

THE IMPACT OF VALLETTA 2018 ON THE TOURISM SECTOR

MALTA TOURISM AUTHORITY

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INTRODUCTION

This research study attempts to measure the impact of Valletta 2018 on the tourism sector in Malta. This report is divided into four sections.

Part 1 focuses on Malta's tourism performance covering the period 2015 to 2018. The figures are based on the latest available official statistics as at 7th November 2018.

Part 2 provides a detailed explanation of the impact of Valletta 2018 on tourism performance. The impact assessment primarily looks at tourists' awareness levels of the event followed by tourism activity generated directly by Valletta 2018, i.e., the number of tourists attracted to Malta and the resulting guest nights and tourist expenditure generated. The estimates are mainly based on indicators originating from continuous surveys carried out by the MTA, namely the Traveller Survey and the Heritage Locality Survey.

Part 3 looks at the relevance of 'culture' as a pull factor for tourists visiting Malta. The methodology adopted allows for the differentiation between tourists who are 'greatly motivated' by culture and those who are only 'motivated in part'.

Part 4 focuses on tourism activity in Valletta namely visitor flows, sites and attractions visited and visitor impressions of Valletta. This section also looks at the profile of tourists who opt to stay in accommodation establishments in Valletta.

The concluding remarks at the end of the report provide a short synthesis of the main findings.

FINDINGS

Overview of Tourism Performance

A buoyant inbound tourism performance was recorded during the period 2015 to 2018 where all the main indicators – inbound tourists, tourist guest nights and tourist expenditure – recorded significant growth rates. The year 2018 is expected to mark the eighth consecutive year of growth in inbound tourism, where a new record high was reached. The number of total inbound tourists to Malta is expected to reach 2.6 million, recording a significant increase of 14.3%. This achievement is even more remarkable as it comes on top of the significant increases achieved in the previous years.

Within an international context, throughout the period 2015 to 2018, Malta's inbound tourism growth rates surpassed those for the World, Europe and the Southern Mediterranean European region. This success is mainly attributed to the efforts of the relevant authorities in securing and expanding air connectivity, along with the strengthening of brand Malta in the origin markets overseas.

The positive tourism performance during the period 2015 to 2018 is mainly the result of the significant increase in air connectivity, where the total number of routes increased from 94 in 2015 to 109 in 2018.

Table 1: Inbound Tourism Indicators Jan to Dec 2015-2018

| | 2015 | 2016 | 2017 | 2018 Forecast | % change 2018/2017 |
|---|------------|------------|------------|---------------|--------------------|
| Inbound Tourists | 1,783,366 | 1,965,928 | 2,273,837 | 2,600,000 | +14.3% |
| Tourist Guest nights | 14,151,599 | 14,961,366 | 16,509,141 | 18,720,000 | +13.4% |
| Tourist Expenditure (€'000s) | 1,639,067 | 1,708,952 | 1,946,894 | 2,111,200 | +8.4% |
| Tourist Expenditure per capita (€) | 919 | 869 | 856 | 812 | -5.1% |
| Average length of stay (nights) | 7.9 | 7.6 | 7.3 | 7.2 | |

Source: NSO

Table 2: Air Connectivity 2015-2018 Jan to Dec (both way)

| | 2015 | 2016 | 2017 | 2018 Forecast | % change 2018/2017 |
|----------------------------|-----------|-----------|-----------|---------------|--------------------|
| Passenger Movements | 4,618,580 | 5,072,605 | 6,007,129 | 6,770,000 | +12.7% |

Source: MIA

Impact of Valletta 2018 on the Tourism Sector

The estimate of the impact of Valletta 2018 on tourism is based on indicators originating from the MTA's Heritage Locality Survey. The Heritage Locality Survey is a voluntary postal survey distributed to tourists of any nationality who are residing or visiting the localities of Valletta, Mdina and Birgu. The main objective of this survey is to gauge tourist experience in these localities. Specifically to Valletta 2018, tourists were asked about their awareness of this event and whether the title of European Capital of Culture was a main motivation for visiting Malta.

