

# An Economic Impact Analysis of the Festival Tourism Niche in Malta

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# Executive Summary (1)

- This report presents an economic impact analysis of the festival tourism niche industry in Malta in terms of value added generation and job creation. This analysis is based on four main festivals namely Lost and Found, Abode, Summerdaze and the Cirque du Soleil.
- The total annual number of tourists attending these festivals amounts to 37,100 with an annual average expenditure of around €30 million.
- This expenditure is estimated to have directly generated an annual average of €11.59 million worth of value added and an average of circa 397 FTE jobs per year in the Maltese economy. As a result of the growth in output, the annual average direct and indirect impact is estimated at €18.32 million worth of value added and 536 FTE jobs.
- When considering also expenditure made out of incomes earned through the direct and indirect effects, the annual average value added generated in the economy is estimated at €27.17 million whilst the total amount of FTE jobs amounted to 721.

# Executive Summary (1)

- Value added and employment generated as a result of expenditure spent on festivals has in turn effected other sectors of the economy. The hotels and restaurant sector was mostly affected with €6 million worth of value added, followed by the transport and distribution sectors generating around €3.74 million and €2.83 million respectively.
- The predominant impact in terms of jobs created is also experienced in the hotels and restaurants sector with an annual average of 241 FTE jobs, followed by the distribution and the transport sectors which are estimated to create 81 and 68 FTE jobs respectively. These jobs are on an annual-equivalent basis, peaking in particular periods of festival organisation.
- These estimates can be further assessed relative to the costs incurred to operate such festivals.

# Introduction

# Introduction (1)

- Festival Tourism entails the organisation of events which attract millions of tourists annually to countries where such events are held. This has over recent years developed a well-established niche in several European countries, generating a number of economic and reputational effects through tourism and promotional activities.
- The tourism sector has always been the main economic driver for the Maltese islands with significant contribution to the nation's prosperity, especially considering the fact that it is an industry which feeds into every sector of the economy.
- As the sector has over the years matured in a number of market dimensions, competitiveness within this industry needs to be sustained by a concerted focus on innovation and diversification in line with the National Tourism Policy.
- Festival tourism is a developing market segment in Malta with a significant untapped potential. Malta's characteristics and its main strengths in tourism could contribute towards the festival tourism industry, alluring tourists and ultimately contributing towards economic growth.

# Introduction (2)

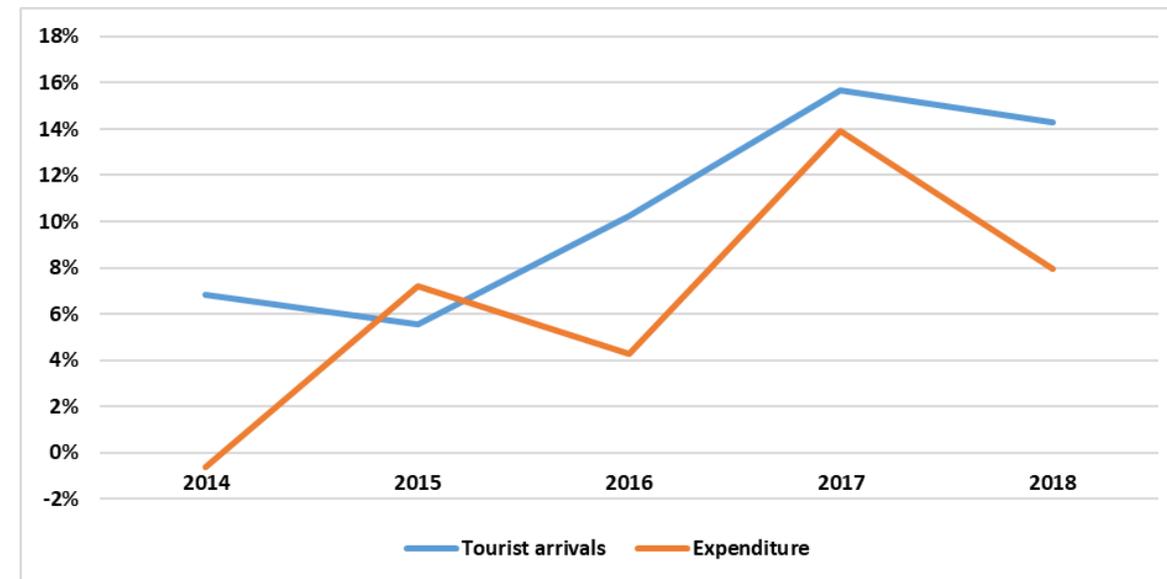
- Festival Tourism has the potential to further develop the tourism industry in Malta particularly through:
  - the attraction of specific tourists segments who would otherwise not visit Malta;
  - international media coverage of Malta`s tourism product;
  - the generation of tourism activity in the shoulder months;
  - a shift in the demographic profile of tourists towards the younger generation;
  - the generation of repeat tourism not only for future events but also for other tourism attractions which Malta offers.
- Thus, the festival tourism niche industry has the potential to boost economic value added and employment in a rapid manner. From a medium-term perspective, it would dovetail with Malta`s tourism strategy, particularly when it comes to product, seasonality and demographic diversification.
- This report presents an analysis of the contribution of the festival tourism niche industry to the growth and development of the Maltese economy, in terms of value added generation and job creation.

