Orkney Economic Review 2011

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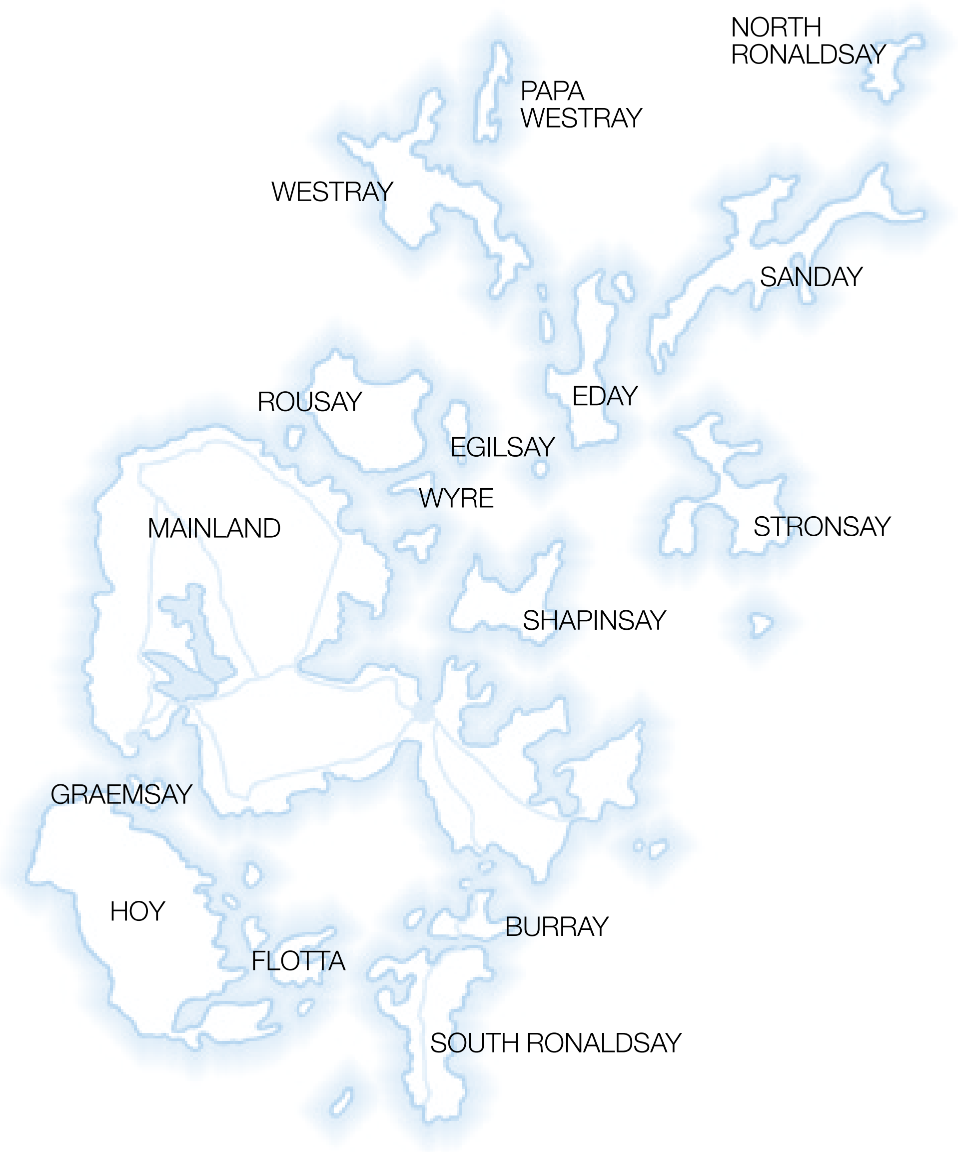
NORTH RONALDSAY
PAPA WESTRAY
WESTRAY
SANDAY
ROUSAY
EDAY
EGILSAY
WYRE
MAINLAND
STRONSAY
SHAPINSAY
GRAEMSAY
HOY
BURRAY
FLOTTA
SOUTH RONALDSAY

This booklet aims to bring together and review the latest data available on the Orkney economy and statistics and information which might influence the 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

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Population

Although Orkney's population natural growth rate (births minus deaths) remains negative the gap has closed significantly and, if the recent trend continues, could soon contribute to population growth. Estimated in-migration is rising again too and this might be influenced by the difficult conditions prevailing in the UK economy and the availability in Orkney of relatively accessible and affordable housing.

Orkney Population Change 2000 - 2010

Year ended 30 June	Births	Deaths	Natural growth	Migration (net)	Population
2000	(revised)		-57	-63	19,290
2002			-34	24	19,210
2004			-57	247	19,500
2006			-14	194	19,770
2008			-11	41	19,890
2010	201	203	-2	152	20,110
Period 2000 to 2010	**1,849**	**2,163**	**-314**	**1,134**	**20,110**

Source: General Register Office for Scotland (GROS)

NOTE: population and migration figures post 2001census are estimates

The Orkney demographic is however moving towards an increasingly ageing population, a trend which is projected to continue. Predictions are highlighted in the following table.

Predicted population changes (per cent) 2008 to 2023

	All ages	Children 0-15	Working age	Pensionable age*	Aged 75+
Scotland	5	2	4	14	45
Orkney	8	-1	4	26	73

*Pensionable age is assumed to be 65 for men, 60 for women until 2010; assumed that 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/Files/Council/Publications/2009/Orkney_Population_Change_Study_April_09.pdf

Labour Market

Unemployment Rate (% Job-seekers) in Orkney 2003-2010.