Table 3: Tourist Awareness of Valletta 2018 – Jan to Dec

| | 2015 | 2016 | 2017 | 2018 Forecast |
|--------------------------------|-------|-------|-------|---------------|
| Prior to visiting Malta | 25.4% | 28.8% | 38.5% | 60.0% |
| During Visit | 43.3% | 47.9% | 46.2% | 35.0% |
| Not aware | 31.3% | 23.3% | 15.3% | 5.0% |

Source: MTA Heritage Locality Survey

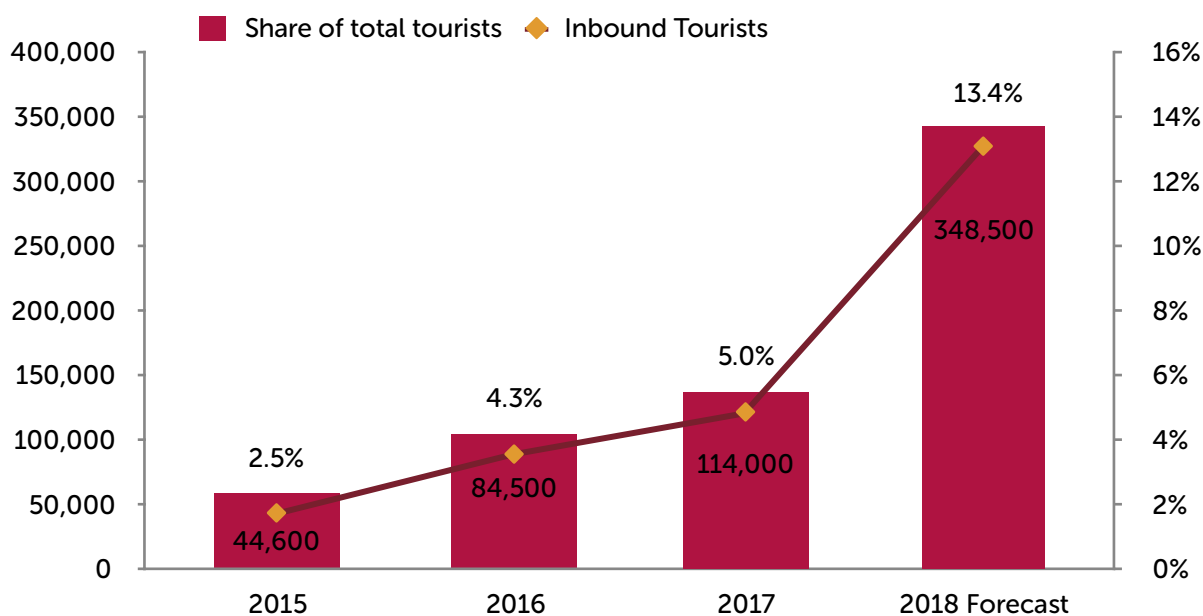
The share of total inbound tourists aware of Valletta 2018 event prior to visiting Malta increased on a year-on-year basis during the period 2015 to 2018. The year 2018 registered the highest increase over the previous year where the share of tourists aware of the event prior to visiting Malta increased from 38.5% in 2017 to 60.0% in 2018 (+21.5% pts).

During the period 2015 to 2017, the largest share of tourists learnt about Valletta 2018 during their stay. Alternatively, during the year of the event, the share of tourist getting to know about the event during

their stay declined to 35.0% reflecting the significant increase in tourists' awareness prior to their arrival in Malta.

It is worth noting that the share of tourists remaining unaware of Valletta 2018 even after having experienced the destination, declined radically from 31.3% in 2015 to 5.0% in 2018.