# Overview of Inbound Tourism in Malta

# Profile of Inbound Tourists (1)

- In 2018, Malta attracted approximately 2.6 million inbound tourists, injecting into the economy a total expenditure of over €2 billion. While total tourism expenditure has increased by 8% over 2017, a drop of around 6% was recorded in expenditure per capita, reflecting in good part shorter stays and cheaper flights.
- Whereas growth in arrivals and tourist expenditure peaked in 2017, there has been a slower growth in both inbound tourists and expenditure in 2018. Hence, although the overall tourism industry remains a positive contributor to the economy, it is also reaching maturation and possibly saturation.
- To maintain competitiveness, the industry needs to move towards a more sustainable pattern of tourism in particular by spreading tourism activity into periods and localities with spare capacity, and into new categories of visitors in terms of specific interests and demographic characteristics.

**Figure 1: Growth in Total Arrivals and Tourists' Expenditure**

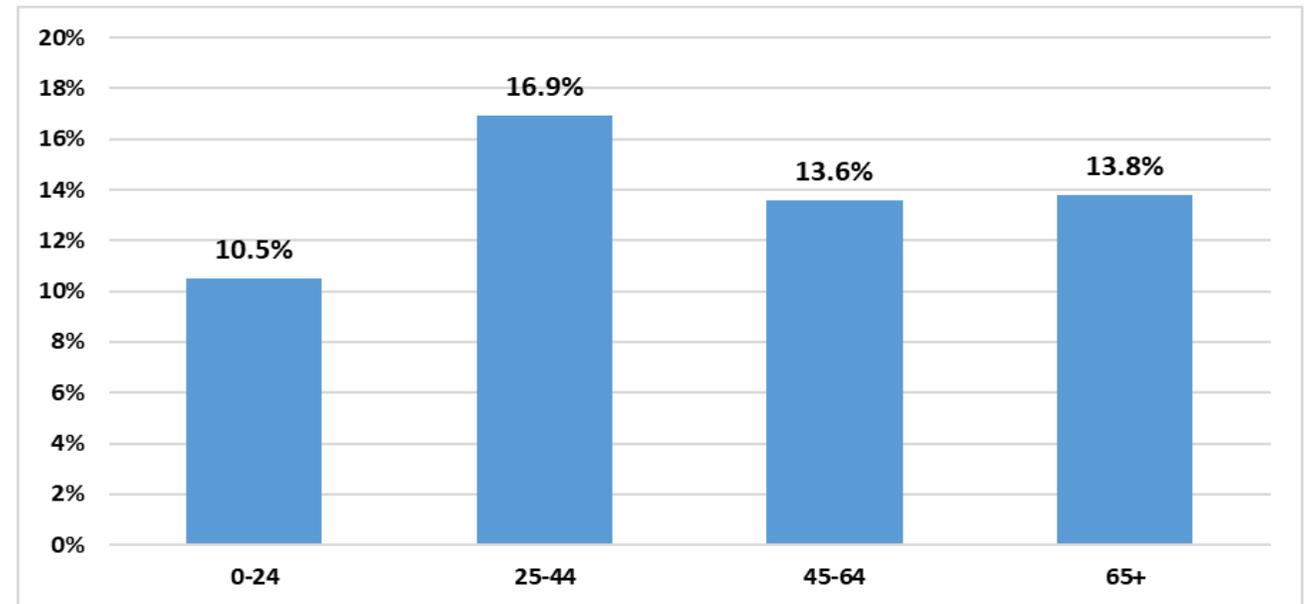


Source: *Inbound tourism, NSO*

# Profile of Inbound Tourists (2)

- As shown in Figure 2, tourist arrivals within the 25-44 age cohort registered the highest growth in 2018 estimated at 16.9%, followed by the 65+ and the 45-64 age cohorts which registered a growth of 13.8% and 13.6% respectively. The 0 to 24 age bracket registered the lowest increase estimated at 10.5% over 2017.
