

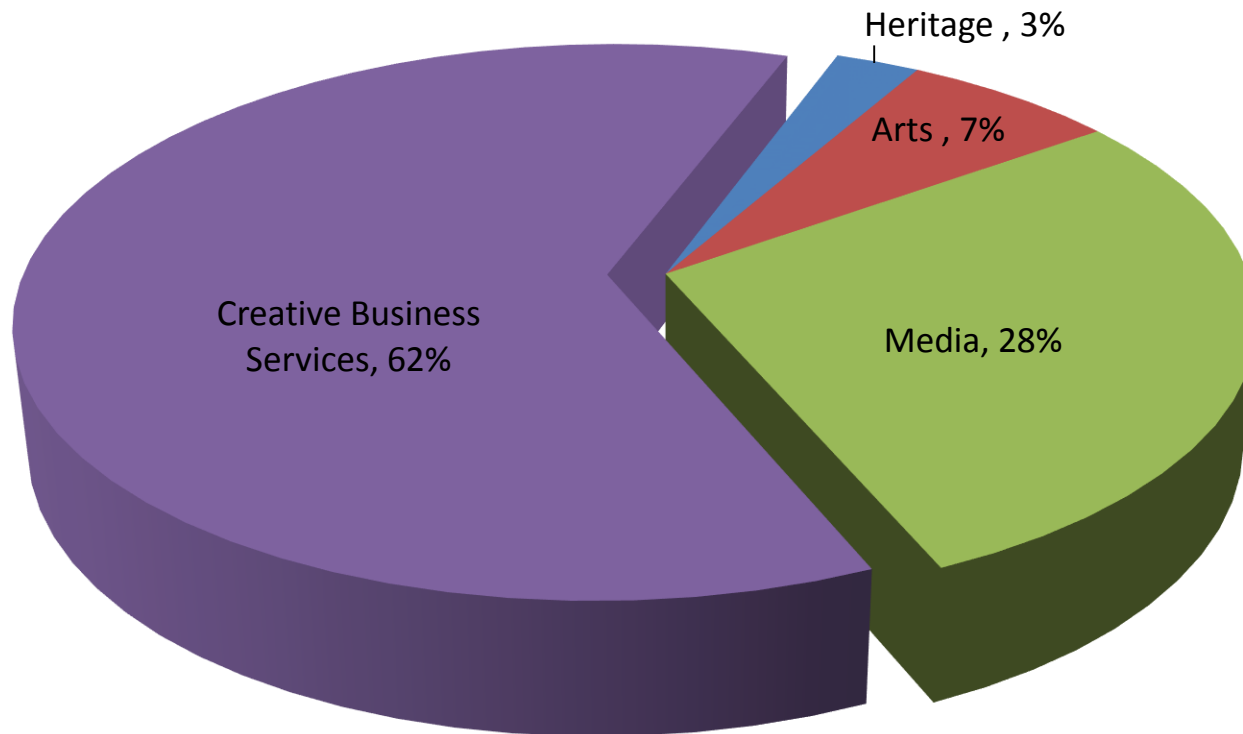
The Economics of Culture and Creative Industries in Malta

