



Economic impact

Valletta Cultural Agency

28 February 2020



Important information

This document has been prepared for the purposes of supporting the oral presentation by KPMG to representatives of Valletta Cultural Agency (hereinafter referred to as “VCA” or “the Agency”) and has been prepared in accordance with our terms of engagement dated 03 February 2020. As part of this engagement we have been appointed by the Agency to provide it with strategy advice and assistance in relation to the Agency’s go-forward plans. This document is incomplete without reference to, and should be read solely in conjunction with, the oral briefing provided by KPMG on 28 February 2020.

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In compiling this draft document, we have relied on information obtained from parties not employed by us and this information has been assumed to be true and correct. We have not sought to establish the reliability of this information. Our reliance on and the use of this information should not be construed as an expression of our opinion on it except as, and to the extent that, we may otherwise indicate. We do not accept any responsibility or liability for the impact on our analysis and conclusions of any inaccuracies in such information.

The information set out in this draft document takes into account information known and made available available to us up to the time of its preparation and is therefore current as at the report date.

This document comprises extracts of the ‘Economic impact of V18’ work provided within the context of our letter of engagement dated 03 February 2020. No reliance should be placed on any summary or draft presentations, reports or other documents and on any previous verbal representations as such documentation and representations do not constitute our definitive opinions and conclusions.

Introduction and background

What?

- **Economic impact assessment of Valletta 2018 – ECOC**
- **Builds on existing literature on the subject**

Why?

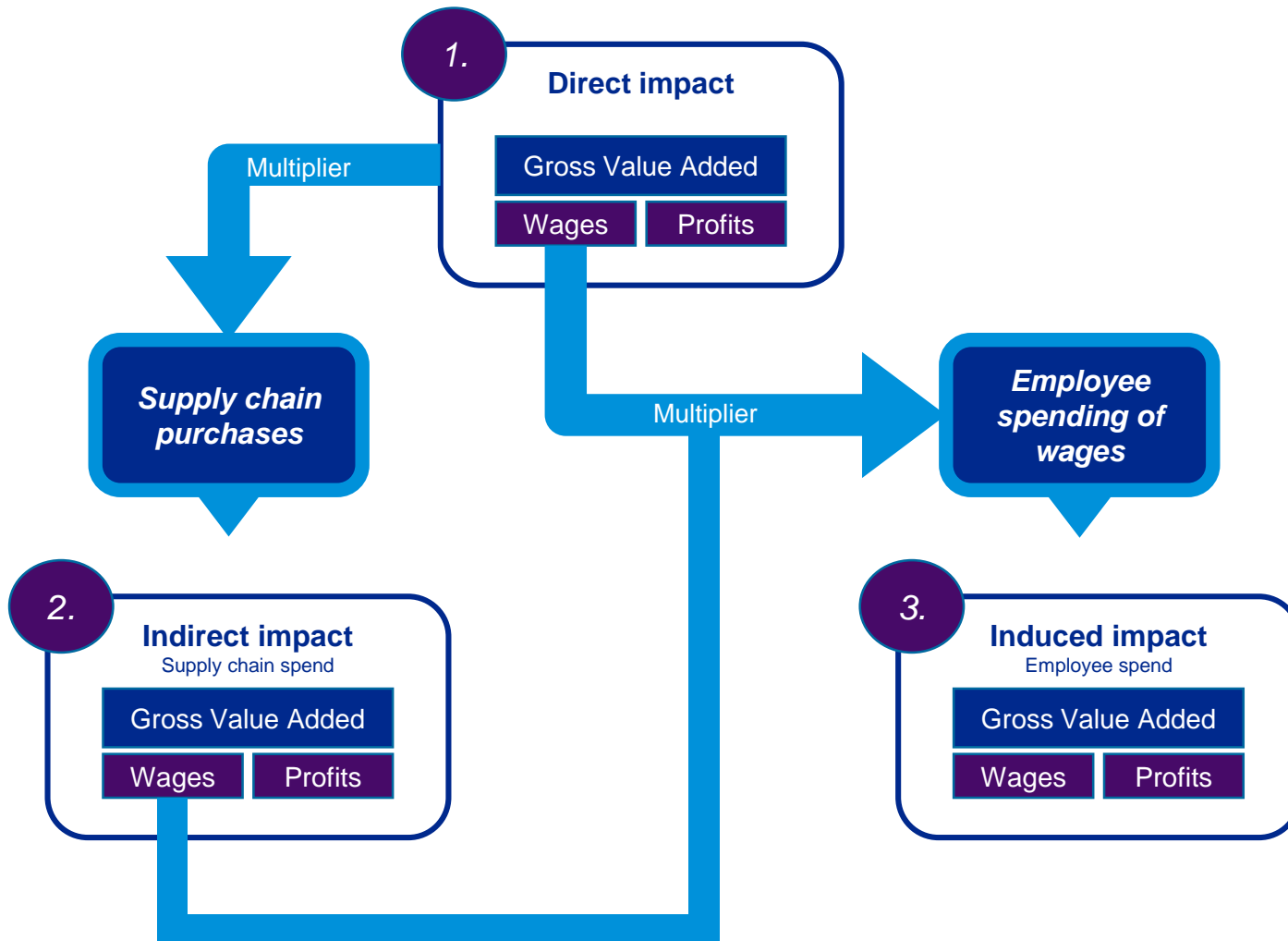
- Need for a comprehensive view of economic impact of Valletta 2018
- Growing ask by a broadening stakeholder base
- VCA to keep momentum – build on successes and address less positive outcomes