- Hence, although there is a significant share of tourists falling under older age cohorts, a notable growth has been recorded in tourists falling under younger age cohorts in particular those aged between 25 to 44 who are considered to be the highest spending age bracket.

Figure 2: Growth in Tourist Arrivals by Age Group

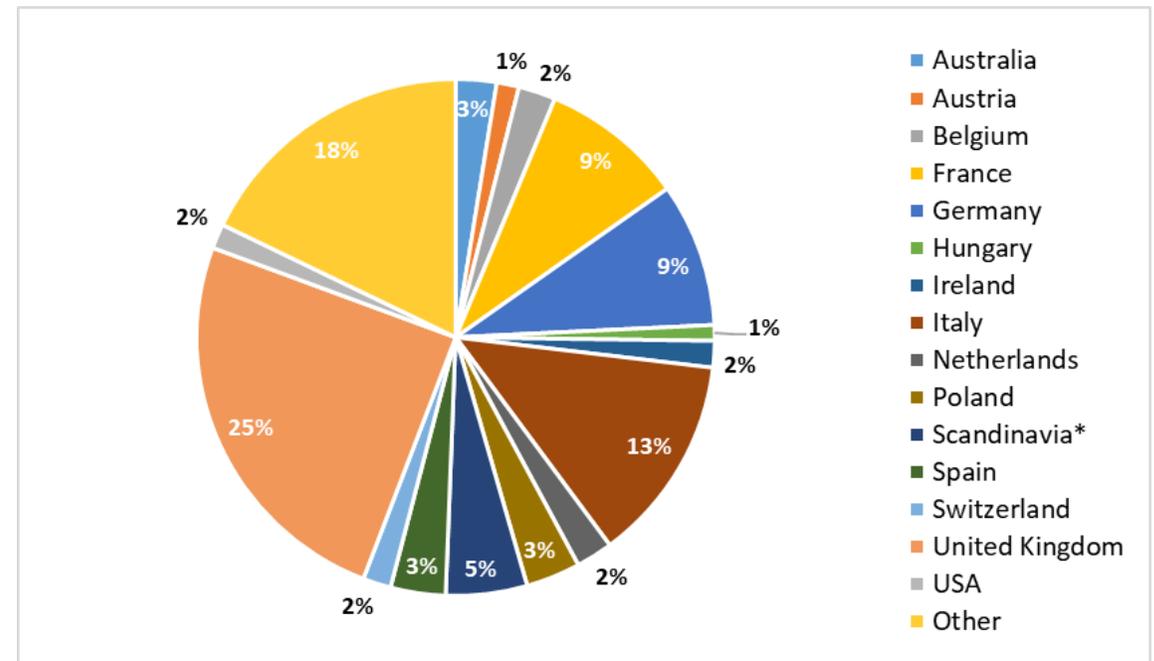


Source: Inbound tourism, NSO

# Tourist Bed Nights

- In 2018, total tourist bed nights amounted to circa 18.6 million of which 25% were occupied by tourists coming from the UK followed by Other nationalities occupying around 19% of total bed nights and Italy with 13%.
- A decline in the average length of stay is observed over the past years from 7.9 nights in 2015 to 7.1 nights in 2018. This indicates that tourists are being attracted by short vacations and niche market stays which are facilitated by low-cost flights.
- Although the highest share of bed nights was spent by tourists coming from the UK, the highest expenditure per night was spent by those coming from the USA estimated at €196.86.
- Among the European countries, the highest expenditure per night was spent by those coming from Switzerland, followed by the Scandinavian countries estimated at €147.29 and €125.55 respectively.