Kevin Vella; Dr Robert Cachia

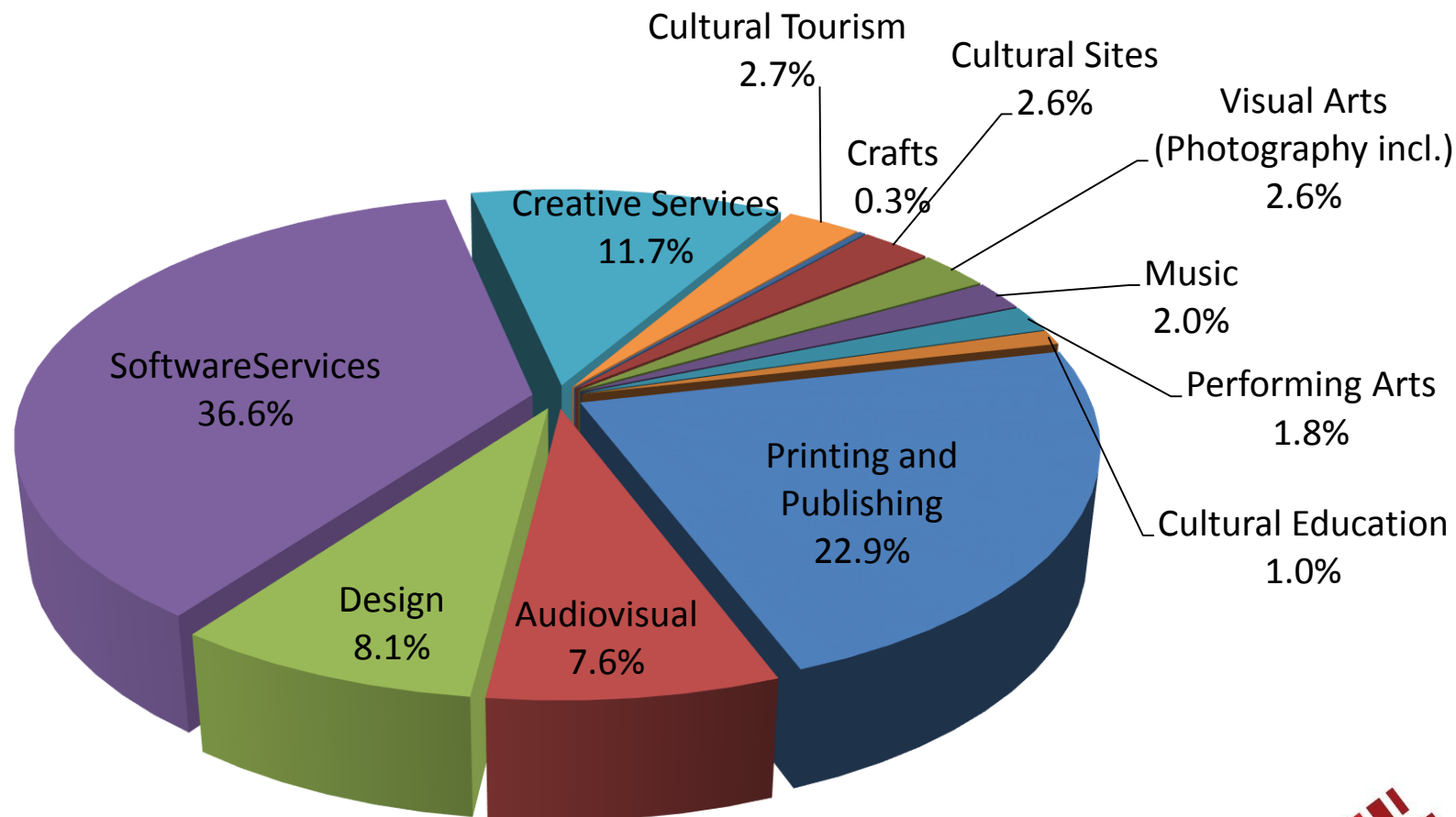
Economic Policy Department



The Economic Contribution of the Culture and Creative Industries in Malta



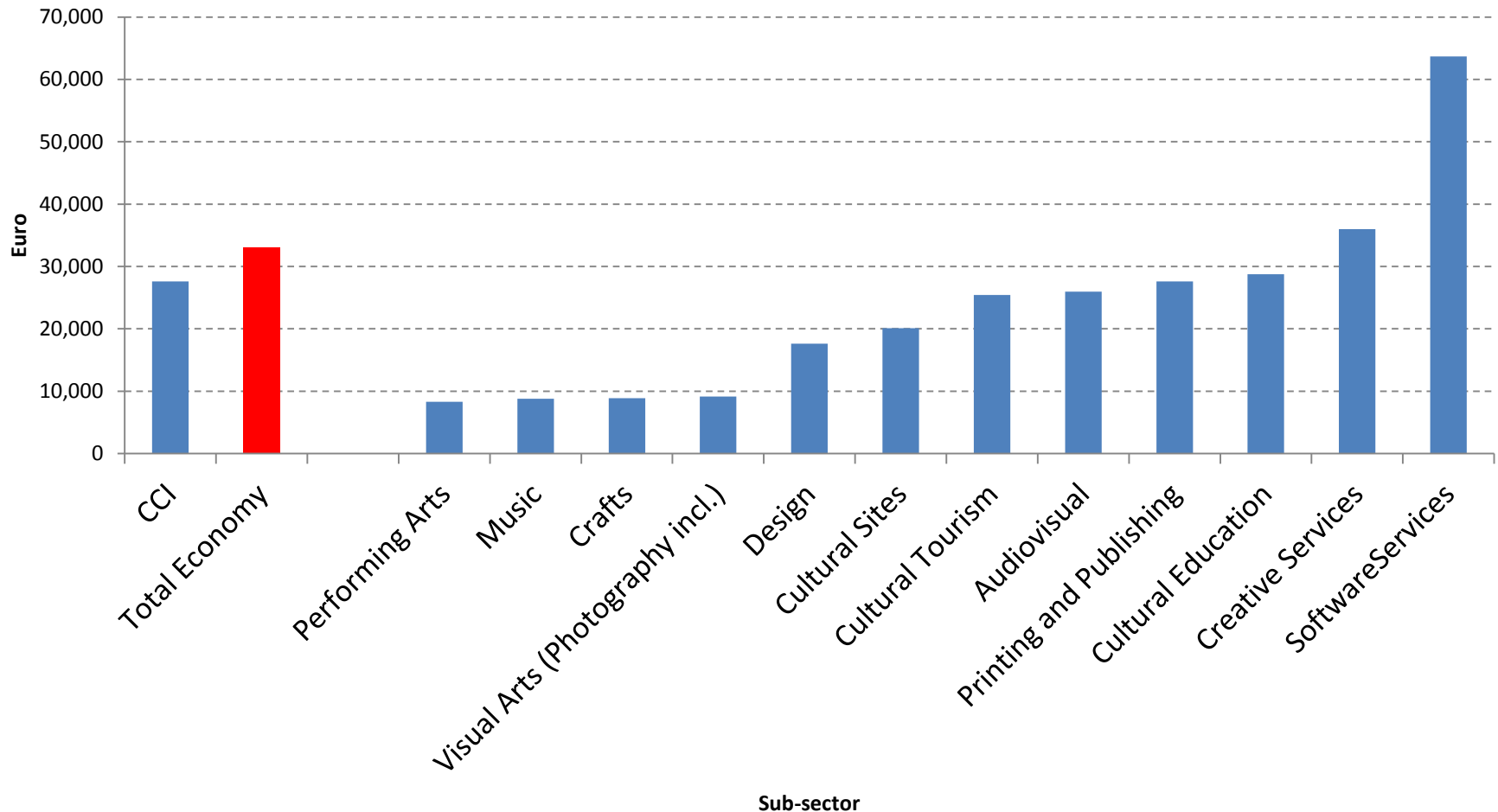
The Economic Contribution of the Culture and Creative Industries in Malta



