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.

Our duties in relation to this document are owed solely to the Agency and accordingly we do not accept any responsibility for loss occasioned to any third party acting or refraining from action as a result of this document. This draft document has been provided on the basis that it is for your information only and it should not be circulated, distributed, quoted or referred to, in whole or in part, without our prior written consent. Our consent for the whole or part of our document to be copied or disclosed to any third party or otherwise quoted or referred to, in whole or in part, is on the basis that we do not owe such third parties any duty of care as a result of giving such consent.

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
Economic impact

Principles of impact assessment
Economic impact

Spending groups

Valletta 18 Foundation
(now called ‘Valletta Cultural Agency’) as the organising body

Public Investment
Government of Malta, through various Ministries

Foreign Spectators (V18)
Visiting Malta specifically for the V18 Programme

Source: KPMG
Economic impact

Results, 2018: impact of V18 on 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.
### Economic Impact

#### Output Results

**Total Expenditure**

€ 325.13 million

**Total Output (range)**

€ 511.86 - 678.10 million

<table>
<thead>
<tr>
<th>Category</th>
<th>Initial expenditure</th>
<th>Direct + Indirect</th>
<th>Induced</th>
<th>Total</th>
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<td>€ 000s</td>
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<td>444,724</td>
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<td><strong>Total</strong></td>
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<td><strong>511,860</strong></td>
<td><strong>166,240</strong></td>
<td><strong>678,100</strong></td>
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</tbody>
</table>

Economic impact

Value Added Results

Total Expenditure

€ 325.13 million

Total Value Added (range)

€ 198.58 - 276.18 million

Total value added driven by V18

<table>
<thead>
<tr>
<th>Category</th>
<th>Initial expenditure</th>
<th>Direct + Indirect</th>
<th>Induced</th>
<th>Total</th>
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<td>198,579</td>
<td>77,601</td>
<td>276,180</td>
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</table>

Of 2018 GDP when considering the direct & indirect Value Added

1.60%

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

2.23%

Employment Results

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<th>Direct + Indirect</th>
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<th>Total</th>
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<tr>
<td>Tourism</td>
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<td>5,683</td>
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<td>Public &amp; private investment</td>
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<td><strong>Total</strong></td>
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<td><strong>6,478</strong></td>
<td><strong>1,875</strong></td>
<td><strong>8,352</strong></td>
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**Economic impact**

**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
Results, 2019: impact of V18 on tourism

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

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

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

Source: KPMG Analysis; NSO Inbound Tourism