Figure 3: Tourist Bed Nights by Country

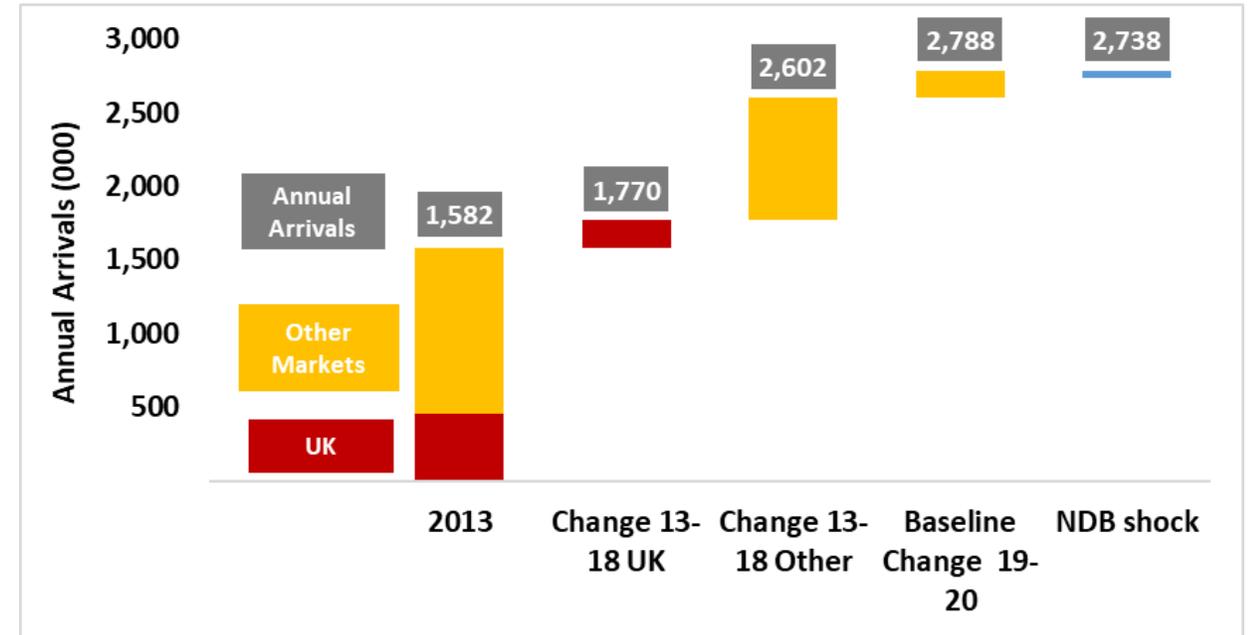


Source: Inbound Tourism, NSO

# Brexit and its Potential Impact on Tourism

- In 2018, Malta experienced a substantial increase in UK tourist arrivals of circa 14.2% over the previous year.
- A ‘no-deal’ Brexit is estimated to lead to a decline in the number of UK tourists of around 50,000<sup>1</sup>. Nonetheless, although a ‘no-deal’ Brexit would be unfortunate for many EU countries, Malta can prevent it from being catastrophic to its tourism sector by investing in particular niche markets.

Figure 4: Impact of Brexit on Tourist Arrivals



Source: Author's estimates

- The development of festival tourism may counteract any potential negative effects of Brexit, whose consequences on UK tourism are still uncertain, in a situation where 25% of tourist arrivals in Malta are from the UK. This is in view of potential for festival tourism to target arrivals from within the UK itself, thus countering market-specific negative shocks.

# Estimates of Expenditure Injections

# Festival Tourism Market in Malta

Festival	Brief description of events
<b>Lost and Found</b>	This festival was launched for the first time in Malta in 2015. This event attracts around 10,000 visitors predominantly from the UK.
<b>Abode</b>	Abode Festival was first launched in 2018 and takes place in Gozo during the month of June. This festival attracts around 4,000 people who travel over to Gozo mainly from the UK.
<b>Summerdaze</b>	Summerdaze festival is a week full of events and is held between 9 <sup>th</sup> and 16 <sup>th</sup> August. Over 50,000 individuals attended this event in 2018 of which around 70% were foreigners. It is estimated that around half of the foreigner attendees travel to Malta specifically for the festival.
<b>Cirque du Soleil</b>	Cirque du Soleil is relatively new to Malta's festival tourism industry. Around 20% of attendees are tourists whilst another 30% and 50% are foreigners living in Malta and locals respectively. This annual event attracts around 28,000 attendees.

