global warming, although it should be noted that this data is not conclusive and any apparent pattern may just be the result of natural cyclical change or of differences between the prevailing weather at the two locations.

Rainfall & sunshine hours

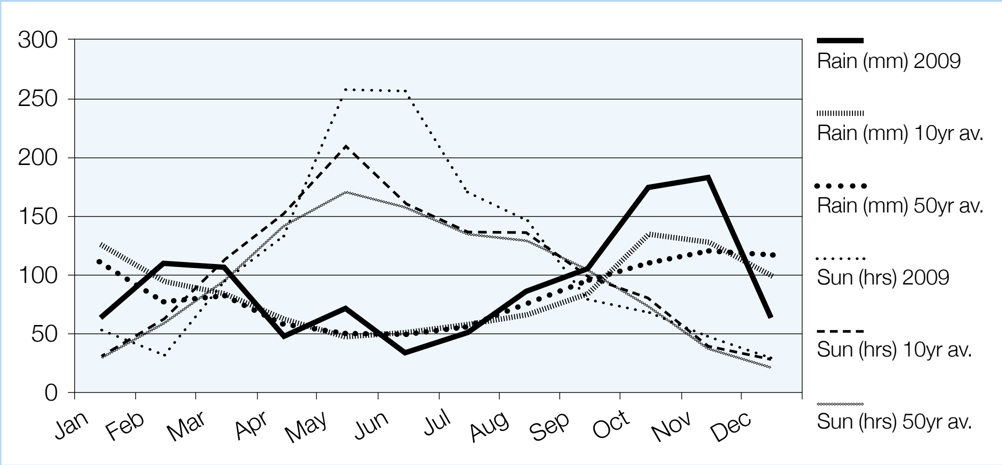
	RAIN (mm)			SUN (hrs)		
	2009	**10 Yr Av**	**50 Yr Av**	**2009**	**10 Yr Av**	**50 Yr Av**
Jan	64.3	123.8	110.5	52.2	32.4	29.3
Feb	109.8	95.0	76.6	32.3	63.6	60.3
Mar	107.5	84.4	82.4	95.5	112.9	94.3
Apr	48.2	62.8	57.3	133.4	152.8	141.7
May	71.5	47.9	49.3	259.6	211.1	172.4
Jun	33.7	51.0	48.5	258.3	162.1	157.5
Jul	50.6	58.4	55.8	171.6	136.1	135.9
Aug	86.1	66.7	73.3	146.7	137.4	129.0
Sep	104.6	83.6	96.5	79.3	98.7	104.1
Oct	174.7	134.3	109.8	68.5	81.5	73.8
Nov	185.0	128.6	120.6	47.7	38.1	37.6
Dec	65.6	99.6	117.4	29.0	28.0	21.9
Av/Total	1101.6	1036.0	998.0	1374.1	1254.7	1157.8

Source: 2009 data: Loch of Hundland climate station

10 year average, period 2000 – 2009: Loch of Hundland climate station

50 year average: Kirkwall Airport data 1950-2000

Rainfall and sunshine pattern



In total, 2009 was wetter but sunnier than average although 2009 monthly variations in both rainfall and sunshine demonstrate little or no consistency against either the ten or fifty-year averages.

Perhaps a better indication of weather pattern is found by comparing total rainfall and sunshine experienced during the last ten years with those of the preceding fifty years. From the table, it is clear that Orkney's weather is becoming wetter, with average rainfall some 3.8% higher. The hours of sunshine are however also increasing – the last ten years averaged 97 hours (or 8.4%) higher than the 50-year average.

Again this may be partly due to differences between the prevailing weather at the two locations.

Agriculture

Livestock values returned at Orkney Auction Mart rose during 2009 to unprecedented levels, perhaps as a consequence of falling livestock numbers both in Orkney and across Scotland generally. Prices remained at high levels until the end of 2009 and into early 2010.

Orkney Auction Mart Prices - Average price, pence per kg

		2004	2005	2006	2007	2008	2009
Cattle		p/kg	p/kg	p/kg	p/kg	p/kg	p/kg
Steers	May	136.87	135.14	128.01	137.7	147.92	190.16
	Mid Sept	129.12	110.29	136.16	121.5	160.0	175.55
Heifers	May	118.18	125.69	121.80	132.9	140.36	176.73
	Mid Sept	11.25	103.09	125.36	116.0	156.0	169.15
Lambs	October	98.55	87.63	98.21	72.0	109.1	137.0

Source: Orkney Auction Mart

Although livestock shipments through Orkney Islands Council (OIC) ports increased significantly in 2008, this may have been due in part to disruption of the privately-run St Margaret's Hope – Gills Bay ferry service during peak periods. As data for that service, which commenced May 2001, is not available, total livestock shipments from Orkney can no longer be ascertained.