Source: Office for National Statistics (ONS)

	2003	2004	2005	2006	2007	2008	2009	2010
January	2.4	2.2	1.7	1.4	1.7	1.1	1.3	1.5
February	2.4	2.2	1.8	1.5	1.5	1.0	1.4	1.5
March	2.1	2.2	1.6	1.6	1.4	1.0	1.4	1.6
April	1.9	2	1.6	1.7	1.2	0.9	1.4	1.4
May	1.7	2	1.4	1.6	1	0.8	1.3	1.2
June	1.5	1.7	1.3	1.4	0.9	0.8	1.1	1.2
July	1.4	1.6	1.3	1.5	0.9	0.7	1.0	1.5
August	1.5	1.5	1.2	1.3	0.9	0.8	1.0	1.4
September	1.6	1.4	1.1	1.2	0.9	0.9	1.0	1.3
October	1.6	1.5	1.2	1.3	1	0.9	1.0	1.3
November	1.9	1.5	1.3	1.4	1.1	1.0	1.2	1.5
December	2	1.5	1.4	1.5	1	1.2	1.4	1.5
Average	**1.8**	**1.8**	**1.4**	**1.5**	**1.1**	**0.9**	**1.2**	**1.4**

Note: These unemployment rates represent the proportion (%) of the resident population who are of working age and who are seeking employment. (ONS).

Orkney's average unemployment rate rose again slightly in 2010 but remains significantly lower than the Scotland and UK December levels of 4.0% and 3.5% respectively. However, as the following table illustrates, the trend over recent years is towards increasing numbers of job seekers although long-term unemployment has remained relatively unchanged.

Claimant count, Job Seeker Allowance

Source: Office for National Statistics (ONS)

At December	2007	2008	2009	2010	increase 2007-2010	
					number	per cent
All Job Seekers	117	144	169	205	88	75.2
By age of claimant						
Aged 18-24	20	45	45	65	45	225.0
Aged 25-49	55	65	95	85	30	54.5
Aged 50 and over	35	30	30	45	10	28.6
By duration of claim						
Up to 6 months	90	120	135	165	75	83.3
6 to 12 months	5	15	20	15	10	200.0
Over 12 months	15	10	15	15	0	0.0

Notes: Totals may not always tally due to rounding and owing to rounding, the apparent movements by age group and duration may therefore be distorted.

The age bracket displaying the largest increase in Orkney unemployment during the last four years is the 18 - 24 age – group, although there are indications that the situation is improving – in June 2011, there were fewer job-seekers of that age group than on the corresponding date in 2010.

However, the overall rate of increase in all job-seekers over the last two years, in percentage terms, is less than half that in Scotland and much lower than in Great Britain (GB) as a whole.

JSA Claimants.

Source: ONS

	December 2007 (%)			December 2010 (%)			Increase over period (%)		
	Orkney	Scotland	GB	Orkney	Scotland	GB	Orkney	Scotland	GB
Claimants %	1.0	2.2	2.1	1.4	4.0	3.5	40	82	67

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.

Source: Office for National Statistics

Economic Activity

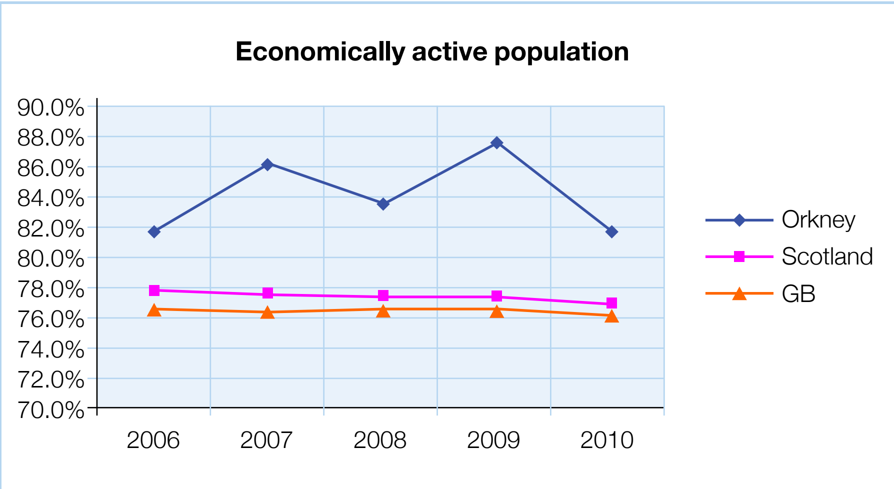
The percentage of the Orkney population who are economically active, i.e. either in employment or actively seeking employment, tends to be consistently higher than both the Scotland and Great Britain averages.

Economically Active as % of (estimated) working age population

Year end December	Orkney (%)	Scotland (%)	GB (%)
2006	81.8	77.8	76.7
2007	86.0	77.5	76.5
2008	83.7	77.4	76.7
2009	87.6	77.4	76.7
2010	81.7	77.0	76.2
Mean	84.7	77.4	76.5

Source: ONS

Orkney's active percentage is much more variable than the national statistics owing to the lower numbers involved but at its lowest is significantly above average.



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

Self-employment – regional comparison

	Orkney		Scotland	Great Britain
	count	%	%	%
Self-employed at Dec 2010	1,700	12.0	7.4	9.1

Source: ONS

Workforce Qualifications

In terms of accredited skills and education at a higher level, the Orkney working-age population appears to lag behind that of Scotland but more closely resembles that of the aggregated Great Britain labour pool.

Qualifications Jan-Dec 2010

	Orkney		Scotland	Great Britain
	number	%	%	%
NVQ4 and above	3,900	30.9	35.0	31.3
NVQ3 and above	6,800	53.8	55.9	51.0
NVQ2 and above	8,800	69.4	70.2	67.3
NVQ1 and above	10,300	81.0	80.1	80.2
Other qualifications	1,300	10.5	7.7	8.5
No qualifications	1,100	8.5	12.3	11.3

Notes: NVQ is known as SVQ in Scotland.

In vocational terms NVQ4 indicates management skills; and in academic terms, NVQ 4 or above indicates HND, etc. or above (Scottish Credit and Qualifications Framework level 8 and above)

Enterprises

Reliable and inclusive data on business churn is not available. However an enterprise birth and death rate is available in respect of what is termed 'Active Registered Enterprises' i.e. those which had either turnover or employment at any time during the reference period and were registered with HMRC for VAT and/or PAYE.