# Estimates of Expenditure Injections (1)

**Table 1: Festivals Expenditure**

<b>Festival</b>	<b>Visitors</b>	<b>Expenditure (million €)</b>
Lost and Found	10,000	€7.85
Abode	4,000	€3.14
Summerdaze	17,500	€13.38
Cirque du Soleil	5,600	€5.19
<b>Total</b>	<b>37,100</b>	<b>€29.56</b>

*Source: Author's estimates*

- Estimates on the basis of information provided by 356 Entertainment group indicate that the annual number of tourists attending these festivals amounts to 37,100 with an annual average expenditure of around €30 million.
- Summerdaze festival attracts the highest number of tourists estimated at 17,500 per year followed by Lost and Found which attracts around 10,000 tourists a year. Abode festival attracts the least number of tourists among all festivals held in the Maltese islands. As shown in Table 1, the highest estimated expenditure is spent on the Summerdaze festival estimated at €13.38 million followed by the Lost and Found festival estimated at €7.85 million.

# Estimates of Expenditure Injections (2)

- Expenditure estimates for the Lost and Found and Abode festival were calculated on the basis of UK tourist expenditure per night given that attendees for these festivals are predominantly coming from the UK. The expenditure per night is multiplied by the number of tourists attending such festivals for an assumed period of 7 days.
- On the other hand, given that the Summerdaze and Cirque du Soleil festivals attract visitors from all over Europe, a different estimation of expenditure is carried out. The weighted average expenditure per night of the top five inbound tourist nationalities in 2018 is used to calculate expenditure for the Summerdaze festival, whilst the weighted average expenditure per night of the top three nationalities that are estimated to have spent the highest amount in per capita terms in 2018 is used to calculate expenditure of the Cirque du Soleil event. This is because tourists who travel specifically for the Cirque du Soleil are typically those who are ready to pay the most for it.
- Estimates of expenditure spent by tourists attending these festivals is used to estimate the impact on the Maltese economy in terms of value added generated and jobs created as a result of such expenditure.

# Economic Impact Analysis

# Methodology

The economic contribution in terms of value added and employment generation in the Maltese economy is assessed at three distinct phases through the use of relevant multiplier estimates:

- 1. Direct contribution:** this consists of the economic value added and employment within business activities that are directly receiving the expenditure injection.
- 2. Indirect Contribution:** this consists of the value added and employment effects within firms that supply resources to the firms that are the initial beneficiaries of the direct expenditure injection.
- 3. Induced Contribution:** this encompasses the effects of the expenditure of incomes earned from the direct and indirect effects into other sectors of the economy.

This analysis is based on industry specific multipliers derived from the 2010 Input-output tables computed by the national accounts for the Maltese economy in line with internationally agreed principles (Cassar & Rapa, 2018).

This report also presents the decomposition of the employment created and economic value added generated on various sectors of the economy.

# Economic Impact Analysis (1)

**Table 2: Breakdown of DIRECT value added and employment**

	Direct Value Added Generation (Annual averages in million €)	Direct Employment Generation (Annual averages in FTE)
Retail trade, except of motor vehicles and motorcycles	€1.80	54
Transport	€2.69	48
Accommodation and food service activities	€5.95	238
Creative, arts and entertainment activities	€0.27	1
Sports activities and amusement and recreation activities	€0.88	56
<b>Total</b>	<b>€11.59</b>	<b>397</b>

Source: Authors' Estimates

- The estimated tourist expenditure on festivals is found to have directly generated an annual average of €11.59 worth of value added and an average of circa 397 FTE jobs per year in the Maltese economy.
- The above Table indicates that the accommodation and food services sector experienced the highest direct economic impact with an estimated annual average value added of €5.95 and 238 FTE jobs.