The Economic Contribution of the Culture and Creative Industries in Malta

- The Culture and Creative Industries
 - directly contributes to around 5 per cent of GDP;
 - employs more than 10,000 persons.
- The industry is predominantly made up of SMEs
 - traditional visual art sectors mainly made up of enterprises employing less than 3 people;
 - more manufacturing oriented sectors, such as printing and crafts;
 - the heritage sector together with audiovisuals and software services employing between 5 and 8 individuals.

GVA per Employee by sub-sector (2008–2010)



Economic Performance of the CCIs

Growth (%) in GVA by Period and Sub-Sector; 2000/2010

	Pre-EU	Post-EU	Recession
Crafts	5.3	-8.8	-16.8
Cultural Sites		-11.2	-8.1
Visual Arts	27.3	11.8	-0.1
Music	-9.0	21.3	-1.9
Performing Arts	-5.9	0.2	1.0
Cultural Education			6.4
Printing and Publishing	-0.4	3.3	-4.8
Audiovisual	7.1	-25.1	-15.0
Design	-14.5	10.8	15.0
Software Services	-0.7	29.6	20.0
Creative Services	-7.8	5.0	15.6
Cultural Tourism			34.8
CCIs	-3.5	7.7	6.2
Total Economy	2.5	6.5	3.9

Design in Project Life Cycle – Value Added



CLOSED LOOP OPERATIONS

**PMBOK; PRINCE2; Agile Methods*

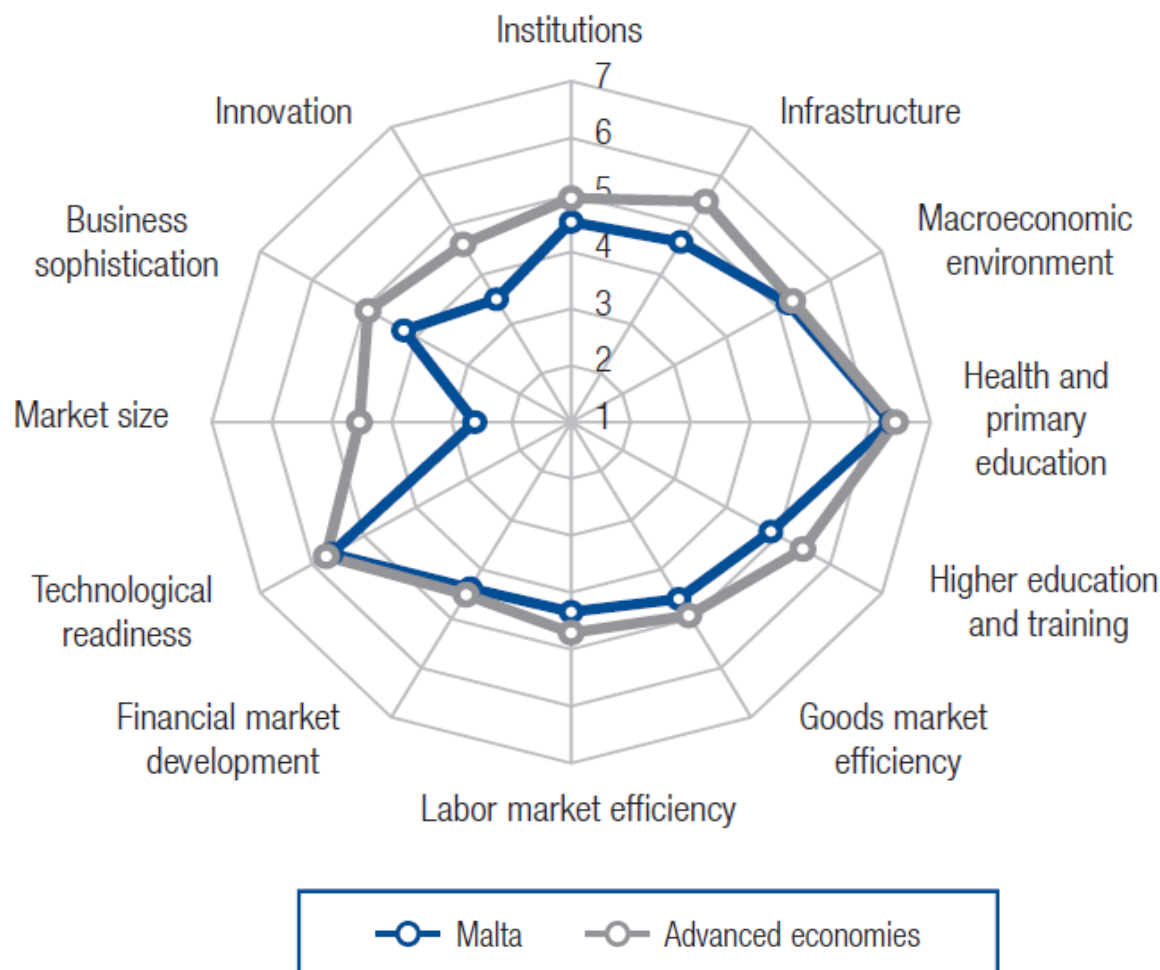
Culture Matters: Valletta 2018 Initial Findings