Active Registered Enterprises – Orkney

Enterprise Births/deaths	2004	2005	2006	2007	2008	2009	totals 2004-09
business births	75	90	60	65	55	65	410
business deaths	60	50	65	55	60	70	370

Source: ONS

At the date of publication, ONS data in respect of 2010 was not still available, but the Committee of Scottish Clearing Banks (CSCB) reported 55 new business starts in Orkney during 2010 and CSCB data is usually fairly indicative of HMRC numbers.

Scottish Corporate Sector Statistics provides a data set which offers a broader snapshot of Orkney's business base. This shows the estimated total enterprises operating in Orkney at March 2011.

The estimated 1495 enterprises operate in the following sectors (Standard Industrial Classification, 2007).

Active Orkney Enterprises, March 2011

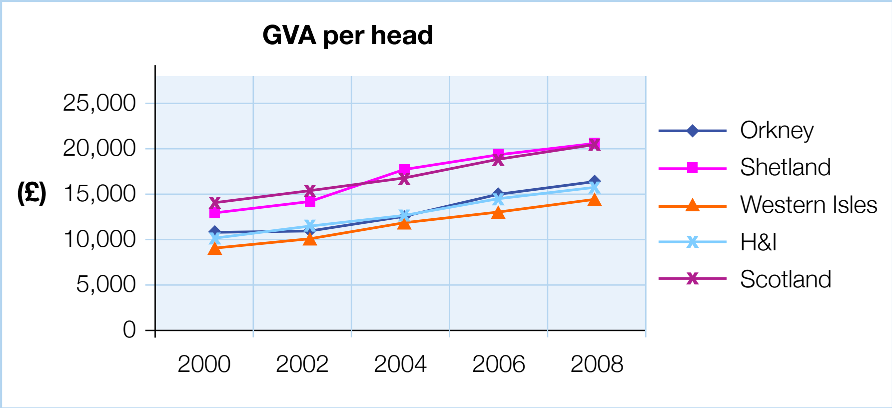
Sector	Number*
Agriculture, forestry and fishing	710
Mining & Quarrying	5
Manufacturing	55
Electricity, gas, steam and air conditioning supply	10
Water supply, sewerage, waste management & remediation activities	5
Construction	130
Wholesale & Retail Trade and Repair of Motor Vehicles	175
Transportation and storage	45
Accommodation and food services	80
Information and communication	15
Financial and insurance services	10
Real estate activities	10
Professional, scientific and technical activities	75
Administrative and support services	70
Education	10
Human health & social work	35
Arts, entertainment, recreation	25
Other service activities	35
Total (may not equal the sum of the constituent parts due to rounding)	**1,495**

* rounded to nearest 5

Source: Scottish Corporate Sector Statistics

The estimates have been constructed using data from the Inter-Departmental Business Register (IDBR), the Labour Force Survey (LFS), the Family Resources Survey (FRS) and Self-Assessment (SA) data. The IDBR provides the number of enterprises registered for VAT and/or PAYE. However there is a substantial number of very small enterprises which have no employees and are therefore not included on the IDBR. A modeling procedure that combines data from the IDBR with estimates derived from the LFS, FRS and SA data is used to estimate the number of unregistered enterprises. Estimates may however not capture the many micro enterprises and/or part-time enterprises operating in Orkney.

Owing to the irregularity of reporting and the very small number of Orkney businesses sampled, the reporting of productivity (or Gross Value Added [GVA]) by government statistics agencies has traditionally been unreliable. Nevertheless, an indication of trends and comparisons with other areas is provided by the Office for National Statistics, with the most recent data in respect of 2008 published in December 2010.



Source: ONS

Between 2000 and 2008, Orkney output was consistently higher than that of the Western Isles and Highland and Islands region but well below that achieved by both Shetland and Scotland nationally.

In terms of household income, the following table and chart can provide an indication of changing household wealth between 1995 and 2009. Gross Disposable Household Income (GDHI) is money left after: expenditure associated with income, for example, taxes and social contributions; property ownership; and provision for future pension income. It is calculated gross of any deductions for capital consumption.

Gross Disposable Household Income (GDHI) per head

	1995	1997	1999	2001	2003	2005	2006	2008	2009
UK	8,679	9,831	10,629	11,843	12,777	13,573	14,081	14,976	15,350
Scotland	8,410	9,260	9,831	10,978	11,912	12,792	13,245	14,525	15,007
H & I Region	7,658	8,383	8,727	9,676	10,638	11,656	12,141	13,622	14,304
Caith, Suth, R&C[1]	8,268	9,104	9,927	10,627	11,769	12,498	13,102	14,073	14,686
IV, Moray, Bad & Stra[2]	7,157	8,184	8,641	9,418	10,267	11,380	11,667	13,457	14,206
Lochab, Skye, A&B[3]	7,938	8,039	7,813	9,256	10,376	11,466	12,152	13,435	14,100
Eilean Siar	7,830	8,595	8,745	9,532	10,559	11,253	11,422	12,775	13,349
Orkney	7,099	7,491	8,547	8,883	9,877	11,057	11,678	14,063	15,145
Shetland	8,103	9,134	8,912	10,718	11,016	12,365	13,308	14,627	14,850

[1] Caithness, Sutherland, Ross & Cromarty
[2] Inverness, Nairn & Moray, Badenoch & Strathspey
[3] Lochaber, Skye & Lochalsh, Arran, Cumbrae, Argyll & Bute

Source: ONS, March 2011

There are fairly wide variations in the extent of increase in the various areas over the years with, it appears, Orkney's GDHI displaying increases well above the regional and national averages.

GDHI (£)	**% increase 1995-2009**	**% increase 1995-2008**	**% increase 2006-2008**
UK	76.9	52.3	6.4
Scotland	78.4	56.9	9.7
H & I Region	86.8	62.5	12.2
Caith, Suth, R&C	77.6	54.6	7.4
IV, Moray, Bad & Stra*	98.5	64.4	15.3
Lochab, Skye, A&B~	77.6	67.1	10.6
Eilean Siar	70.5	48.6	11.8
Orkney	113.3	87.7	20.4
Shetland	83.3	60.1	9.9

It is impossible to establish the reasons for this but Orkney and the Inverness area demonstrate the greatest increases and both have strong agricultural economies. Over the period 2007-2009, whilst livestock market prices were increasing, borrowing costs were reducing and the Pound also strengthened significantly against the Euro and this combination may have substantially boosted incomes in that sector.