# Economic Impact Analysis (2)

**Table 3: Breakdown of DIRECT and INDIRECT value added and employment**

	Direct and Indirect Value Added Generation (Annual averages in million €)	Direct and Indirect Employment Generation (Annual averages in FTE)
Retail trade, except of motor vehicles and motorcycles	€2.31	63
Transport	€4.30	81
Accommodation and food service activities	€9.87	318
Creative, arts and entertainment activities	€0.30	2
Sports activities and amusement and recreation activities	€1.54	72
<b>Total</b>	<b>€18.32</b>	<b>536</b>

Source: Authors' Estimates

- As a result of the growth in output, the annual average direct and indirect impact generated in the Maltese economy is estimated at €18.32 million worth of value added and 536 FTE jobs.
- The accommodation and food services sector still experienced the highest direct and indirect effect, with an annual average value added estimated at €9.87 million and an annual average employment of 318 FTE jobs, followed by the transport sector with an estimated annual average value added of €4.30 million and 81 FTE jobs.

# Economic Impact Analysis (3)

**Table 4: Breakdown of DIRECT, INDIRECT and INDUCED value added and employment**

	<b>Direct, Indirect and Induced Value Added Generation (Annual averages in million €)</b>	<b>Direct, Indirect and Induced Employment Generation (Annual averages in FTE)</b>
Retail trade, except of motor vehicles and motorcycles	€3.25	84
Transport	€6.38	124
Accommodation and food service activities	€14.73	419
Creative, arts and entertainment activities	€0.35	3
Sports activities and amusement and recreation activities	€2.46	91
<b>Total</b>	<b>€27.17</b>	<b>721</b>

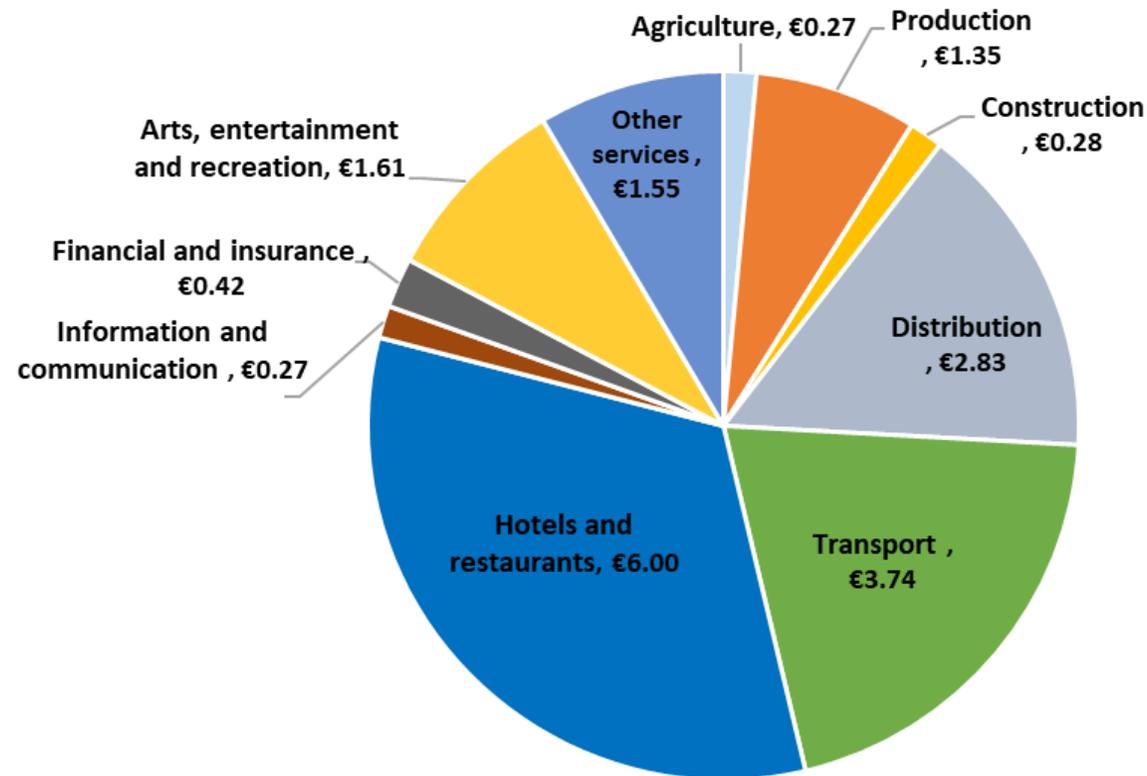
Source: Authors' Estimates

- When considering also expenditure made out of incomes earned through the direct and indirect effects, the annual average value added generated in the economy is estimated at €27.17 whilst the total amount of FTE jobs amounted to 721.
- The largest direct, indirect and induced effect is also experienced by the accommodation and food sector with an annual average value added of €14.73 and circa 419 FTE jobs. This is followed by the transport sector with around €6.38 million worth of value added and 124 FTE jobs.