How?

- Considered desk-based research (existing literature)
- Considered data from VCA
- Considered Input Output multipliers for the Maltese Economy

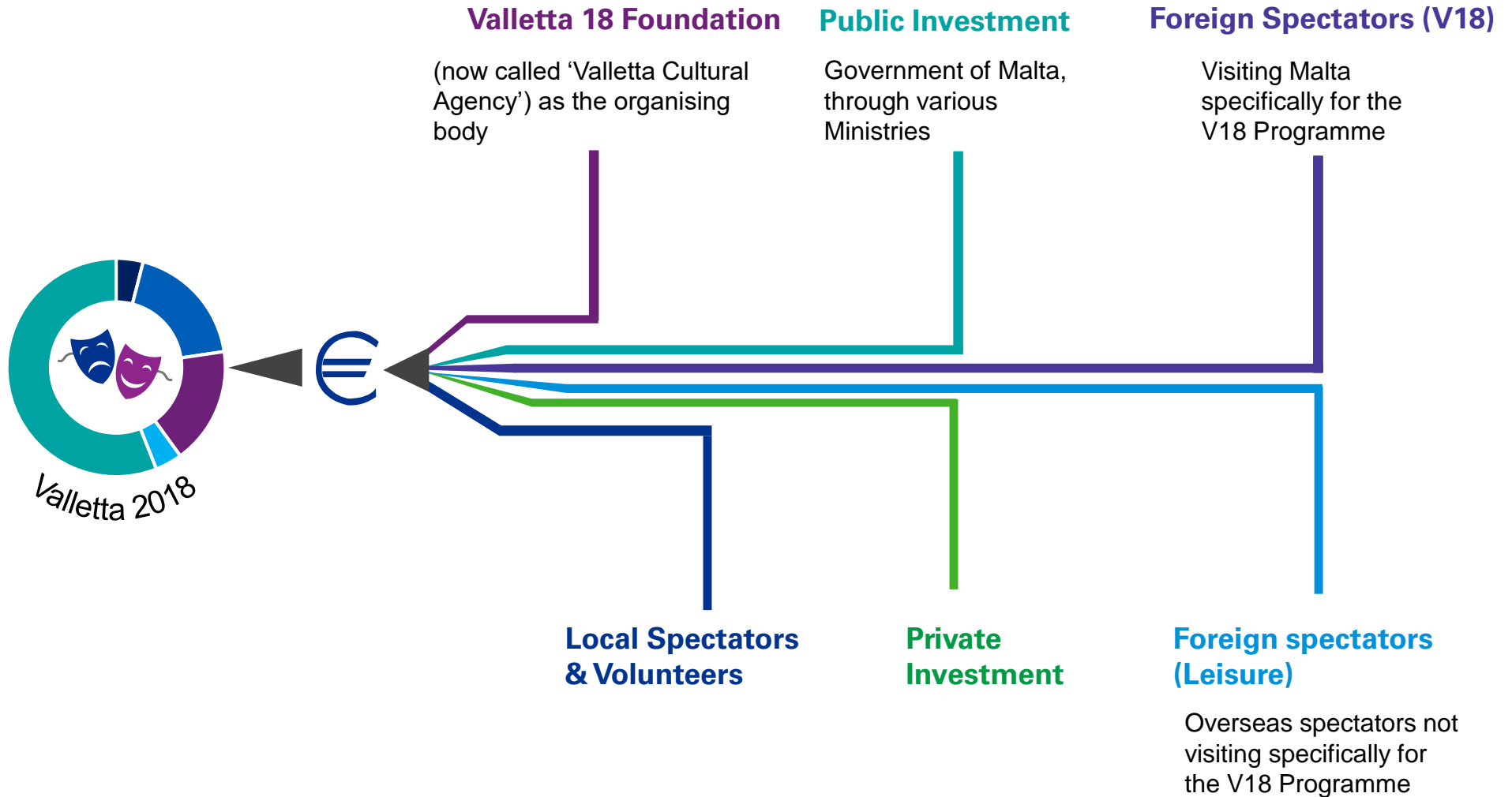
Principles of impact assessment





Source: KPMG

Spending groups

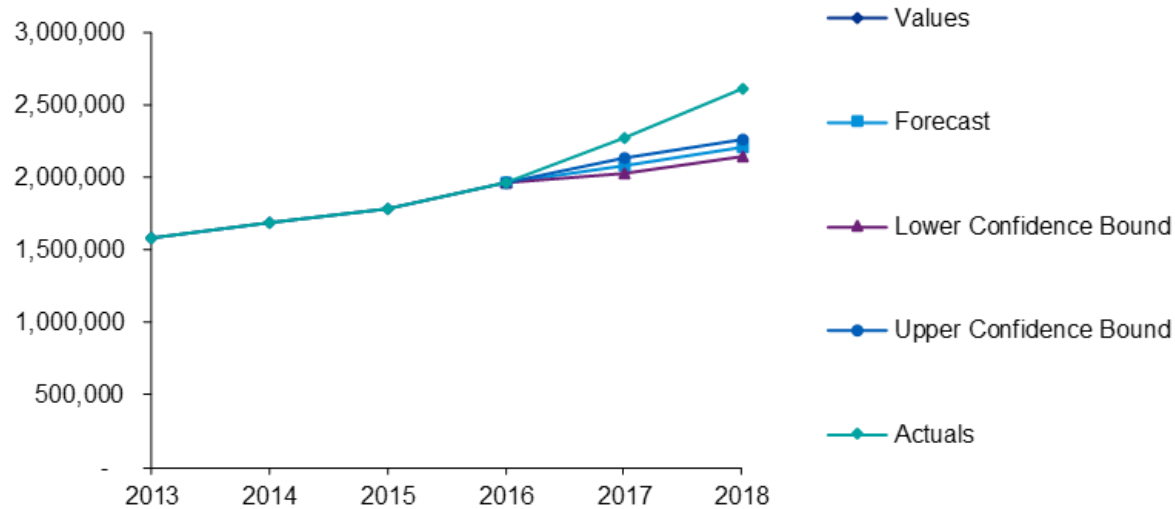


Source: KPMG

Economic impact

Results, 2018: impact of V18 on tourism

Inbound Tourism (totals)



Source: KPMG Analysis; NSO Inbound Tourism



An exponential smoothing function was used to generate extrapolated inbound tourists for 2017-2018.



An appreciable disparity is observed between the actual inbound tourists and the “extrapolated” figure.



This difference can be partly attributed to tourists motivated to visit Malta due to V18. In fact it approximates the figure provided by the MTA Study.

Output Results

Total Expenditure

€ 325.13 million

Total Output (range)

€ 511.86 - 678.10 million

Total output driven by V18

Category	Initial expenditure	Direct + Indirect	Induced	Total
	€ 000s	€ 000s	€ 000s	€ 000s
Tourism	282,010	444,724	146,472	591,196
Public & private investment	32,000	51,872	17,067	68,939
VCA expenditure	11,115	15,264	2,702	17,966
Total	325,126	511,860	166,240	678,100

Source: KPMG Analysis using Input-Output Tables from Cassar, 2015. Data sources: VCA; Bugeja and Vella, 2019, 'Valletta 2018 Investment Survey, Economic Policy Department; NSO Inbound Tourism statistics.

Value Added Results

Total Expenditure

€ 325.13 million

Total Value Added (range)

€ 198.58 - 276.18 million

 **1.60%**

Of 2018 GDP when considering the direct & indirect Value Added

 **2.23%**

Of 2018 GDP when considering the total Value Added (Direct + Indirect + Induced)

Total value added driven by V18				
Category	Initial expenditure	Direct + Indirect	Induced	Total
	€ 000s	€ 000s	€ 000s	€ 000s
Tourism	282,010	171,630	68,894	240,525
Public & private investment	32,000	21,241	7,492	28,733
VCA expenditure	11,115	5,709	1,214	6,923
Total	325,126	198,579	77,601	276,180

Source: KPMG Analysis using Input-Output Tables from Cassar, 2015. Data sources: VCA; Bugeja and Vella, 2019, 'Valletta 2018 Investment Survey, Economic Policy Department; NSO Inbound Tourism statistics.