A Profile of Design Enterprises

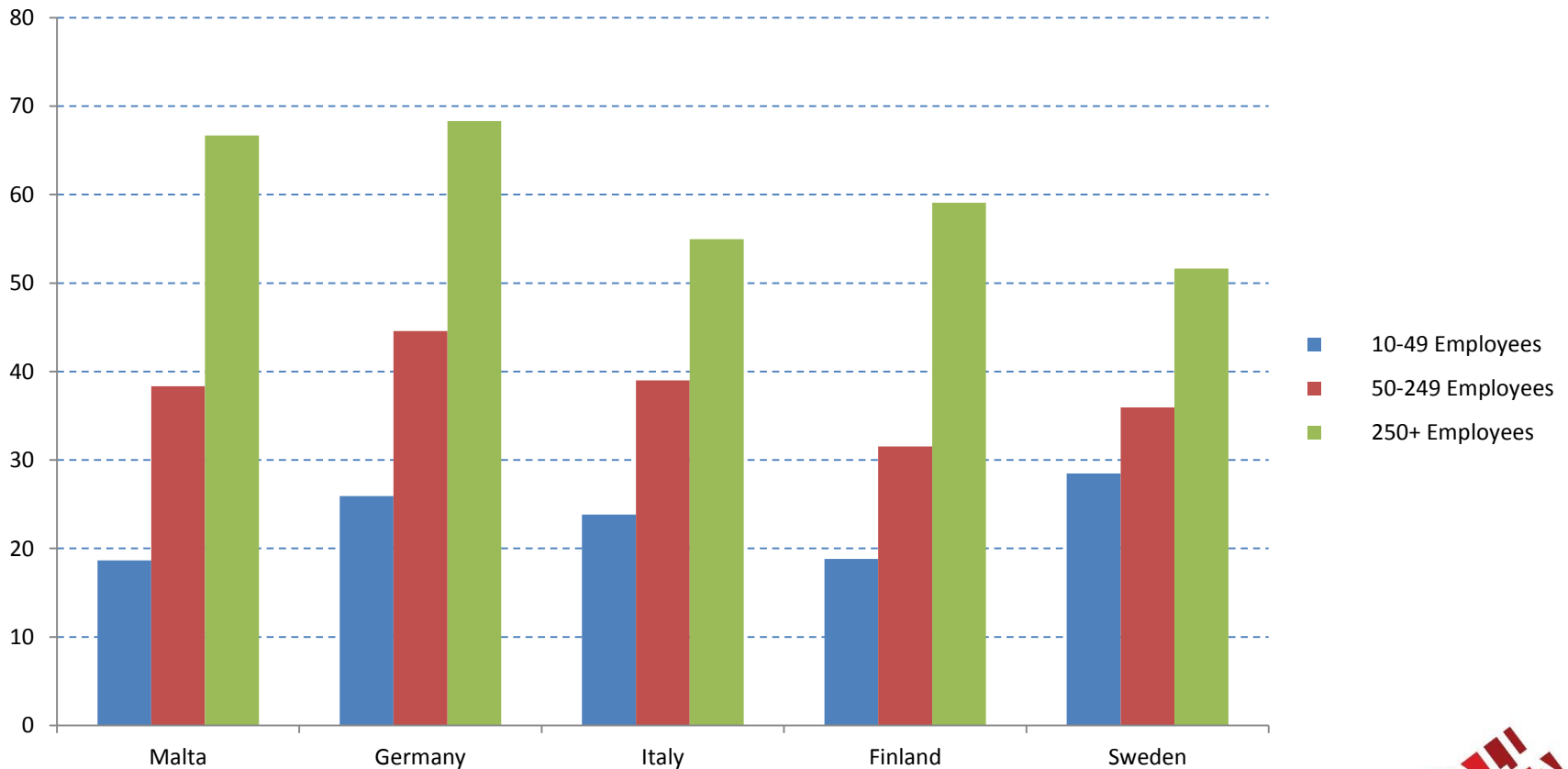
- According to the CCI Report, design enterprises:
 - generated around €50 million in value added;
 - account for 0.8% of GDP
 - 790 enterprises with an average of 3 people employed
 - Profit margins are estimated at around a healthy 24%
- UK Literature suggests that most design activity takes place outside design enterprises and in firms scattered across other sectors of the economy.

Innovation and Market Size are the main constraints to Malta's Competitiveness according to the World Economic Forum's Global Competitiveness Report



The proportion of firms carrying out design is relatively high in medium sized and large firms but low in smaller firms.