# Economic Impact Analysis – Results (4)

Decomposition of value added across different economic sectors

**Figure 6: Sectoral Distribution of the Gross Value Added Generation  
(Average Annual Estimates in million €)**

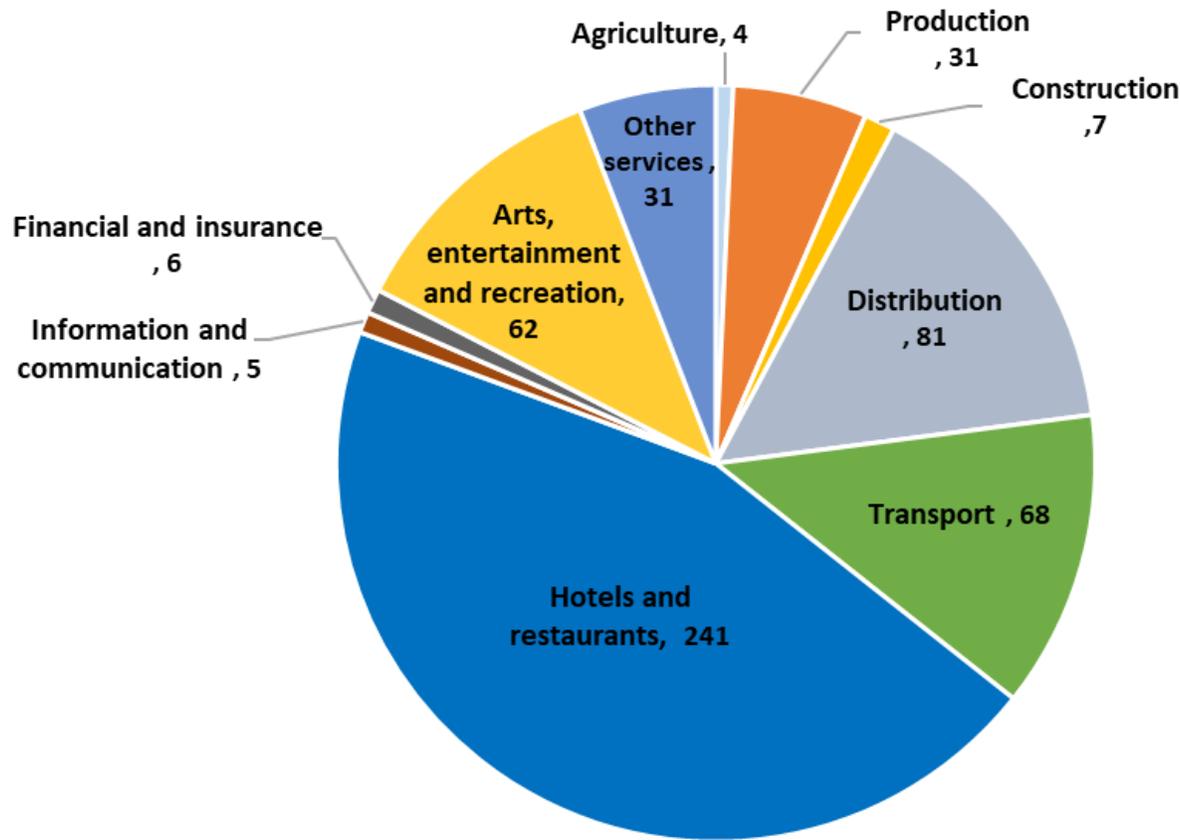


- Figure 5 presents the decomposition of the direct and indirect value added generated in the economy as a result of tourist expenditure on festivals across various economic sectors.
- The hotels and restaurant sector was mostly effected after considering the multiplier effects with €6 million worth of value added, followed by the transport and distribution sectors estimated at €3.74 million and €2.83 million respectively.