Period averages	B of E base rate	Euro/£
2007	5.51	1.46
2008	4.68	1.26
2009	0.64	1.12

During the same period, the construction sector in Orkney was also extremely vibrant.

Nevertheless, the possible explanations are purely speculative and the income statistics also come with the usual health warning with regard to risk of error due to small sample sizes.

Agriculture

Livestock values returned at Orkney Auction Mart rose dramatically during 2009 perhaps as a consequence of falling stock numbers both in Orkney and across Scotland generally. Livestock has continued to trade at, or near, these levels since.

Orkney Auction Mart Prices – Average price, pence per kg

		2005	2006	2007	2008	2009	2010	2011
Cattle		p/kg	p/kg	p/kg	p/kg	p/kg	p/kg	p/kg
Steers	May	135.14	128.01	137.7	147.92	190.16	193.24	190.67
	Mid Sept	110.29	136.16	121.5	160	175.55	162.66	
Heifers	May	125.69	121.8	132.9	140.36	176.73	177.46	181.22
	Mid Sept	103.09	125.36	116	156	169.15	153.26	
Lambs	October	87.63	98.21	72	109.1	137	144.84	

Source: Orkney Auction Mart

Livestock numbers

Total livestock numbers now appear to have stabilised somewhat in all categories. However, following recovery in 2009 the dairy herd declined again in 2010, although remaining just above the sector low in 2008.

Herd/Flock Size in Orkney

	2005	2006	2007	2008	2009	2010
Dairy Cows	2,836	2,920	2,612	2,504	2,660	2,558
Other Dairy	1,118	928	1,044	1034	1,087	1,022
Total Dairy	**3,954**	**3,848**	**3,656**	**3,538**	**3,747**	**3,580**
Beef Cows	28,362	28,096	27,259	26,613	25,827	26,081
Other Beef cattle	29,560	29,652	29,308	28,145	28,023	27,153
Total Beef cattle	**57,922**	**57,748**	**56,567**	**54,758**	**53,850**	**53,234**
Other cattle	28,787	27,803	27,042	26,986	26,068	26,722
Total Cattle	**90,663**	**89,399**	**87,265**	**85,282**	**83,665**	**83,536**
Breeding Ewes	58,209	52,843	49,297	46,651	46,818	43,660
Other sheep for breeding 1yr and over	11,835	9,538	10,072	9,103	8,948	10,927
Other sheep sheep 1yr and over	75,861	78204	71,616	68,404	65,574	65,094
Total Sheep	**145,462**	**148,826**	**133,634**	**127,977**	**121,370**	**119,681**

Source: Scottish Government's Rural and Environment Research and Analysis Directorate RERAD, agricultural census annually at June

Although livestock shipments through Orkney Islands Council (OIC) ports increased significantly in 2008, this may have been due in part to the temporary disruption of the privately-run St Margaret's Hope – Gills Bay ferry service during peak periods. As data for that service is not available, total livestock shipments from Orkney can no longer be accurately ascertained. However, the livestock data presented above would suggest that any actual decline in livestock shipped is not as great as suggested by the following table.

Livestock Shipments from Orkney (OIC Ports)

	Cattle	Sheep
1987	26,322	46,204
1997	18,936	54,791
1999	20,660	60,390
2000	20,362	55,777
2001	16,628	39,292
2002	15,784	27,625
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
2010	17,754	31,133

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)

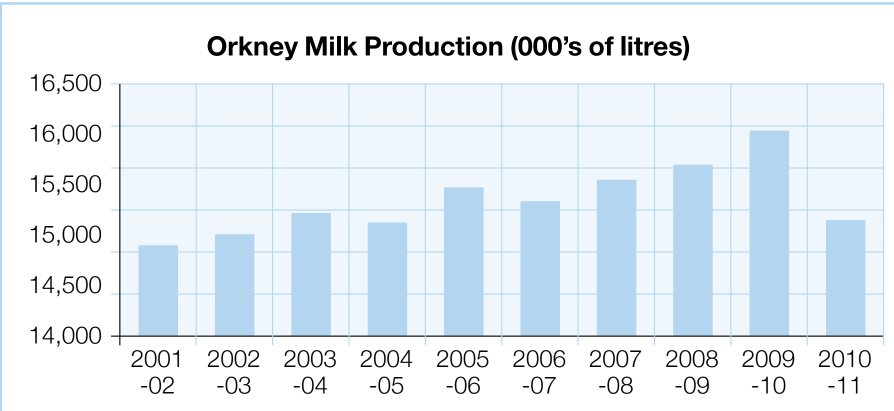
Source: (RERAD)

Land Use	2004	2005	2006	2007	2008	2009	2010
Cereals	4,121	4,061	4,069	4,240	4,470	4,828	4,460
Potatoes	52	55	42	36	34	34	32
Stockfeeding Crops	418	443	523	488	483	440	602
Other Crops	56	82	130	157			196
Set Aside	392	229	263	269	89		
Fruit and Horticulture							48
Other Vegetables	17	11	12	12	15	17	10
Bare Fallow	121	221	231	250	258	205	277
Total crops, set aside and fallow	**5,177**	**5,102**	**5,270**	**5,452**	**5,489**	**5,721**	**5,625**
Grassland	49,889	49,266	49,287	49,245	49,562	50,114	49,971
Rough Grazing	35,985	36,525	36,745	36,063	38,451	27,239	27,245
Woodland	110	126	320	134	128	60	80
Other Land	1,276	1,344	1,310	1,175	1,331	596	798
Common Grazing*							2,198
Total Land	**92,437**	**92,363**	**92,932**	**92,068**	**94,960**	**83,533**	**85,917**

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

Despite evidence of a declining dairy herd, **milk production** increased during 2009-10. However, two dairy farms withdrew from the market during the year 2010-11 resulting in the loss of almost 1 million litres of production. To date, the unused quota has not been taken up by the remaining producers.