Chart 1: Valletta 2018 as a Main Motivation for Tourists to Visit Malta



Source: MTA Estimate based on MTA Heritage Locality Survey

Research findings show year-on-year growth in the share of inbound tourists motivated to visit Malta by Valletta 2018, where, as expected, the peak was reached in 2018, with a share of 13.4% accounting for around 348,500 tourists.

Table 4: Estimate Impact of Valletta 2018 on Inbound Tourists, Guest Nights and Tourist Expenditure – Jan to Dec 2015-2018

| | 2015 | 2016 | 2017 | 2018 Forecast |
|---|---------|---------|---------|---------------|
| Inbound Tourists | 44,600 | 84,500 | 114,000 | 348,500 |
| Tourist Guest nights | 325,600 | 574,600 | 741,000 | 2,265,000 |
| Tourist Expenditure (€'000s) | 53,100 | 95,500 | 126,000 | 376,000 |
| Tourist Expenditure per Capita (€) | 1,190 | 1,130 | 1,104 | 1,080 |
| Average Length of Stay (nights) | 7.3 | 6.8 | 6.5 | 6.5 |

Source: MTA Estimate

During the period 2015 to 2018, the number of tourists directly generated by Valletta 2018, together with the resulting guest nights and expenditure show year-on-year increases, with the greatest impact achieved in 2018 with over 2.2 million guest nights accounting for €376 million worth of expenditure. In 2018, the tourist expenditure attributed to Valletta 2018 event is expected to account for around 18% of total tourist expenditure.

Culture as a Main Tourist Motivation

On a more generic level, in 2016 and 2017, the share of tourists choosing Malta for culture remained relatively constant. This applies to both tourists who were 'greatly motivated' by culture during the decision-making stage and also to those where culture was a main motivation together with other pull factors such as sun and leisure. Alternatively, in 2018, the share of tourists 'primarily' motivated by culture (10.5%) recorded an increase when compared to the previous two years.

Table 5: Share of Tourists Choosing Malta for Culture - Jan to Dec 2016-2018

| Share of Total Tourists | 2016 | 2017 | 2018 Forecast | % change pts 2018/2017 |
|-------------------------|-------|-------|---------------|------------------------|
| Greatly Motivated | 9.0% | 9.0% | 10.5% | +1.5% pts. |
| Motivated in Part | 54.8% | 54.4% | 54.6% | +0.2% pts. |

Source: MTA Traveller Survey

Table 6: Number of Tourists Choosing Malta for Culture - Jan to Dec 2016-2018

| Estimate number of Tourists | 2016 | 2017 | 2018 Forecast | % change pts 2018/2017 |
|-----------------------------|-----------|-----------|---------------|------------------------|
| Greatly Motivated | 177,000 | 204,500 | 273,000 | +33.5% |
| Motivated in Part | 1,077,300 | 1,236,700 | 1,420,000 | +14.8% |

Source: MTA Traveller Survey

The number of tourists 'greatly motivated by culture' and 'motivated in part' increased significantly during the period 2016 to 2018.

Tourism in Valletta

During the period 2015 to 2018, the share of tourists visiting Valletta has remained relatively constant. In contrast, the share of travellers opting to stay in accommodation establishment in the Valletta area¹ registered increases in 2017 and 2018. This trend is in line with the increase in the availability of small scale accommodation establishments located in the capital city over recent years. Findings for the year 2018 show that the share of tourists booking accommodation on the Airbnb platform is higher for those staying in the capital city (8.4%) compared to the overall average for Malta of 4.8%. Self-catering apartments, followed by lower category accommodation establishments (3*, guest houses/hostels, 2*) are predominantly used by tourists staying in the city.