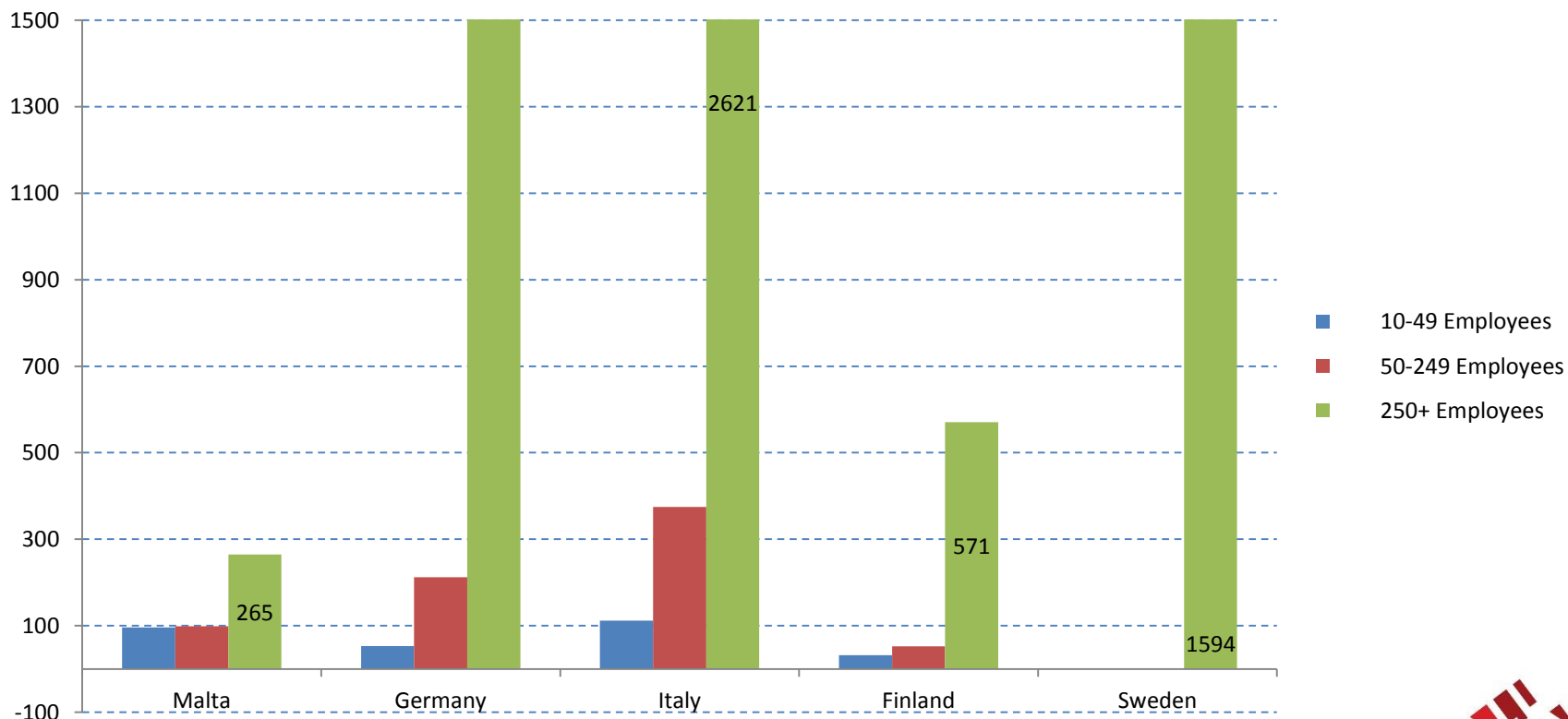
Proportion of Firms Engaged in Design Activities by Firm Size



Source: Community Innovation Survey

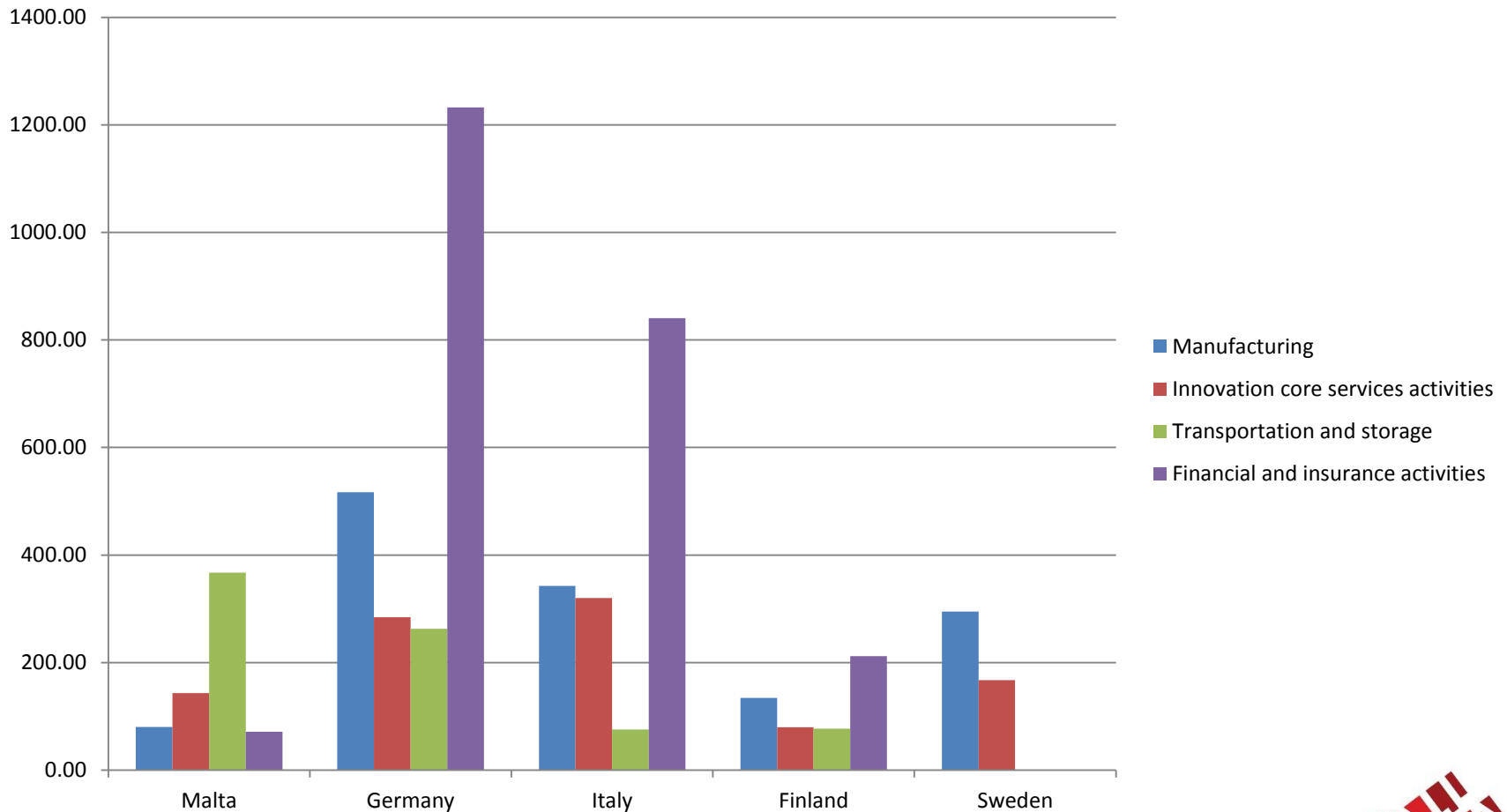
But average firm spending on other innovation including design is significantly lower in larger firms, and to a lesser extent in medium sized firms but relatively high in smaller firms.