90% of all Orkney milk production goes towards the manufacturing of the award winning Orkney Cheddar produced by the 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.

Agricultural Employment in Orkney

Source: RERAD, Agricultural Census, June 2009

	2005	2006	2007	2008	2009	2010
Full-time occupier	435	435	416	392	395	399
Part-time occupier > 50%	152	157	159	154	163	174
Part-time occupier < 50%	415	403	401	406	405	422
Total Occupiers	**1,002**	**995**	**976**	**952**	**963**	**995**
Full-time spouses	112	115	108	101	87	99
Part-time spouses > 50%	110	127	115	122	112	107
Part-time spouses < 50%	359	346	341	335	358	336
Total Spouses	**581**	**588**	**564**	**558**	**557**	**542**
F/t workers	262	264	254	238	238	169
P/t workers	176	169	153	145	154	102
Casual and seasonal workers	81	81	73	58	59	39
Total employees	**519**	**514**	**480**	**441**	**451**	**258**
Total Employment	**2,102**	**2,097**	**2,020**	**1,951**	**1971**	**1795**
Agricultural Holdings	1,959	1,967	1,969	1,993	1,998	2,002

The total number of agricultural holdings has continued its upward trend and this, when considered alongside 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.

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.

CAP subsidy payments (excludes payments made in respect of Rural Priorities Contracts)

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
All schemes 2009-10	n/a	19,785

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 at the current levels.

The current levels of agricultural support received by Orkney farming are however not secure beyond 2013, when a new CAP structure will be put in place across the European Union. It is thought likely that direct support via several of the major CAP schemes will decrease thereafter.

Fishing

The size and make-up of the fleet has remained relatively unchanged since 2006.

Orkney Fishing Fleet

Vessels	2005	2006	2007	2008	2009	2010
10 metres & under	127	111	115	109	110	105
10 <15 metres	33	31	29	30	31	33
15 <18 metres	4	5	4	4	4	4
18 <25 metres	1	1	1	1	1	1
25 <35 metres	5	5	5	5	5	5
35 <50 metres	0	0	1	1	1	1
Total vessels	170	153	155	150	152	149

Source: Marine Scotland Science

Comparisons with the fishing fleets in Shetland and the Western Isles respectively are made below.

Vessels at Dec 2010	Orkney	Shetland	Western Isles
10 metres & under	105	138	193
10 <15 metres	33	14	29
15 <18 metres	4	3	20
18 <25 metres	1	18	4
25 <35 metres	5	6	0
35 <50 metres	1	0	0
over 50 metres		8	1
Total vessels	149	187	247

Employment

Regular employment in the Orkney fishing industry in 2010 was virtually unchanged over the period (up by 2) whilst in Scotland generally, the number fell slightly (by 146 or 3.3%). The apparent substantial increase in fishermen part-employed in Orkney over the past two years is thought to be due to a change in reporting method.

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
2009	421	275	146
2010	409	277	132

Source: Marine Scotland Science

Note: Figures relate to those employed on vessels which submit landing declarations to Marine Scotland

Although the combined volume of landings of demersal and pelagic fish fell considerably in 2010, the value of fish landed increased again nominally. Demersal species contribute 99% of both the volume and value of landings.

Pelagic/Demersal landings 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	7,942	9,844
2009	7,829	9,913
2010	7,073	10,056

Source: Scottish Sea Fisheries Statistics

Shellfish

Both the weight and value of shellfish landed in Orkney have increased significantly over the past two years. In addition to shellfish landed in Orkney, a further 1,037 tonnes valued at approximately £1.72m was landed at other Scottish ports in 2010 by vessels registered and based in Orkney (provisional figures).

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	3,350	6,259
2010	3,673	7,464

Source: Scottish Sea Fisheries Statistics

Shellfish species landed in Orkney since 2006, their live weight and values are as follows:

	Quantity (tonnes)					Value (£'000)				
	2006	**2007**	**2008**	**2009**	**2010**	**2006**	**2007**	**2008**	**2009**	**2010**
Edible crabs	1,576	1,909	1,688	1,830	2,215	2,066	2,189	1,860	1,964	2,773
Green crabs	157	128	125	136	135	84	70	68	77	82
Lobsters	108	110	120	146	138	1,178	1,215	1,289	1,505	1,451
Periwinkles	53	65	58	70	72	65	178	72	82	153
Scallops	130	115	145	150	236	256	318	395	417	605
Velvet crabs	800	878	837	909	838	1,486	1,844	1,871	2,135	2,348
Whelks	243	143	11	101	29	130	80	6	53	15
Other shellfish	12	25	7	8	9	42	86	28	25	37
Total shellfish	**3,079**	**3,374**	**2,990**	**3,350**	**3,673**	**5,306**	**5,980**	**5,589**	**6,259**	**7,464**

Source: Scottish Sea Fisheries Statistics

Fish Farming

Unconfirmed data (2010) suggests that the production of farmed salmon continues to rise from its 2006 low and, apart from the apparently exceptional level in 2003, is now higher than at any time during the last ten years.

Salmon & Smolt Production in Orkney

	Salmon (Tonnes)	Smolts (000's)
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	6,220	100
2010	7,510*	+

* Estimated production 2010 + Not available

Source: Marine Scotland Science

Employment levels in the industry seem to fluctuate significantly from year to year and no explanation is offered for this. Although it is believed that levels have increased once more, no official data in respect of 2010 employment was available at the date of printing. The following table shows fish farming employment in Orkney as presented by the Scottish Government (Marine Scotland Science).

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
2009			47	2

Source: Marine Scotland Science

The above statistics are not however supported by figures reported by the trade body, the Scottish Salmon Producers Organisation (SSPO) who reported that direct employment by their members in Orkney increased from 56 in 2008 to 77 in 2009. It is not known why the two figures differ to such an extent.

Shellfish Production: Marine Scotland reports show that there were 8 registered producers in Orkney in 2010 with total employment in the sector of 2 full-time plus 4 part-time. However, only 2 sites were reported to be producing shellfish directly for the consumers' table, with the remainder described as 'no production or active on-growing, or fallow'.