Table 7: Share of Tourist Visits and Stays in Valletta – Jan to Dec 2015-2018

| Share of Total Tourists | 2015 | 2016 | 2017 | 2018 Forecast |
|--|-------|-------|-------|---------------|
| Tourists Visiting Valletta | 90.4% | 88.9% | 89.5% | 91.3% |
| Tourists Staying in Valletta Area ¹ | 7.7% | 7.3% | 9.2% | 10.0% |

Source: MTA Traveller Survey

Table 8: Number of Tourist Visits and Stays in Valletta – Jan to Dec 2015-2018

| Estimate Number of Tourists | 2015 | 2016 | 2017 | 2018 Forecast | % change pts 2018/2017 |
|--|-----------|-----------|-----------|---------------|------------------------|
| Tourists Visiting Valletta | 1,612,100 | 1,747,700 | 2,035,000 | 2,373,800 | +16.6% |
| Tourists Staying in Valletta Area¹ | 137,300 | 143,500 | 209,200 | 260,000 | +24.3% |

Source: MTA Traveller Survey

During the period 2015 to 2018, both the number of tourists visiting Valletta and those staying in the Valletta area¹ increased significantly over the past three years. The latter group reflect the increase in the supply of registered tourist beds (including hotels and similar establishments and self-catering accommodation) in the Valletta area¹ from 1,662 in 2015 to 2,266 in 2018.

Table 9: Share of Tourists Motivated by Culture in Choice of Destination: Staying in Valletta vs Staying in Other Parts of Malta – Jan to Dec 2016-2018

| | Tourists staying in Valletta | | | Tourists staying in other parts of Malta | | |
|--------------------------|------------------------------|-------|---------------|--|-------|---------------|
| | 2016 | 2017 | 2018 Forecast | 2016 | 2017 | 2018 Forecast |
| Greatly Motivated | 20.7% | 16.5% | 20.0% | 8.1% | 8.3% | 9.1% |
| Motivated in Part | 59.9% | 59.1% | 58.6% | 55.0% | 54.8% | 55.0% |

Source: MTA Traveller Survey

Research findings over the past three years indicate that the share of tourists 'greatly motivated' by Malta's cultural offer during the choice of destination is higher for those who stay in accommodation establishments within the confines of the Valletta area.¹

Table 10: Tourists Visiting Valletta – Top 5 Sites and Attractions Visited

| 2015 | 2016 | 2017 | 2018 |
|------------------------|------------------------|------------------------|------------------------|
| Upper Barrakka Gardens | Upper Barrakka Gardens | Upper Barrakka Gardens | Upper Barrakka Gardens |
| St John's Co-Cathedral | St John's Co-Cathedral | St John's Co-Cathedral | St John's Co-Cathedral |
| Lower Barrakka Gardens | Lower Barrakka Gardens | Lower Barrakka Gardens | Lower Barrakka Gardens |
| Saluting Battery | Saluting Battery | Saluting Battery | Saluting Battery |
| Hastings Gardens | National War Museum | Hastings Gardens | Hastings Gardens |

Source: MTA Heritage Locality Survey

Upper Barrakka Gardens and St John's Co-Cathedral & Museum feature as the top sites visited by tourists in Valletta throughout the period 2015 to 2018. It is interesting to note that the gardens in Valletta feature in the top five sites/attractions visited by tourists whilst in Valletta.

¹ Valletta area refers to Valletta and Floriana

Table 11: Tourist Impressions of Valletta – Jan to Dec – Tourists’ Top 5 Likes

| 2015 | 2016 | 2017 | 2018 |
|--------------|--------------|--------------|--------------|
| Culture | Culture | Culture | Culture |
| Architecture | Architecture | Architecture | Architecture |
| Views | Ambiance | Ambiance | Ambiance |
| Gardens | Views | Views | Views |
| Ambiance | Hospitality | Churches | Hospitality |

Source: MTA Heritage Locality Survey

The top three aspects of the city appreciated mostly by tourists include the cultural offer, the architecture and ambience. On the other hand, lack of cleanliness, overdevelopment and traffic spoil the experience of tourists in the city. Furthermore, tourists are also not satisfied with the services offered by public transport and site/attraction providers.