Average Firm Expenditure on Other Innovation incl. Design by Firm Size



Source: Community Innovation Survey

Expenditure is relatively low in manufacturing (particularly foreign owned sectors suggesting technology transfer constraints) and financial services



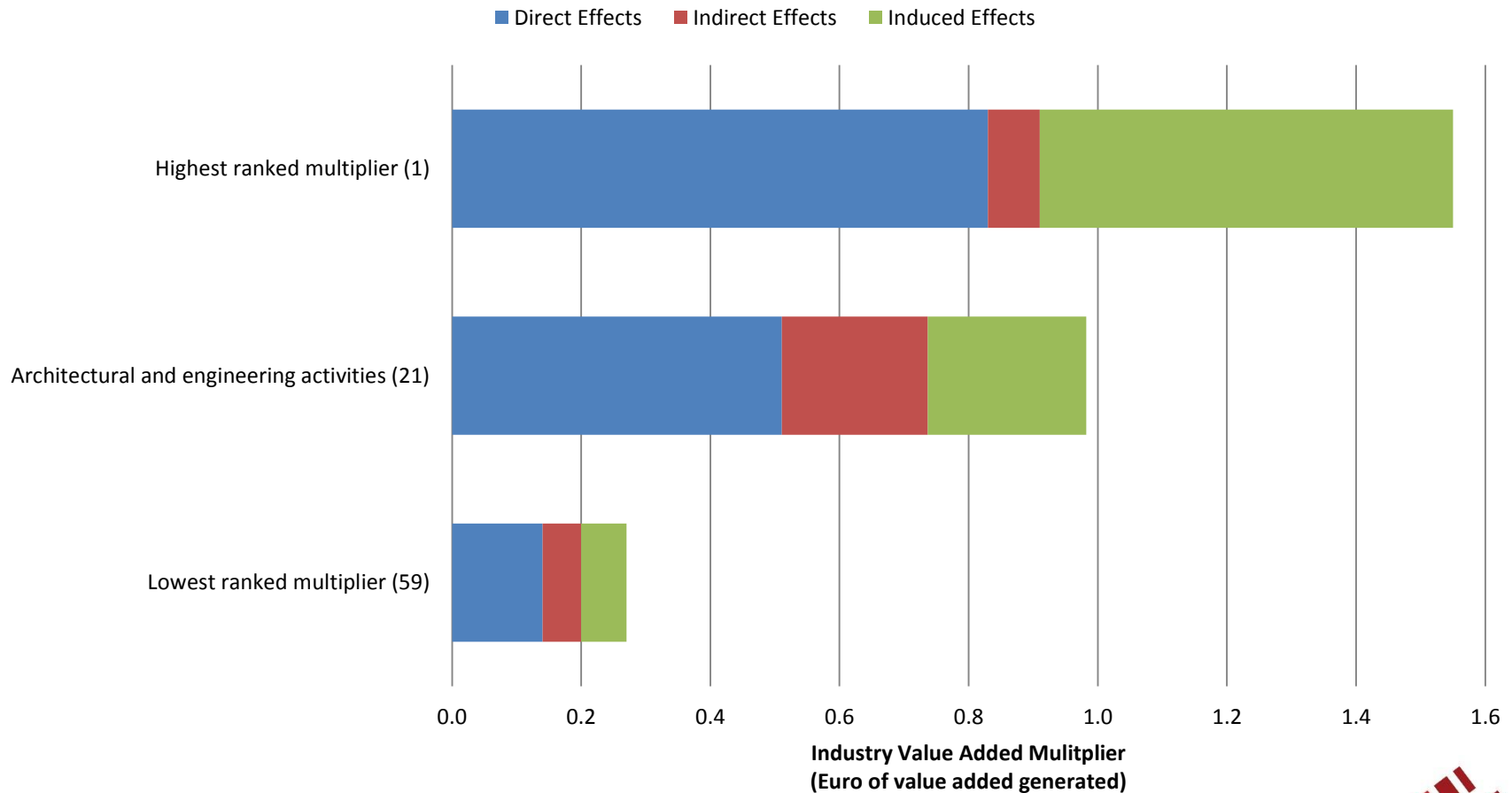
Hypothesis of Design Constraints by Firm Size