In contrast, in 2010, there were 32 registered producers in Shetland, with active production at 54 sites, and employing 61 full-time; 54 part-time; and 18 casual workers.

Energy Production

Oil & Gas:

The volume of crude oil leaving the Flotta Oil Terminal in 2010 matched the previous year's level but propane gas throughput fell by 10%. Foinaven oil has not been shipped via the Flotta terminal since 2008.

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	
2010	2,950,405	0	17,120	

Source: OIC Marine Services

Following the high of 2009, the number of ship-to-ship (STS) transfers in Scapa Flow decreased again in 2010 with the volume of oil transferred falling by over 60%. One transfer saw just over 8,000 tonnes of Liquefied Natural Gas (LNG) being shipped, the only such shipment since the first near-shore transfers made news headlines in 2007.

Ship to ship operations

	STS transfers	Oil tonnage	LNG 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	56,827
2008	10	582,097	0
2009	27	2,599,461	0
2010	17	941,629	8,128

Source: OIC Marine Services

Wind Energy:

The number of operational commercial-scale wind turbines in Orkney continues to grow with 23 turbines generating up to 34.9 megawatts (MW) by the end of 2010. Planning consent for an additional 12 turbines generating up to 13.3MW has been approved but the projects were either still under construction in 2010 or had not yet commenced construction.

Operational Grid Connected Wind Turbines in Orkney, 2010

Location	No. of Turbines	MW Capacity
Burgar Hill	7	15.05
Sanday	4	8.00
Stronsay	3	2.70
Burray	1	0.90
Dounby	1	0.85
Gallo Hill, Westray	1	0.90
Flotta	1	2.00
Hammars Hill	5	4.50
Totals	**23**	**34.9**

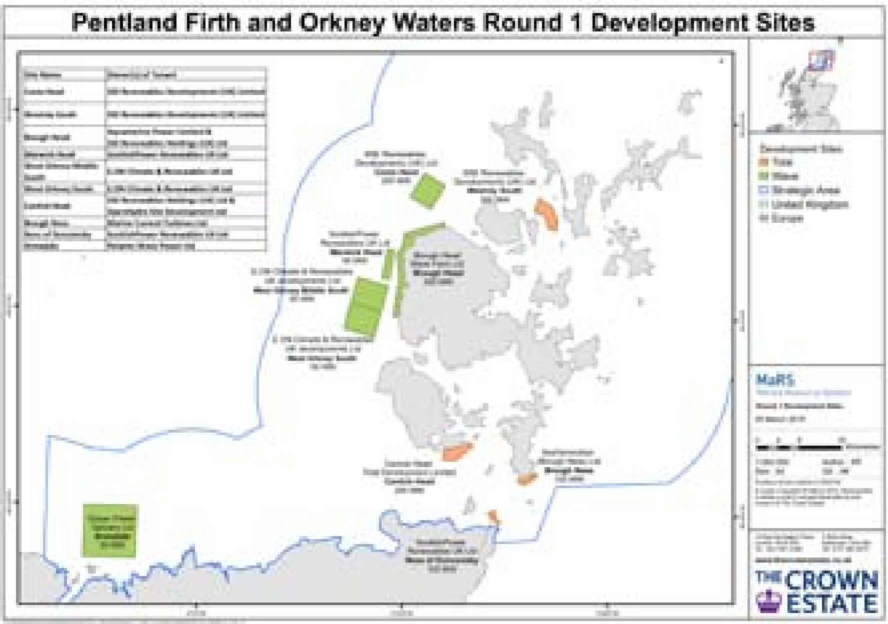
Source: OIC

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 (see map below). 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.

Occupancy levels have increased at the European Marine Energy Centre (EMEC) test sites at Billia Croo and Fall of Warness and nursery sites for testing prototype technologies during the earlier stages of development have been introduced in the more benign wave and tidal areas of Scapa Flow and Shapinsay Sound respectively http://www.emec.org.uk.

The Council has invested £3m in phase one of a major redevelopment of the quayside and hinterland at Lyness as interest continues to increase from marine energy sector businesses for appropriate facilities. Proposals for further major harbour improvements at both Hatston and Stromness are also being developed.



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
2010	141,431	41,502	6,440*

Source: OIC Marine Services * provisional figure

The upward trend in passenger and accompanied car numbers on the Stromness-Scrabster route since 2002 was halted in 2008 and the recovery in 2009 proved short-lived with 2010 figures declining in all categories.

However, although numbers are not published, it has been reported by Pentland Ferries that business on the St Margaret's Hope – Gills Bay route increased by 11 per cent during the year ended March 2011. This follows an 18 per cent increase the previous year.

With the exception of cargo (down 9%) traffic on the Lerwick-Kirkwall-Aberdeen route in 2010 was on a par with the previous year.

Traffic on Lerwick - 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
2010	51,507	7,878	4,036	38,497

Source: OIC Marine Services

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
2009/10	153,256	140,210	13,046	15,686

Source: Highlands and Islands Airports Limited (HIAL), Annual Reports

Despite the effects of the economic downturn and numerous flight cancellations due to the severe winter conditions experienced and the volcanic ash cloud from Iceland, total passenger numbers through Kirkwall Airport continued to increase during the year ended 31 March 2010. This was in contrast to an 8% drop in total passenger numbers through the eleven airports operated by HIAL, with Kirkwall being the only airport within the region increasing its passenger traffic.

Although no breakdown was available at the date of publication, published figures show that total passenger numbers at Kirkwall through 2010/11 have increased again (158,705).

Orkney's Internal Ferry Routes

The total levels of passenger and vehicle traffic on the internal ferry routes increased again over the past two financial years with the majority of islands displaying growth. Papay and Shapinsay both experienced a decline in passenger numbers between April 2009 and March 2011 but, in contrast, passenger traffic to/from Egilsay and Wyre increased by approximately 45%.