Livestock Shipments from Orkney (OIC Ports)

	Cattle	Sheep
1987	26,322	46,204
1997	18,936	54,791
1998	19,403	72,250
1999	20,660	60,390
2000	20,362	55,777
2001	16,628	39,292
2002	15,784	27,625

	Cattle	Sheep
2003	17,748	16,777
2004	17,133	13,416
2005	17,169	17,202
2006	17,789	13,085
2007	17,660	14,437
2008	19,250	30,342
2009	18,103	36,182

Source: OIC Marine Services

Land Use: Although it appears that, following a slight increase in 2008, the total land area utilised by agriculture decreased significantly in 2009, the statistics agency believes that this may be an anomaly caused by changes to data collection and reporting processes.

Agricultural Land Use in Orkney (hectares)

Land Use	2003	2004	2005	2006	2007	2008	2009
Cereals	4,030	4,121	4,061	4,069	4,240	4,470	4,828
Potatoes	55	52	55	42	36	34	34
Stockfeeding Crops	420	418	443	523	488	483	440
Other Crops	37	56	82	130	157		*
Set Aside	321	392	229	263	269	89	*
Other Vegetables	8	17	11	12	12	15	17
Bare Fallow	152	121	221	231	250	258	205
Total crops, set aside and fallow	**5,024**	**5,177**	**5,102**	**5,270**	**5,452**	**5,489**	**5,721**
Grassland	50,021	49,889	49,266	49,287	49,245	49,562	50,114
Rough Grazing	36,074	35,985	36,525	36,745	36,063	38,451	27,239
Woodland	101	110	126	320	134	128	60
Other Land	1,321	1,276	1,344	1,310	1,175	1,331	596
Total Land	**92,540**	**92,437**	**92,363**	**92,932**	**92,068**	**94,960**	**83,533**

Source: Scottish Government's Rural and Environment Research and Analysis Directorate (RERAD)

Note: Totals may not always tally due to changes in reporting methods

* Not reported in census

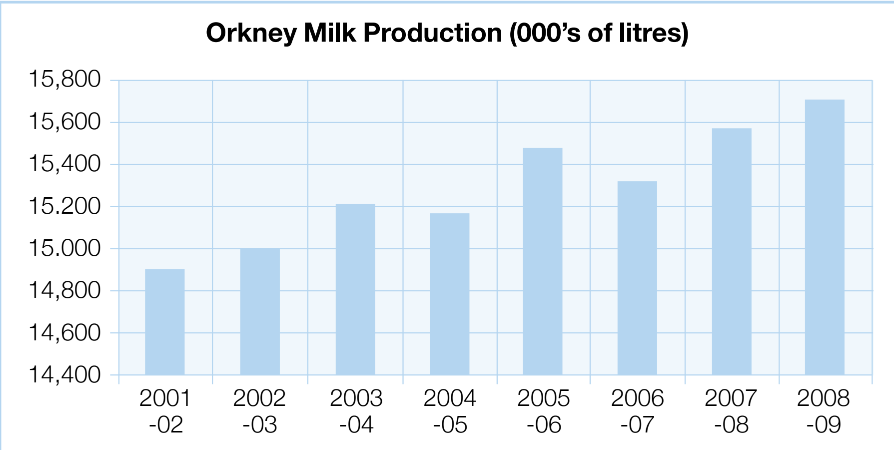
Livestock numbers in all categories continued to fall during 2008. Although beef cattle numbers also fell in 2009, the dairy sector displayed signs of recovery and sheep numbers appear to have stabilised. It is to be hoped that the increase in prices achieved recently in beef and lamb, perhaps as a result of less intensive farming and decreasing livestock numbers across Scotland, will lead to a reversal of the recent downward trends.

Herd/Flock Size in Orkney

	2004	2005	2006	2007	2008	2009
Dairy Cows	2,883	2,836	2,920	2,612	2,504	2,660
Beef Cows	28,938	28,362	28,096	27,259	26,613	25,827
Total Dairy cattle	3,727	3,954	3,848	3,656	3,538	3,747
Total Beef cattle	58,736	57,922	57,748	56,567	54,758	53,850
Total Cattle	**92,420**	**90,663**	**89,399**	**87,265**	**85,282**	**83,665**
Breeding Ewes	56,178	58,209	52,843	49,297	46,651	46,818
Rams for Service	2,082	2,142	1,967	1,910	1,732	1,713
Other sheep for breeding 1yr and over	13,642	11,835	9,538	10,072	9,103	8,948
Other non breeding sheep 1yr and over	2,907	3,066	2,663	3,083	3,057	3,034
Lambs	70,653	73,574	66,623	63,615	60,827	59,890
Total Sheep	**145,462**	**148,826**	**133,634**	**127,977**	**121,370**	**120,403**

Source: RERAD, agricultural census annually at June

Despite evidence of a declining dairy herd, milk production increased once more during 2007-2008 and 2008-2009 and is now higher than it has been for a number of years. It is suggested that the introduction of new stock management processes has resulted in increased yields.



Because in excess of 85% of all Orkney milk production goes towards the manufacturing of Orkney cheese, the price paid to the farmer for liquid milk varies from year to year, and throughout the year, depending on the prevailing market prices. The average price per litre during recent years is set out below.