The fixed cost element of design makes it difficult for smaller enterprises to undertake design activity in Malta.

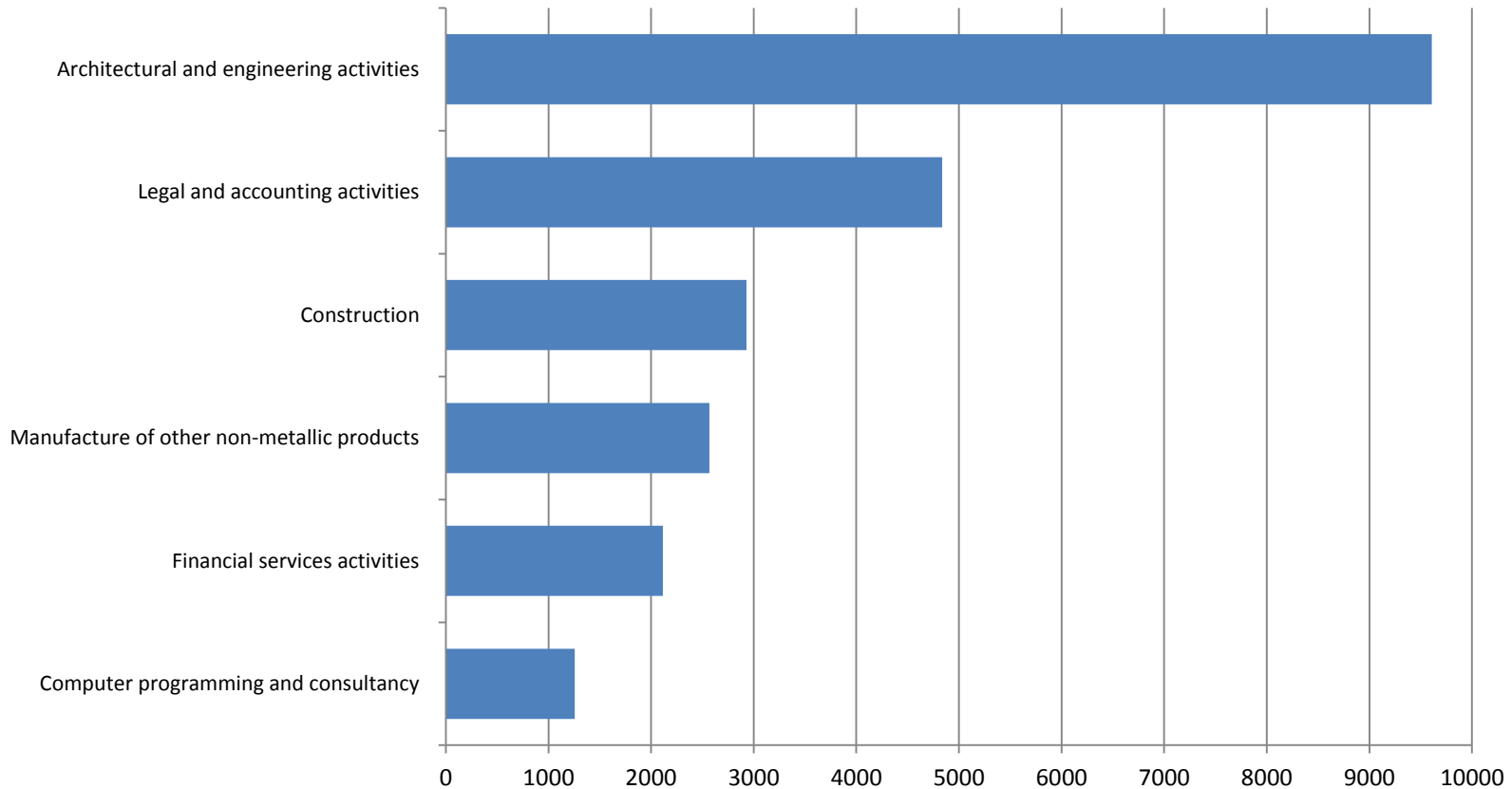
The variable cost element of design dominates the unit fixed costs making it more affordable to exploit the benefits of design for medium sized enterprises in Malta

For larger enterprises the cost of design is less important in Malta's case. The lower expenditure on design suggests that this could be due to constraints in technology transfer.