	Single journeys – year ended March							
Passengers	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
N. Ronaldsay	533	754	485	767	448	599	561	627
P. Westray	674	588	542	627	561	437	387	410
Westray	39,131	43,273	42,123	42,658	40,588	42,043	43,382	45804
Sanday	24,832	27,051	27,559	30,138	29,291	29,961	28,682	30010
Stronsay	17,644	17,165	17,035	17,812	17,354	18,816	18,589	19688
Eday	8,722	8,724	9,175	9,617	9,483	10,292	10,434	10314
Shapinsay	64,314	64,317	64,512	64,038	65,504	65,211	69,904	64206
Rousay	49,983	55,813	51,189	51,645	52,067	48,777	53,518	49696
Egilsay	3,977	3,224	3,400	3,824	3,763	3,291	3,830	4757
Wyre	2,357	2,623	2,542	3,101	3,094	2,987	3,204	4385
Lyness	59,709	67,733	64,664	64,025	64,597	65,250	64,920	67717
Flotta	10,229	10,443	10,068	10,752	10,414	10,906	11,066	11042
Graemsay	5,036	5,347	5,161	5,488	4,790	5,428	5,885	5920
N. Hoy	13,030	15,022	13,374	13,408	13,587	15,026	15,178	17204
Total	**300,171**	**322,077**	**311,829**	**317900**	**315,541**	**319,024**	**329,540**	**331,780**
Vehicles	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Westray	12,369	13,409	13,699	13,195	12,244	12,660	13,384	14,062
Sanday	8,467	9,023	9,804	10,412	9,817	10,482	10,978	11,189
Stronsay	5,649	5,980	5,900	5,643	5,288	5,988	5,897	6,272
Eday	2,827	2,900	3,483	3,580	3,672	3,748	3,568	3,753
Shapinsay	10,317	10,793	11,146	10,956	10,962	11,551	12,425	12,265
Rousay/Eg/ Wyre	14,855	15,857	15,392	15,417	15,530	15,086	16,574	15,604
Lyness/Flotta	23,317	24,627	23,113	23,312	23,170	23,186	24,590	24,492
Total	**77,801**	**82,589**	**82,537**	**82,515**	**80,683**	**82,701**	**87,416**	**87,637**

Vehicle traffic increased slightly on all routes during the same period although traffic on the inner north isles routes decreased during the 2010-11 period.

Over the past seven years, total passenger and vehicle traffic numbers have increased by 10.5% and 12.6% respectively.

Orkney's Internal Ferry Routes


MV Hoy Head


MV Thorsvoe

Housing

During the fourth quarter of 2010, house prices in Orkney were lower than during the corresponding period twelve months earlier. The fall was in contrast to a significant increase in Shetland and a small increase in the Western Isles and in Scotland generally. Against the trend, Orkney house prices recovered again during the first quarter of 2011 to match the average achieved some fifteen months earlier. The average increased over the same period in the other two island groups, but fell in both Highland and Scotland overall.

Average Residential Property Prices – Source: Registers of Scotland

	Oct – Dec 2009	Oct – Dec 2010	Annual change	Jan - Mar 2011	Quarterly change*
	£	£	%	£	%
Orkney	119,687	109,776	-8.3%	119,796	9.1%
Shetland	102,611	125,522	22.3%	117,011	-6.8%
Western Isles	91,544	97,183	6.2%	95,771	-1.5%
Highland	157,386	155,296	-1.3%	144,933	-6.7%
Scotland	155,618	158,000	1.5%	146,253	-7.4%

* quarterly percentage can be influenced by low number of sales

In terms of the total numbers of sales completed over the same period (below) the property market in Orkney has been less vibrant than in the other two island areas, although activity levels in Orkney follows a similar pattern to the market on the Scottish mainland.

Number of Residential Sales

	Oct – Dec 2009	Oct - Dec 2010	Annual change	Jan - Mar 2011	Quarterly change
Orkney	79	73	-7.6%	54	-26.0%
Shetland	71	72	1.4%	66	-8.3%
Western Isles	48	71	47.9%	50	-29.6%
Highland	993	900	-9.4%	527	-41.4%
Scotland	21,498	19,793	-7.9%	12,800	-35.3%

Source: Registers of Scotland

A more reliable indicator of trends might be had by comparing only sales of detached residential property (the most popular type in Orkney). This clearly shows the market in all three island groups performing much better over a 12-month period. However, the 2011 Orkney figure is still well below that of the corresponding period in 2009 when the average reached £170,450 and the number of sales recorded was 32% higher.

Detached Residential Property - Average Sale Price

	Jan - Mar 2010	Jan - Mar 2011	Annual change	Oct - Dec 2010	Quarterly change
Orkney	110,846	154,250	39.2%	129,787	18.8%
Shetland	101,343	129,966	28.2%	133,312	-2.5%
Western Isles	100,978	114,223	13.1%	98,799	15.6%
Highland	196,048	201,562	2.8%	202,879	-0.6%
Scotland	224,896	224,015	-0.4%	234,891	-4.6%

A total of 987 new houses, or approximately 10% of the total Orkney housing stock, have been completed during the past seven years, with the number of private developments almost three times that of the social housing agencies.

Following several years during which Orkney Islands Council was building no new houses at all, the Council resumed building in 2010 and aims to complete 125 new Council houses over the next three years. Orkney Housing Association Limited is however now experiencing a drop in grant funding which restricts the number of houses it can undertake to build.

The steady decline in the number of new houses started by the private sector since 2007 (during a period of a rapidly falling interest base rate which reached a record low of 0.5% in March 2009, and has been maintained at that level since) is perhaps symptomatic of high local land prices, increasing building costs, personal insecurity resulting from the general economic downturn, and/or the decreased ability of individuals to secure the necessary mortgages.