Liquid milk: Average price per litre paid to Orkney milk producers

2005-2006	2006-2007	2007-2008	2008-2009
21.7p	22.1p	25.6p	26.89p

Source: Orkney Cheese Company Ltd

Total **employment in agriculture** has stabilised during the past year and, with a total of 1,971 people having a direct economic interest in farming, the agriculture industry remains the most significant employer in Orkney outwith the public sector.

The total number of agricultural holdings has continued its upward trend and this, along with other evident trends, reinforces the belief that the apparent drop in agricultural land is due to changes in statistical procedures, and that the land area associated with agriculture in Orkney remains relatively constant.

Agricultural Employment in Orkney

	2004	2005	2006	2007	2008	2009
Full-time occupier	459	435	435	416	392	395
Part-time occupier > 50%	143	152	157	159	154	163
Part-time occupier < 50%	409	415	403	401	406	405
Total Occupiers	**1,011**	**1,002**	**995**	**976**	**952**	**963**
Full-time spouses	112	112	115	108	101	87
Part-time spouses > 50%	116	110	127	115	122	112
Part-time spouses < 50%	342	359	346	341	335	358
Total Spouses	**570**	**581**	**588**	**564**	**558**	**557**
F/t workers	280	262	264	254	238	238
P/t workers	164	176	169	153	145	154
Casual and seasonal workers	86	81	81	73	58	59
Total employees	**530**	**519**	**514**	**480**	**441**	**451**
Total Employment	**2,111**	**2,102**	**2,097**	**2,020**	**1,951**	**1971**
Agricultural Holdings	1,933	1,959	1,967	1,969	1,993	1,998

Source: RERAD, Agricultural Census, June 2009

CAP Subsidies: The total of all subsidy payments received by Orkney farmers during recent years under the EU Common Agricultural Policy support schemes is set out in the following table. Fluctuations may be due, in part, to currency exchange rate movements and changes in eligibility for dedicated schemes.

Orkney	Number of Recipients	Payments (£000s)
All schemes 2004-05	798	16,382
All schemes 2005-06	795	16,115
All schemes 2006-07	841	19,586
All schemes 2007-08	1,058	17,926
All schemes 2008-09	808	19,876

Source: Scottish Government Rural Payments and Inspections Directorate

At just under £20 million last year, subsidies are critical to the viability of Orkney farming and the future success of Orkney agriculture may be dependent upon the continued entitlement to these payments.

Fishing

Orkney Fishing Fleet

Vessels	2002	2003	2004	2005	2006	2007	2008
Trawlers	8	8	9	8	8	10	6
Shellfish over 10m	32	29	28	30	30	27	26
Shellfish ≤10m	131	125	129	126	111	112	115
Vivier Shellfish							3
Nephrops	1	6	5	5	4	4	10
Total	**171**	**167**	**171**	**169**	**153**	**153**	**160**

Source: RERAD

2009 data was not available at the time of printing. The number of trawlers registered in Orkney dropped to a low of 6 in 2008 but crab and lobster vessel numbers remain relatively stable and prawn vessels appear to have increased substantially.

Orkney Fishermen Employed

Year	Total	Regularly	Partially
2000	376	286	90
2001	345	270	75
2002	329	243	86
2003	336	245	91
2004	343	305	38
2005	335	284	51
2006	342	288	54
2007	390	317	73
2008	330	287	43

Source: RERAD

It would appear that employment in the fishing industry declined steeply during 2008. However, it seems more likely that there has been an anomaly in the data reported in respect of 2007. Nevertheless, total employment in the sector has declined slightly since 2006, although the number employed on a regular basis appears to have held up well.

Landings of White fish by Orkney Vessels

	Live Weight (Tonnes)	£ (000's)
2002	9,124	7,048
2003	4,596	4,287
2004	5,189	4,542
2005	6,061	5,937
2006	6,405	8,296
2007	6,356	8,863
2008	*	12.900
2009	7,420	11,060

* figure not available

Source: Scottish Sea Fisheries Statistics

Although there were fewer trawlers operating during 2008, the value of fish landed by white fish vessels increased by 45% before falling back slightly again in 2009.

Landings of Shellfish into Orkney ports

	Live Weight (Tonnes)	£ (000's)
2004	3,375	4,713
2005	3,608	5,349
2006	3,079	5,306
2007	3,192	5,761
2008	2,969	5,595
2009	3,096	5,599

Source: 2004-2008 - Scottish Sea Fisheries Statistics

2009 – Orkney Fisheries Association

Since 2006, both the weight and value of shellfish landed in Orkney has remained fairly constant. In addition, an unspecified and significant quantity of shellfish is landed at other Scottish ports by vessels registered in, and operating from, Orkney.