Employment Results

Total Expenditure

€ 325.13 million

Total Employment (range)

6,400 – 8,300 FTEs

 **2.73%**

Of 2018 FTEs when considering the direct & indirect employment

 **3.52%**

Of 2018 FTEs when considering the total employment (Direct + Indirect + Induced)

Total employment driven by V18				
Category	Initial expenditure	Direct + Indirect	Induced	Total
	€ 000s	FTEs	FTEs	FTEs
Tourism	282,010	5,683	1,654	7,336
Public & private investment	32,000	726	192	918
VCA expenditure	11,115	69	29	98
Total	325,126	6,478	1,875	8,352

Source: KPMG Analysis using Input-Output Tables from Cassar, 2015. Data sources: VCA; Bugeja and Vella, 2019, 'Valletta 2018 Investment Survey, Economic Policy Department; NSO Inbound Tourism statistics.

Aftermath of V18, 2019

Provisos

- 1 Existing literature stops at 2018 and thus DBR was limited
- 2 Intense primary data collection (quantitative) was not possible
- 3 2019, other confounding factors...

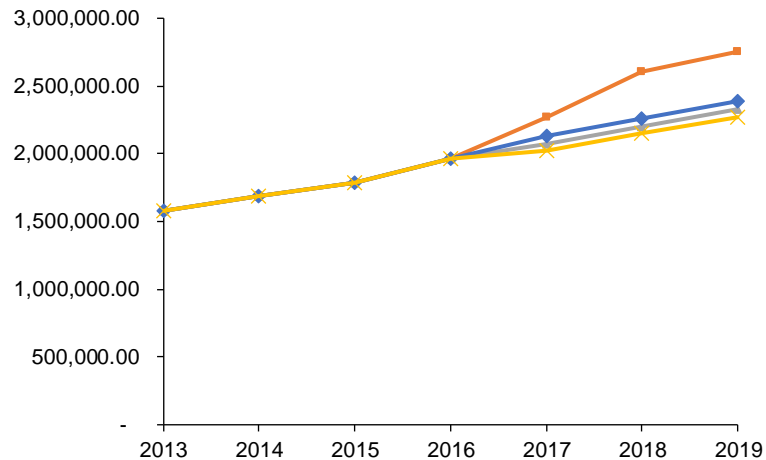
Potential effects

- A VCA and V18 Foundation budget for 2019
EUR 5.8 million Value Added
- B Additional tourism is still strong
Range between EUR 254m – EUR134m
- C Spill-over from V18 still being felt in 2019

Economic impact

Results, 2019: impact of V18 on tourism

Actual vs 'Projected' Inbound Tourists (V18 and EU2017 counterfactual)



Actual Baseline Upper Confidence Bound Lower Confidence Bound

Source: KPMG Analysis; NSO Inbound Tourism

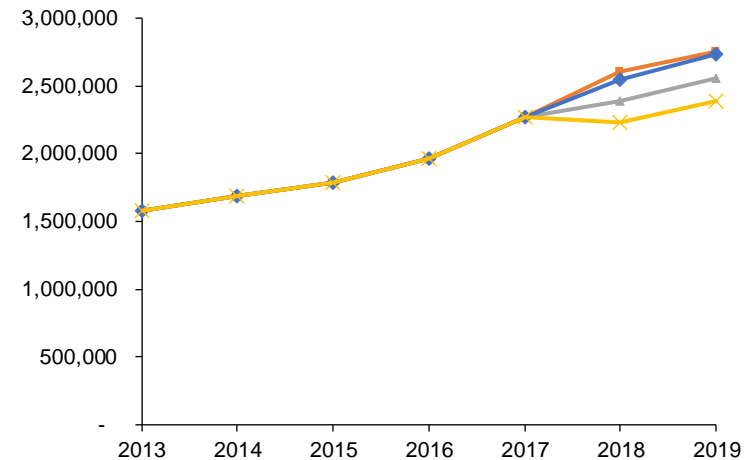


Two main assumptions – 2017 and 2018 as exceptional years vs 2019 as exceptional year.



Growth in actual inbound tourism slowed down from 16% and 15% in 2017 and 2018 respectively, to 6% in 2019.

Actual vs 'Projected' Inbound Tourists (V18 counterfactual)



Actual Baseline Upper Confidence Bound Lower Confidence Bound

Source: KPMG Analysis; NSO Inbound Tourism



However, the base upon which this growth is based is larger, and thus the gap between extrapolated tourism and actual tourism is still large.



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