

**Development Committee****29 May 2013****Shetland Input-Output Study/Regional Accounts 2010-11**

Report No: DV018-F

**Report Presented by Business Development
Project Manager****Economic Development Service****1.0 Summary**

- 1.1 The purpose of this report is to provide the Committee with headline information on the results of the Shetland Input-Output Study 2010-11.

2.0 Decision Required

- 2.1 This report is presented for information only and requires no decision from the Committee. The report is presented as the information contained therein is of crucial importance to continuing discussions on the local economy and public expenditure, and therefore examination and discussion by the Development Committee is both appropriate and necessary.

3.0 Detail

- 3.1 In March 2011, the Council's Economic Development Service commissioned the Hutton Institute (then Macaulay Scientific Consulting Ltd.) to undertake the Shetland Input-Output Study 2011. The purpose of this study was to provide the Council with detailed information on the value of the local economy, and was to follow on from a similar study carried out in 2003.

- 3.2 The Input-Output Study utilises business and household surveys, plus detailed information from Shetland Islands Council and government sources, to provide the Council with key information on the value of the Shetland economy, including total output, value added, values of local economic sectors and trends in household expenditure. The report also provides details on economic multipliers (showing the effect of increased demand on key sectors), the trade balance (showing the difference in value between imports to and exports from Shetland) and the Exchequer Balance (showing the difference between government revenue and expenditure in Shetland), and includes specific scenarios which calculate the estimated effects of economic changes to certain sectors of the economy as a whole.
- 3.3 The following paragraphs present the headline figures from the report – total output and value added, the Shetland trade balance and the Shetland Exchequer Balance. The report ‘An Analysis of the Shetland Economy – Based on Regional Accounts for 2010-11’ is attached as Appendix I.

Total Output and Value Added

- 3.4 The report estimates that, in 2010/11, the total output of the Shetland economy was £1,091.4m. The same figure in 2003 was estimated as £860.5m (at 2010/11 prices, equal to £705.7m at 2003 prices). This is equal to a 27% cumulative increase in output between 2003 and 2011, or a 3.5% annual growth rate.
- 3.5 Value added is calculated as the sum of wages and gross profits through the production and sale of goods and services, and this is summed across all sectors to calculate Gross Regional Domestic Product (GRDP). The report calculates that GRDP in 2010/11 was £485m compared to £406.5m in 2003 (at 2011 prices, equal to £333.3m at 2003 prices). This is equal to an annual growth rate of 2.6% and a cumulative increase of 19% between 2003 and 2011.
- 3.6 The most significant sectors in terms of output are Aquaculture (£156m or 14.3% of total output), Fish Processing (£83m or 7.6%), Construction (£78m or 7.1%) and Fish Catching (£71m or 6.5%). Combined fisheries output (catching, processing and aquaculture) accounts for £317 million, or 29% of total economic output.
- 3.7 Public expenditure in 2010-11 can broadly be calculated by combining the output of the following sectors – Public Administration (£62.8m), Schools (£38.3m), Colleges (£6.1m), Health (£56.3m) and Social Work (£28.3m). Public output of £55.9m can also be found across other sectors. The cumulative output of these sectors is £247.7m, equal to 22.7% of total economic output in Shetland. Of the above output, £153.2m is attributable to local government output. By comparison, public output in 2003 was measured at £187.7m (£151.9m at 2003 prices), equal to 21.5% of economic output in that year.

Trade Balance

- 3.8 The estimated value of exports from Shetland in 2010/11 was £496 million. Of this, £166 million in exports was made to the rest of Scotland, £118 million to the rest of the UK and £212 million outside the UK. Of the above exports, combined fisheries operations account for £286 million, or 58% of all exports.
- 3.9 The estimated value of imports into Shetland in 2010/11 was £365 million, made up of £260 million in imports from the rest of Scotland, £63 million from the rest of the UK and £42 million from the rest of the world. Aquaculture and fish processing together account for 41% of all industrial imports, equal to £151 million.
- 3.10 An export value of £496 million against an import value of £365 million is equal to a positive trade balance of £131 million.

Exchequer Balance

- 3.11 The Exchequer Balance is the difference between total government revenue raised in Shetland against total government expenditure. The report calculates that, in 2010/11, Shetland generated a positive Exchequer Balance of £82 million. This compares to a positive Exchequer Balance of £77 million (£63 million at 2003 prices) from the 2003 report.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – While the release of the report carries no direct implications for Corporate Priorities, and this report does not make any recommendation for action, information from the results could be used to inform and direct policy development within the Council.
- 4.2 Community /Stakeholder Issues – As above, there are no direct implications from the release of the report. However, the results of the Input-Output Study could be used to inform discussion with community and local stakeholders during consultation processes.
- 4.3 Policy And/Or Delegated Authority – None.
- 4.4 Risk Management – Proper interpretation of results from the Input-Output Study is key to understanding the significance of certain aspects of the study. There is a risk that out-of-context reporting of figures from the study could lead to misinterpretation and confusion. Any figures from the study which enter the public domain should be presented in the proper context.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

Resources

- 4.7 Financial – There are no direct financial implications arising from this report.
- 4.8 Legal – None.
- 4.9 Human Resources – None.
- 4.10 Assets And Property – None.

5.0 Conclusions

- 5.1 The above figures demonstrate that the Shetland economy has experienced strong growth in the period since the last Input-Output Study in 2003, in the face of challenging national and international economic conditions. This growth can be traced to expansion in both the private and public sectors.
- 5.2 Fisheries activity continues to be the most significant contributor to economic output in Shetland, and exports from this are a key factor in Shetland's net positive balance of trade.
- 5.3 The relatively strong performance of the local economy provides benefits to the national economy through generating a positive exchequer balance, as seen above.

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List of Appendices

Appendix I - "An Analysis of the Shetland Economy – Based on Regional Accounts for 2010-11", plus report appendices

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