Fish Farming

Salmon & Smolt Production in Orkney

	Salmon (Tonnes)	Smolts (000's)
1998	4,485	657
1999	4,902	940
2000	6,370	673
2001	5,588	368
2002	6,565	681
2003	10,740	682
2004	6,600	754
2005	5,183	185
2006	3,724	95
2007	4,432	156
2008	5,716	190
2009	6,607*	120*

Source: Marine Scotland Science

* projected figures

Unconfirmed data (2009) suggests that the production of farmed salmon continues to rise from its 2006 low and, apart from the exceptional level in 2003, is now as high as it has been since 1998. Smolt production increased to a four-year high in 2008 before declining again last year and production is now well below what it was during its peak in 2003.

The increased production of farmed salmon appears to have resulted in a disproportionate increase in full-time employment in the industry during 2008.

Fish Farming Employment in Orkney

	Salmon smolt production		Salmon on-growing	
	F/T	P/T	F/T	P/T
2000	13	3	91	15
2001	4	6	75	15
2002	4	6	80	11
2003	7	7	121	15
2004	5	7	68	10
2005	2	6	47	4
2006	1	1	72	3
2007	2	0	41	7
2008	2	0	60	5

Source: Marine Scotland Science

Shellfish Production: Marine Scotland reports show that there were 12 registered sites in Orkney in 2008 with total employment in the sector of 7 part-time. However, only 1 site was producing shellfish directly for the consumers' table.

Energy Production

Oil & Gas:

The volume of crude oil leaving the Flotta Oil Terminal remained relatively constant during the 2006–2008 period but declined again last year by almost 10%. Foinaven oil is no longer shipped via the Flotta terminal.

Annual Tonnages of Cargoes Loaded from the Flotta Oil Terminal

	Crude Oil	Foinaven	Propane Gas	Ethane Gas
1997	9,747,675	84,893	138,258	60,679
1998	10,210,855	2,896,555	104,607	21,633
1999	9,568,002	3,574,343	98,612	14,322
2000	8,378,325	3,738,240	75,736	
2001	6,824,998	3,775,666	63,471	
2002	6,380,383	5,280,691	39,650	
2003	5,329,571	4,071,672	19,740	
2004	5,070,327	3,479,831	18,026	
2005	4,358,243	3,021,819	12,001	
2006	3,255,055	2,799,784	3,026	
2007	3,361,090	2,528,446	4,198	
2008	3,296,136	50,053	24,194	
2009	2,983,466	0	18,863	0

Source: OIC Marine Services

The number of ship-to-ship (STS) transfers in Scapa Flow increased to an all-time high during 2009, with the volume of oil transported almost matching the high achieved in 2004.

	STS transfers	Oil tonnage
2002	11	926,399
2003	4	575,184
2004	15	2,660,841
2005	17	1,746,715
2006	8	993,759
2007	7	930,136
2008	10	582,097
2009	27	2,599,461

Source: OIC Marine Services

Wind Energy:

The number of operational wind turbines in Orkney continues to grow with 15 turbines generating up to 25.9 megawatts (MW) by the end of 2009. Planning consent for an additional 17 turbines generating up to 21.3MW has been approved but the projects were either still under construction in 2009 or had not yet commenced construction.

Operational Grid Connected Wind Turbines in Orkney, 2009

Location	No. of Turbines	MW Capacity
Burgar Hill, Evie	6	12.55
Sanday	4	8.00
Rothiesholm, Stronsay	3	2.70
Northfield, Burray	1	0.90
Holodyke, Dounby	1	0.85
Gallo Hill, Westray	1	0.90
Totals	**16**	**25.90**

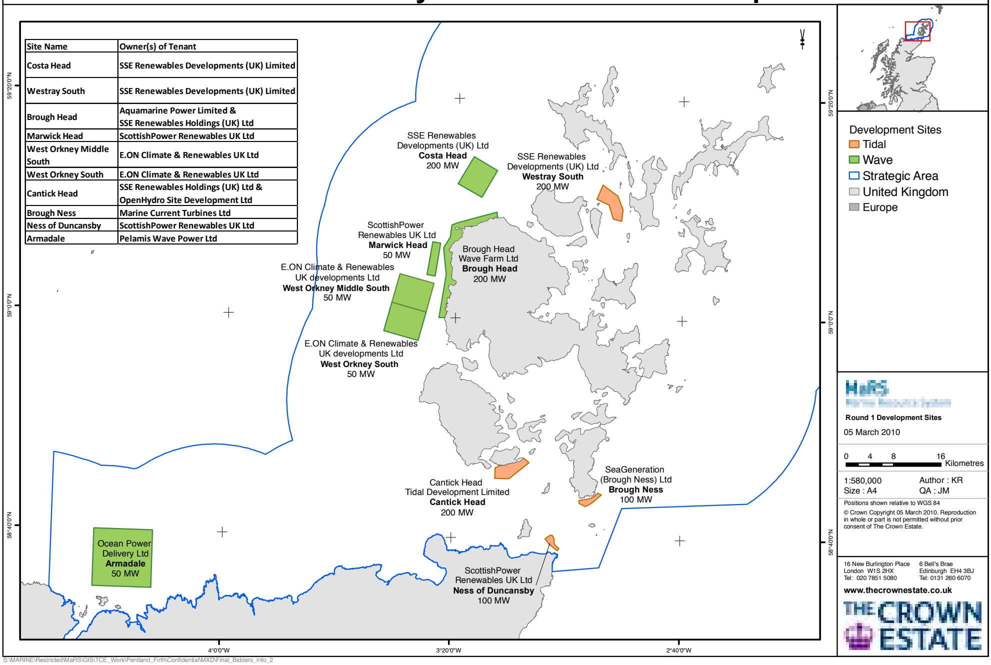
Source: Energy4All

Marine Energy:

In March 2010 The Crown Estate announced the names of the successful bidders for the lease of commercial wave and tidal generation sites in the Pentland Firth and Orkney waters. Seabed leases were awarded to developers to install 1050MW of marine generated power at eight sites in Orkney waters with a further 150MW at two sites on the northern coastline of the Scottish mainland. A substantial increase in investment and activity in the sector is anticipated during the next twelve months and beyond.

The following map illustrates the marine areas within which the commercial generation will be contained. The shaded areas highlight only the site boundaries, not the scale of any potential development – i.e. only a proportion of each area would be populated by devices.

Pentland Firth and Orkney Waters Round 1 Development Sites



Another energy 'first' was achieved in Orkney during 2009 when the world's only hydro-electric wave energy device was switched on at the European Marine Energy Centre's Billia Croo wave test site, near Stromness, feeding electricity into the National Grid.

Transport

Traffic on Stromness - Scrabster Route (NorthLink Ferries)

	Passengers	Accompanied Cars	Commercial Vehicles & Trailers
2000	157,466	46,976	6,916
2001	127,798	37,522	7,791
2002	113,021	33,432	8,961
2003	136,530	40,415	8,648
2004	141,550	41,248	7,128
2005	143,730	42,782	6,699
2006	147,099	43,835	5,956
2007	154,979	45,542	5,860
2008	144,000	44,177	7,230
2009	150,288	45,075	7,485

Source: OIC Marine Services

The upward trend in passenger and accompanied car numbers on the Stromness-Scrabster route since 2002 was halted in 2008, passenger numbers falling over the year by 7% and cars by 3%. However, a recovery in 2009 saw both services increasing traffic again. The number of commercial vehicles and trailers using the service continues to rise following four years of decline between 2003 and 2007.

In 2008, all traffic declined on the Lerwick – Kirkwall – Aberdeen route but passenger and car numbers increased again during 2009. Although the number of commercial vehicles declined again in 2009, cargos increased substantially.

Traffic on Shetland - Kirkwall - Aberdeen Route (NorthLink Ferries)

	Passengers	Accompanied Cars	Commercial Vehicles & Trailers	Cargo (Tonnes)
2003	41,802	6,578	3,660	15,997
2004	50,892	7,317	3,783	27,991
2005	54,634	8,082	4,571	35,499
2006	53,442	8,199	4,691	40,454
2007	50,506	7,772	4,613	37,560
2008	48,081	7,458	4,111	34,665
2009	51,250	7,803	4,084	42,429

Source: OIC Marine Services

Although numbers are not published, it has been reported by Pentland Ferries that passengers and car traffic on the St. Margaret's Hope – Gills Bay route increased by 18 per cent in 2009, compared with the previous year. This increase may have been due in part to the introduction of a new faster vessel on the route during 2009.

Combined passengers and car traffic on all routes therefore increased significantly in 2009.

Kirkwall Airport Traffic

	Passengers			Aircraft Movements
	Total	Terminal	Transit	
2003/04	113,675	104,578	9,097	13,531
2004/05	114,594	103,897	10,697	13,476
2005/06	118,019	105,394	12,625	13,427
2006/07	137,769	124,294	13,475	15,177
2007/08	149,924	135,289	14,635	15,676
2008/09	150,476	137,057	13,419	15,963

Source: Highlands and Islands Airports Limited, Annual Reports

Total passenger numbers and aircraft movements continue to increase, perhaps as a consequence of the continuing and increasing influence of the Air Discount Scheme (ADS) and of increased services, but also, as recently reported by Loganair (operators of FlyBe services),an increase in business travel related to the marine energy industry. Although no breakdown was available at the date of publication, HIAL has advised that total 2009/10 passenger numbers at Kirkwall have increased again to 153,256.