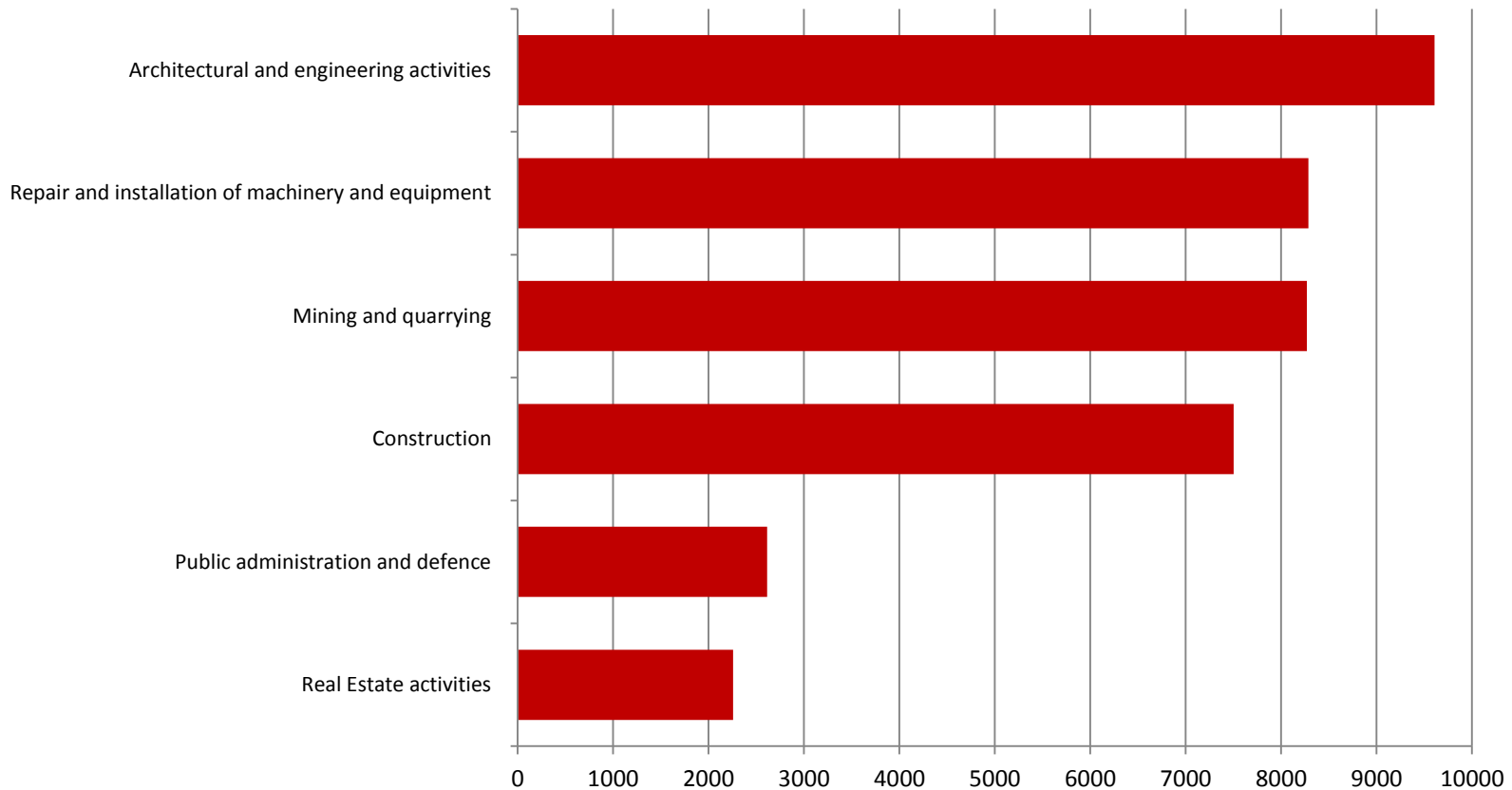
Architecture and Engineering (proxies of design) display notable Type I multipliers suggesting strong linkages with the rest of the economy and limited leakages. Induced effects are lower probably because income is mostly distributed as profits or self employment income.



Main Inputs of Design are Services



Main Outputs are not Manufacturing or other Main Service Activities



Research Initiatives on Design

- Economics
 - Scope of Design Activity and Returns on Investment in Design
 - Cost Structure of Design Activity – Economies of Scale in Design
 - Foreign Firms and Local design – a study on the constraints of technology transfer
 - The Value Added of Design in selected Manufacture/Service Industries
 - Labour Supply and Labour Remuneration in Design
- Marketing and Market Research
 - The (International/National) Market Demand for Design Products and Services
 - Design and Market Research in Maltese Firms

Research Initiatives on Design

- Labour Studies:
 - Employability of Design Professions and Returns to Education
- Psychology:
 - Form over Function? The Psychological Response of Individual Consumers
- Communications:
 - Cross-Cultural Investigation of Commercial Communications
 - Linguistic Investigation of Verbal Imagery in Commercial Communications
- Education:
 - Use of Software Tools in Design Education in Malta

Research Initiatives on Design

- Engineering:
 - A Near-Market-Ready Design of a B2C High-Tech Artefact – Mass Size is Primary Focus
 - A Near-Market-Ready Design of a B2C High-Tech Artefact – Environmental Performance is Primary Focus
 - Input Materials in Maltese Manufacture: A Case for Substitutability
- Information Technology:
 - Adaptation of Open Source Design Software
- Accounting:
 - Mergers and Acquisitions of Design Operations