Table 12: Tourist Impressions of Valletta – Jan to Dec – Tourists’ Top 5 Dislikes

| 2015 | 2016 | 2017 | 2018 |
|--------------------------------------|--|--------------------------------------|--------------------------------------|
| Public transport | Lack of cleanliness | Overdevelopment | Lack of cleanliness |
| Overdevelopment | Public transport | Service offer in sites & attractions | Overdevelopment |
| Lack of cleanliness | Service offer in sites and attractions | Lack of cleanliness | Vehicles & Traffic |
| Service offer in sites & attractions | Vehicles & Traffic | Vehicles & Traffic | Public Transport |
| Vehicles & Traffic | Overdevelopment | Public transport | Service offer in sites & attractions |

Table 13: Overall Enjoyment of Visit

| | 2015 | 2016 | 2017 | 2018 |
|------------------|-------|-------|-------|-------|
| Very good | 51.5% | 48.8% | 49.1% | 52.8% |
| Good | 42.2% | 46.8% | 44.2% | 40.3% |
| Average | 5.5% | 3.8% | 6.4% | 5.9% |
| Poor | 0.8% | 0.6% | 0.0% | 0.7% |
| Very poor | 0.0% | 0.0% | 0.4% | 0.2% |

Source: MTA Heritage Locality Survey

During the period 2015 to 2018, the large majority of tourists enjoyed their visit in Valletta, with around half of the visitors giving a rating of ‘very good’.

Table 14: Likelihood to Recommend Valletta to Friends/Relatives

| | 2015 | 2016 | 2017 | 2018 |
|----------------------|-------------|-------------|-------------|-------------|
| Very likely | 61.5% | 58.7% | 58.2% | 60.2% |
| Likely | 27.0% | 30.3% | 30.0% | 32.1% |
| Possibly | 9.4% | 9.2% | 11.1% | 5.6% |
| Unlikely | 1.6% | 1.4% | 0.7% | 1.2% |
| Very unlikely | 0.5% | 0.3% | 0.0% | 0.9% |

Source: MTA Heritage Locality Survey

The likelihood of recommending the capital city to friends and relatives is high amongst visitors. In fact, during the period 2015 to 2018, around 3 out of every 5 Valletta visitors stated that it is 'very likely' that they would recommend it to friends and relatives.

CONCLUSION

In a nutshell, research findings show that Valletta 2018 has had a significant impact on the tourism sector both at a direct and indirect level. As expected, the impact on the number of tourists and the resulting guest nights and expenditure peaked in 2018, registering remarkable growth rates. However, the build-up towards this prestigious event is clearly reflected by the volumes and wealth generated in the preceding years. In this respect, research evidence shows that the marketing initiatives undertaken by the Malta Tourism Authority and Valletta 2018 in particular have been successful in raising Malta's cultural image overseas during these past four years. Furthermore, the benefits of raising Malta's cultural identity overseas are expected to extend to the coming years.

CONCLUDING REMARKS

The data in this report shows the significant impact of Valletta 2018 on Malta's tourism sector, not only throughout 2018 itself, but also in the run-up to the ECoC year. Incoming tourist figures grew consistently over the years, with visitors displaying an ever-growing interest in Valletta 2018 and related activities as the year approach. This increased significantly throughout 2018, as expected. The impact of Valletta 2018 on the three main tourism performance indicators (inbound tourists, guest nights and expenditure) has been remarkable over the past three years with all indicators recording double digit growth rates.

Other indicators, such as the portion of tourists who choose to visit Valletta when in Malta and who list culture as a main factor behind their decision to travel to Malta have remained consistently high throughout the period under review.

These increases are to be taken within the context of the growing Maltese economy, one of the cornerstones of which is the tourism industry. Changes to the economic and urban landscape of the country also shape these statistics, as reflected in the ever-increasing share of visitors who choose to reside in Valletta throughout the stay - likely to be a reflection of the changing landscape of the city, which has come to offer more tourist accommodation over the past years.