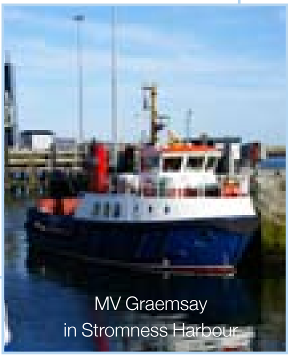
Orkney's Internal Ferry Routes

	Single journeys – year ended March						
Passengers	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
N. Ronaldsay	551	533	754	485	767	448	599
P. Westray	624	674	588	542	627	561	437
Westray	37,730	39,131	43,273	42,123	42,658	40,588	42,043
Sanday	23,384	24,832	27,051	27,559	30,138	29,291	29,961
Stronsay	17,837	17,644	17,165	17,035	17,812	17,354	18,816
Eday	8,331	8,722	8,724	9,175	9,617	9,483	10,292
Shapinsay	60,920	64,314	64,317	64,512	64,038	65,504	65,211
Rousay	45,157	49,983	55,813	51,189	51,645	52,067	48,777
Egilsay	3,338	3,977	3,224	3,400	3,824	3,763	3,291
Wyre	2,256	2,357	2,623	2,542	3,101	3,094	2,987
Lyness	55,158	59,709	67,733	64,664	64,025	64,597	65,250
Flotta	7,365	10,229	10,443	10,068	10,752	10,414	10,906
Graemsay	5,521	5,036	5,347	5,161	5,488	4,790	5,428
N. Hoy	12,009	13,030	15,022	13,374	13,408	13,587	15,026
Total	**280,181**	**300,171**	**322,077**	**311,829**	**317900**	**315,541**	**319,024**
Vehicles	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Westray	11,859	12,369	13,409	13,699	13,195	12,244	12,660
Sanday	8,107	8,467	9,023	9,804	10,412	9,817	10,482
Stronsay	5,682	5,649	5,980	5,900	5,643	5,288	5,988
Eday	2,793	2,827	2,900	3,483	3,580	3,672	3,748
Shapinsay	9,815	10,317	10,793	11,146	10,956	10,962	11,551
Rousay/ Egilsay/Wyre	15,015	14,855	15,857	15,392	15,417	15,530	15,086
Lyness/Flotta	21,524	23,317	24,627	23,113	23,312	23,170	23,186
Total	**74,795**	**77,801**	**82,589**	**82,537**	**82,515**	**80,683**	**82,701**

The total levels of passenger and vehicle traffic both remain high on the internal ferry routes with the majority of islands displaying growth. The most notable exceptions to the general trend are the passenger numbers on the Papay and the Rousay/Egilsay/Wyre services (-22% and -7%, respectively, down on the previous year).

Orkney's internal Ferry Routes

MV Earl Thorfinn returning to Kirkwall



MV Graemsay
in Stromness Harbour

Tourism

Standing Stones of Stenness

This edition of the Economic Review coincides with the publication of the **Orkney Visitor Survey 2008/09**, conducted by AB Associates Limited over the period October 2008 – September 2009, on behalf of Orkney Islands Council, Highlands and Islands Enterprise and VisitOrkney. The full report on the survey findings can be viewed at: http://www.orkney.gov.uk/nqcontent.cfm?a_id=15244&tt=orkneyv2

The Orkney visitor survey has been conducted at regular intervals over recent years with previous surveys carried out seasonally in 1996 and 2000, and more recently over a twelve month period during 2004/05.

Some of the headline statistics from the report are reported below.

Total Travel Oct 08 – Sep 09 by Transport Route – Exit Survey

	Total	Residents	Visitors	% Residents	% Visitors
Air	63,338	30,793	32,545	49%	51%
NorthLink	100,039	43,467	56,572	43%	57%
Other Ferry	64,500	12,445	52,055	19%	81%
Total	**227,877**	**86,705**	**141,172**	**38%**	**62%**

From the table above it can be seen that a total of 227,877 travellers exited Orkney over the period. 86,705 or 38% of these were residents and 141,172 or 62% were visitors. This shows an increase of 20,646 visitors or 17% from the 120,526 recorded in the 2005 survey. In terms of the proportionate breakdown by transport provider, visitors represented 43% of travellers exiting via NorthLink Ferries, 49% at Kirkwall Airport and 81% on other ferry operators.

Visitor Travel - Breakdown by Transport Route

	2009 %	2005 %	% Points Change	Numerical Change	Numerical % Change
Air	51%	55%	-4%	10045	45%
NorthLink	57%	60%	-3%	-1828	-3%
Other Ferry	81%	81%	0%	12429	31%

The figures above show a proportionate fall in visitor travel of 4% by air and 3% for NorthLink Ferries, with no proportionate change for other ferry operators. In numerical terms there have been significant rises in both visitor air travel, up 10,045 or 45%, and travel on other ferry operators, up 12,429 or 31%, coupled with a small decrease of 1,828 or 3% in visitor travel via NorthLink Ferries.

Direct comparisons cannot be made with other island areas owing to the difference between survey dates but the following table does indicate that Orkney attracts many more visitors than Shetland but fewer than the Western Isles.

Total Visitor Numbers Comparison to Other Areas

	Total
Orkney 2009	141,172
Shetland 2006	59,924
Western Isles 2006	195,766

However, a much higher percentage of visitors to Orkney are tourists as can be seen from the next table.