Housing Starts and Completions in Orkney

Calendar	Starts			Total	Completions			Total
Year	Private	OHAL*	OIC	Started	Private	OHAL	OIC	Completed
2004	190	44	0	**234**	51	19	0	**70**
2005	90	19	0	**109**	64	53	0	**117**
2006	121	29	0	**150**	78	50	0	**128**
2007	206	81	0	**287**	131	0	0	**131**
2008	151	50	1	**202**	150	58	1	**209**
2009	106	58	0	**164**	151	60	0	**211**
2010	87	43	13	**143**	102	19	0	**121**
Totals	**951**	**324**	**14**	**1289**	**727**	**259**	**1**	**987**

OHAL 'Starts' = Approvals Source: Scottish Government

Weather

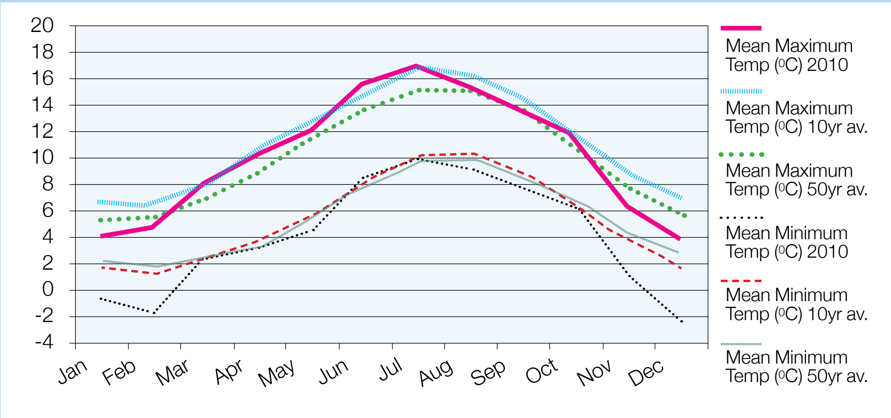
As an archipelago so dependent on economic activity related to agriculture, fishing and tourism, the weather in Orkney can be very influential both in terms of productivity and reputation.

Temperature

	Mean MAXIMUM Temp (°C)			Mean MINIMUM Temp (°C)		
	2010	10 Yr Av	50 Yr Av	2010	10 Yr Av	50 Yr Av
Jan	4.6	6.9	5.5	-0.5	1.9	2
Feb	5.0	6.7	5.6	-1.6	1.4	1.6
Mar	8.3	8.0	7	2.5	2.2	2.3
Apr	10.4	10.6	9	3.3	3.9	3.3
May	12.3	13.0	11.4	4.7	5.7	5.5
Jun	15.7	14.8	13.7	8.7	8.1	7.8
Jul	17.1	16.7	15.2	10.0	10.2	9.7
Aug	15.6	16.5	15.4	9.2	10.3	9.9
Sep	14.0	14.8	13.6	7.8	8.9	8.6
Oct	11.7	11.8	11.2	6.3	6.4	6.9
Nov	6.8	9.0	8	1.2	3.8	4.3
Dec	4.1	7.2	6.1	-2.4	2.0	2.7
Average	10.5	11.3	10.1	4.1	5.4	5.4

Sources: 2010 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.



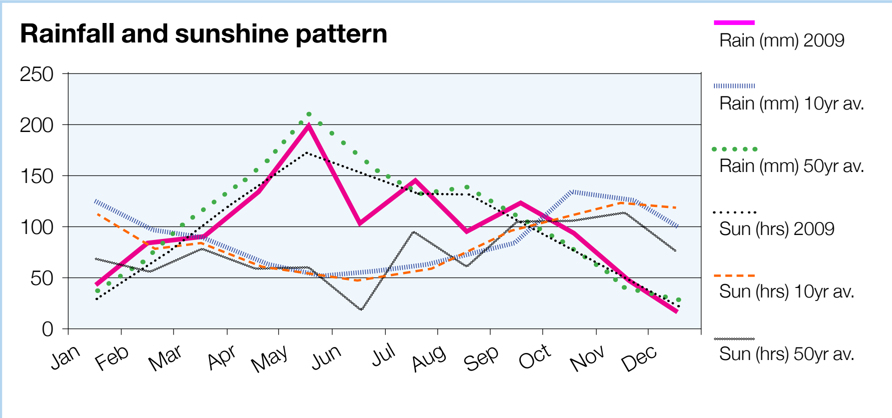
As data from the Meteorological Office (taken at Kirkwall Airport) is no longer available, 2010 data and the 10-year averages are provided from the Loch of Hundland climate station, privately operated by Keith Johnson. The chart illustrates the much colder than average temperatures experienced during both the early and the later months of 2010 where both the maximum and minimum temperatures fell well below the recent norm with the average minimum temperature, unusually, dropping below zero celsius during January, February and December.

Highlighting the unpredictability of Orkney's climate, both the average minimum and average maximum were in excess of one degree lower than the 2009 averages which closely matched that of the ten-year period prior to 2009.

Rainfall & sunshine hours

	RAIN (mm)			SUN (hrs)		
	2010	**10 Yr Av**	**50 Yr Av**	**2010**	**10 Yr Av**	**50 Yr Av**
Jan	65.1	123.8	110.5	40.9	32.4	29.3
Feb	52.4	95.0	76.6	84.2	63.6	60.3
Mar	75.5	84.4	82.4	89.5	112.9	94.3
Apr	56.5	62.8	57.3	134.7	152.8	141.7
May	56.8	47.9	49.3	202.0	211.1	172.4
Jun	16.5	51.0	48.5	103.0	162.1	157.5
Jul	92.3	58.4	55.8	144.2	136.1	135.9
Aug	60.4	66.7	73.3	94.1	137.4	129
Sep	106.2	83.6	96.5	122.0	98.7	104.1
Oct	102.9	134.3	109.8	92.6	81.5	73.8
Nov	115.4	128.6	120.6	47.2	38.1	37.6
Dec	72.1	99.6	117.4	12.6	28.0	21.9
Totals	872.1	1036.0	998	1167.0	1254.7	1157.8

Sources: 2010 data: Loch of Hundland climate station,10 year average, period 2000 – 2009: Loch of Hundland climate station, 50 year average: Kirkwall Airport data 1950-1999



In total, unsurprisingly given the temperatures experienced during the winter months, 2010 was much drier than average and 20% lower than in 2009. Rainfall during June and July displayed extreme variations from average with June exceptionally dry but July comparatively wet. The total hours of sunshine in 2010 was lower too, some 15% below the 2009 number, although much closer to the 10 and 50-year averages.