# Economic Impact Analysis – Results (5)

Decomposition of employment generated across different economic sectors

**Figure 7: Sectoral Distribution of the Employment Generation (Average Annual Estimates in FTE)**



- Figure 6 depicts the sectoral distribution of the direct and indirect FTE jobs created in the economy as a result of tourist expenditure on festivals.
- The predominant impact in terms of jobs created is also experienced in the hotels and restaurants sector with an annual average of 241 FTE jobs, followed by the distribution and the transport sectors which are estimated to create 81 and 68 FTE jobs respectively.
- A considerable number of jobs are also created in the Arts, entertainment and recreation sector, estimated at 62 FTE jobs.

# Qualitative Aspects of Festival Tourism

# Coherence with the National Tourism Policy

- The economic impact analysis in the previous section was based on a prudent approach focusing on high level expenditure estimates and the associated value added and employment effects. Results derived from this analysis indicate that such events leave a marked economic impact on the Maltese economy through the tourism industry.
- The vision of the National Tourism Policy is to promote and manage year-round tourism growth in the Maltese islands through the dual principles of competitiveness and sustainability. Hence, the festival tourism niche industry is coherent with the National Tourism Policy as it:
  - Creates economic value added and employment through expenditure injections by tourists visiting Malta specifically for such events;
  - Contributes towards the diversification of tourism activity by creating a new purpose for tourists to visit Malta and by tapping into a specific youth demographic segment;
  - Contributes to reduce seasonality and to develop activity in particular localities at specific periods;
  - Offers opportunities for international media exposure associated with festival events;
  - Offers specific business opportunities for micro and small operators within the tourism industry by flexibly catering for event visitors.

# Sustainable Development of Festival Tourism

- Although the festivals niche seems to be aligned with the National Tourism Policy, actions need to be taken in order to develop this economic activity in a sustainable manner. Several supply-side constraints which could deter the sustainability of tourism related activities are highlighted in the National Tourism Policy.
  - Tourists visiting Malta specifically to attend such events need to be appropriately managed to ensure that existing peak periods are not exceeded due to shortage in accommodation as this would create pressures on infrastructure.
  - Plans to spread arrivals over the entire year are essential to eliminate seasonality problems that the tourism sector face during off peak season and at the same time release pressure from the accommodation and transport system.
  - Pressure on the transport infrastructure is another crucial consideration. One should consider better road management, increasing the number of routes and above all adding additional flights to remove access barriers.
  - It is important to ensure that the attraction of tourists for festivals does not have negative environmental implications and does not impede tourists who visit Malta for other purposes. Hence, authorities need to ensure value for money, security, quality, good environmental status, social cohesion and adequate services not only for visitors but also for the residents.

# Summary Findings and Conclusions

# Summary Findings and Conclusions (1)

- This report evaluated the economic impact of the festival tourism niche industry in terms of value added generated and jobs created in the Maltese economy.
- The annual number of tourists attending these festivals amounts to 37,100 with an annual average expenditure of around €30 million. The highest annual expenditure injection is spent on the Summerdaze festival estimated at €13.38 million whilst the least expenditure injection is spent on the Abode festival estimated at €3.14 million.
- This expenditure is estimated to have directly generated an annual average value added of €11.59 million and circa 397 FTE jobs in the Maltese economy. As a result of the growth in output, the annual average direct and indirect impact is estimated at €18.32 million worth of value added and 536 FTE jobs.
- When considering also the induced effects, the annual average value added generated in the economy is estimated at €27.17 million whilst the total FTE jobs amounted to 721.

# Summary Findings and Conclusions (2)

- Value added and employment generated as a result of the four festivals under study has in turn affected other economic sectors. The hotels and restaurant sector was mostly effected with €6 million worth of value added, followed by the transport and distribution sectors generating around €3.74 million and €2.83 million respectively.
- The largest impact in terms of jobs created is also experienced in the hotels and restaurants sector with an annual average of 241 FTE jobs, followed by the distribution and the transport sectors which are estimated to create 81 and 68 FTE jobs respectively. These jobs are on an annual-equivalent basis, peaking in particular periods of festival organisation.
- These results indicate that such events leave a marked economic impact on the Maltese economy. Moreover, this niche seems to be aligned with the National Tourism Policy as apart from creating economic value added and employment in various sectors of the economy, it contributes towards the diversification of tourism activity and reduce seasonality.
- Nonetheless, festival tourism needs to be continuously managed in an effective manner to ensure consistency with the sustainable development tourism model presented by the National Tourism Policy and to avoid conflict with other niches.



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