Main Purpose of Trip Comparison to Other Areas

	Number			Percentage		
	Holiday	Business	VFR	Holiday	Business	VFR
Orkney 2009	94,276	21,955	24,941	67%	16%	17%
Shetland 2006	24,744	22,099	13,081	41%	37%	22%
Western Isles 1999*	115,025	52,364	28,377	59%	27%	14%

With fewer business tourists, who often travel alone, the average size of the visiting party to Orkney is, perhaps unsurprisingly, slightly larger than that to the other island groups.

Average Party Size Comparison to Other Areas

	Orkney 09	Shetland 06	Western Isles 99
Overall	2.16	1.85	2.12

Since 2005, Orkney tourism has become more dependent on the home market with an increasing percentage of our visitors originating from elsewhere in Scotland.

Area of Origin All Visitors & 2005 Comparison

	2009%	2005%	% Point Change
Scotland	49%	42%	7%
Rest of UK	33%	34%	-1%
Overseas	18%	21%	-3%

In line with the general trend towards more frequent but shorter holidays, the average length of a visit to Orkney has decreased substantially since 2005 with Orkney mainland stays being hit hardest.

Average Length of Stay in Orkney Sub-Area - Compare (Nights)

	2009	2005	Change (nights)
Mainland	3.76	4.8	-1.04
Islands	0.64	0.7	-0.06
TOTAL	**4.4**	**5.3**	**-0.90**

The total spent by the average visitor has increased slightly over the past four years. However, when inflation is taken into account, the average spend per person has fallen by just under 4%, which is not surprising given the drop in the average length of stay.

Average Spend Per Person Per Trip (£)

	2009	2005	Change
Package trips	£20.67		
Travel costs to and from the islands	£103.98	£99.32	£4.66
Travel costs on the islands	£20.68	£16.64	£4.04
Accommodation	£81.82	£94.35	-£12.53
Food and Drink	£41.69	£48.93	-£7.24
Entertainment and Recreation	£15.75	£14.53	£1.22
Tourist Shopping	£33.22	£32.16	£1.06
Other Shopping/Misc	£14.68	£9.03	£5.65
Total Spending both on and off islands	**£332.50**	**£311.29**	**£21.21**
Total Spending on Orkney	**£218.18**	**£209.40**	**£8.78**

A further breakdown of the figures in respect of spending on food & drink and on 'souvenir' shopping shows estimated spend on local produce as indicated in the following table:

Average Spend on Local Produce Per Person Per Trip (£)

	Total	Local Produce	%
Food & Drink	£41.69	£10.63	25%
Tourist Shopping	£33.22	£14.15	43%
Total	£74.91	£24.78	33%

The variance in spend patterns from one type of visitor to another is further highlighted below.

Average Spend & Other Key Indicators by Visitor Type 2009

	Av Spend Per Person Per Trip	Av Length Of Stay	Av Spend Per Person Per Day	Av Party Size	Av Spend Per Party Per Trip
Holiday	250	4.7	53.19	2.50	625
Business	186	3.7	50.27	2.01	374
VFR*	161	5.7	28.25	1.94	312
Yacht	193	10	19.30	2.00	386

* VFR – Visiting Friends or Relations

The following three tables demonstrate the increasing role of the internet in Orkney tourism.

Method of booking accommodation

	2009	2005	% Point Change
Someone else did it	13%	9%	4%
Internet	41%	23%	18%
Travel Agent	1%	5%	-4%
Tour Operator	3%	2%	1%
Tourist Information Centres	3%	8%	-5%
Accommodation Provider Direct	36%	54%	-18%
Transport Provider Direct	1%	0%	1%
Other	3%	0%	3%

From the table above, it can be seen that, in 2009, the most common method of booking accommodation was via internet, with almost 80% more visitors using that method than in 2005. The drop in bookings made directly with the accommodation provider can be explained by the increased use of the internet. The number of visitors booking accommodation via Tourist Information Centres (TICs) has dropped by 63% since the last visitor survey.

Information Sources Used Prior to Arrival Overall, by Origin & Trip Purpose% – 2009

	All	Origin			Purpose		
		Scot	Other UK	O/S	Hol	Busi	VFR
Internet/websites	**70%**	72%	67%	72%	72%	69%	69%
Tourist brochure/leaflets	**20%**	16%	27%	18%	19%	20%	23%
Tourist Information Centre	**9%**	8%	11%	7%	8%	8%	10%
Travel Agent	**3%**	3%	3%	5%	3%	2%	4%
Travel Operators	**8%**	7%	9%	9%	8%	8%	10%
Guidebooks	**16%**	15%	18%	12%	17%	16%	11%
Friends/Relatives/Others	**22%**	21%	23%	23%	22%	8%	31%
Someone Else Organised	**9%**	9%	10%	8%	9%	30%	2%
Other	**0%**	0%	0%	0%	0%	0%	0%

The most frequently used information source overall was the internet, with 70% stating they had used it to find out about Orkney prior to visiting. Visitors also used the internet for a range of activities related to their visit, both as a research tool and in order to purchase services and some of these are set out below.

Internet Research and Booking %

	Research	Booked
Accommodation	62%	49%
Transport to Orkney	80%	69%
Transport on Orkney	19%	9%
Visitor Centres/Attractions	21%	3%
Activities	13%	1%
Events	10%	1%
History/Culture	25%	3%
Natural History	15%	1%

In general, tourists coming to Orkney during the 2008/09 period expressed satisfaction with their visitor experience with 95% stating that either their expectations had been met or exceeded with none stating that their expectations had not been met.

Visit

	2009	2005	% Point Change
Exceeded expectations	32%	33%	-1%
Met expectations	63%	60%	3%
Did not meet expectations	0%	1%	-1%
Not sure I can't say	2%	6%	-4%
No answer	3%	0%	3%
Total	**100%**	**100%**	**0%**

This general level of satisfaction is reflected by the likelihood of a return visit within the next five years by approximately three quarters of all visitors, in line with the findings of the previous survey also.

Likely to Return Within 5 Years 2005 Comparison %

	2009	2005	% Point Change
Very	53%	54%	-1%
Quite	23%	21%	2%
Not Very	10%	12%	-2%
Not At All	3%	5%	-2%
Don't Know	10%	8%	2%
No Answer	1%	0%	1%
Total	**100%**	**100%**	**0%**

Value of Tourism Growth

In order to measure the growth of Orkney tourism in real terms, the following table shows how the 2008-09 figure compares to the inflation adjusted figures reported in respect of previous surveys.

Inflation-adjusted value comparison

	Total Spend at 2009 Levels incl. Inflation (£)
2009 Total	31,822,917
2005 Total	28,086,776
2000 Total	19,634,472
1996 Total	18,165,730
Difference	
2009 - 2005	3,736,141
2009 - 2000	12,188,445
2009 - 1996	13,657,187
Growth	
2005 - 2009	13%
2000 - 2009	62%
1996 - 2009	75%

From the table above it can be seen that when overall spend figures for the previous surveys are inflated to 2009 levels, real growth in visitor spend of £3.7m (13%) has occurred since 2005; £12.1m (62%) since 2000; and £13.6m (75%) since 1996.

Cruise Liner Tourism

Cruise Liner Visits to Orkney

	No of Liners	No of passengers
2002	53	16,687
2003	62	21,162
2004	56	22,916
2005	75	30,708
2006	47	20,345
2007	67	29,180
2008	73	29,199
2009	61	26,978

Source: OIC Marine Services

2008 saw a 9% increase in the number of cruise ships calling at Orkney ports but the increase in passenger numbers was negligible. In 2009, the number of visiting ships fell by twelve (16%) and passenger numbers fell by more than 2,000. There are however indications that both vessel and passenger numbers will increase again for the 2010 season.

Housing

During the fourth quarter of 2009, house prices in Orkney fell slightly from the corresponding figure twelve months earlier. The fall was in contrast to a slight increase in the Highland area and in Scotland generally, but was much lower than the fall in the other two island Local Authority areas. Although prices in the other two island areas, already lower than in Orkney, also fell on the previous quarter in 2009, the Orkney market displayed signs of recovery.

Average Residential Property Prices – Source: Registers of Scotland

	Oct - Dec 2008	Oct – Dec 2009	Annual change	Jul – Sep 2009	Quarterly change
	£	£	%	£	%
Orkney	121,820	119,687	-1.8	115,985	3.2
Shetland	107,802	102,611	-4.8	108,348	-5.3
Western Isles	97,596	91,544	-6.2	94,291	-2.9
Highland	152,827	157,386	3.0	153,216	2.7
Scotland	153,623	155,618	1.3	154,453	0.8

In terms of the numbers of sales completed over the same period (below) the property market in Orkney has remained much less lethargic than in the other two comparable island areas, although it has been much less dynamic than on the Scottish mainland.

Number of Residential Sales – Source: Registers of Scotland

	Oct - Dec 2008	Oct – Dec 2009	Annual change	Jul – Sep 2009	Quarterly change
Orkney	86	79	-9.3	78	0.0
Shetland	93	71	-23.7	73	-2.7
Western Isles	74	48	-35.1	59	-18.6
Highland	901	993	10.2	938	5.9
Scotland	19,240	21,498	11.7	20,095	7.0

In 2008, house completions in Orkney dropped back from their peak the previous year but, despite the challenging economic climate, increased again during 2009.

A total of 919 new houses, or approximately 10% of the total Orkney housing stock, have now been completed during the past seven years, with the number of private developments almost double that of the social housing agencies.

Following several years during which Orkney Islands Council was building no new houses at all, the Council has resumed building in 2010 and will complete 125 new Council houses over the next three years.

Housing Completions in Orkney

Year	Private	Housing Assoc	Local Auth	Total
2004	51	34	0	85
2005	64	67	0	131
2006	78	60	0	138
2007	136	37	0	173
2008	100	46	0	146
2009	110	50	0	160
Totals	**601**	**318**	**0**	**919**

Sources: Scottish Government (2002-2007); OIC (2008-2009)