



The Evolution of Malta's Tourism Sector

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Abstract. The study aims to analyse historic developments in Malta's tourism industry, focussing on the changing characteristics of demand and supply. The recent surge in inbound tourism appears to be largely driven by increased air connectivity to and from Malta. The advent of low-cost carriers is considered an important positive supply shock on the local sector. At the same time, the sustained shift towards stays in private accommodation can be partly explained by changing preferences, but also by capacity constraints in collective accommodation establishments. Moreover, the paper compares a number of indicators which shed light on the economic importance of tourism for the Maltese economy. It also examines the issue concerning sustainable growth of the sector and seeks to draw some policy inferences.

Keywords: tourism economics, demand factor, supply factors, over-tourism, sustainability

JEL Classifications: R41, Z31, Z32, Z38

1 Malta's Tourism Development: A Tourism Destination Life Cycle Case-Study

The development of tourism in Malta started in the late 1950s, as the Maltese authorities sought to identify new areas of economic development in view of the diminishing role of the British military base in Malta. The Government initiated a programme of capital spending aimed at improving access to beaches, together with increased promotion and advertising. The ensuing in-

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crease in passengers and aircraft movements necessitated the construction of an air terminal for civilian activity in 1956, with the first passenger terminal inaugurated in 1958.

In the beginning, initiatives such as the setting-up of the Malta Government Tourist Board in 1958, had led to moderate increases in the number of tourist arrivals, partly due to the limited funds made available. However, the adoption of a grants programme to encourage business in the hotels sector in the mid-1960s, even though more costly, was very successful, with the sector expanding further through the seventies. This was followed by a period of decline partly driven by the ensuing global recession, especially in the UK in the early 1980s, which had resulted in a sharp drop in arrivals from the UK. Since then, arrivals have increased almost uninterruptedly.

The evolution of tourism in Malta can be analysed in the light of Butler's tourism destination life cycle model (Butler, 1980). According to this model, visitors will come to an area in small numbers initially, restricted by lack of destination access, facilities, and limited awareness of what the country offers. As facilities are provided and awareness grows, visitor numbers will increase. With marketing, information dissemination, and further facility provision, the area's popularity will grow rapidly. Eventually, however, the rate of increase in visitor numbers will decline as levels of carrying capacity are reached. These may be identified in terms of environmental factors (e.g. land scarcity, water quality, air quality), physical plant (e.g. transportation, accommodation, other services), or social factors (e.g. crowding, resentment by the local population). As the attractiveness of the area declines relative to other areas, because of overuse and the impacts of visitors, the actual number of visitors may also eventually decline unless steps are taken to rejuvenate the tourist product. These stages are depicted in Fig. 1.

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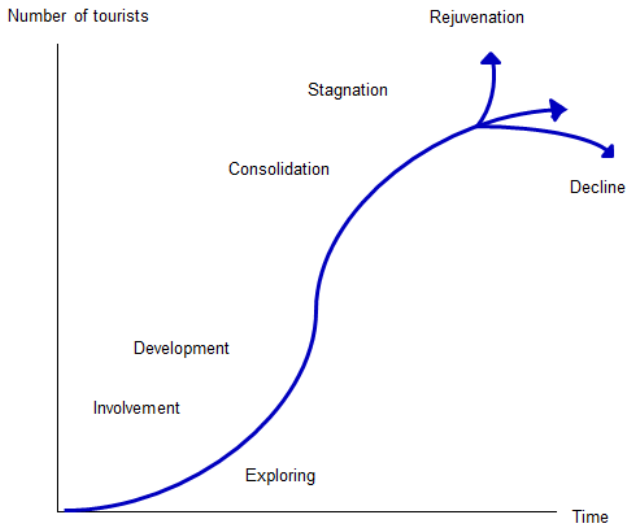


Figure 1: Butler's lifecycle curve.

Fig. 2, which shows the number of tourists in Malta since 1960, conforms to Butler's model. The development of the tourism industry involved tackling two main challenges, namely: the insufficient skills and education of the local population, and the lack of infrastructure. In fact, initially Malta was predominantly visited by the British to meet friends and family members stationed on the islands. As the numbers of visitors increased, Malta moved on to the involvement stage, where policymakers, having considered the potential of this industry, took steps to support tourism-friendly facilities. In Malta, this stage was characterised by notable private investment in the tourism industry; international hotels chains such as the Hilton and Sheraton groups started operating locally. As a result, different forms of employment such as travel agencies, real-estate, banking, insurance, leisure, and retail outlets were generated.

As the number of visitors continued to rise, the country moved to the development stage where heavy advertising takes place and the number of tourists in peak periods is likely to be equal or exceed the permanent local population. At this stage, mass tourism had developed with structures of hotels built in a way to accommodate the peaks being reached during summers. The idea of Malta as a sun, sea and sand destination was already creating the problem of seasonality, especially where the labour force was concerned. The problems exacerbated to a point where Malta started to experience a shortage of water supply, a problem of sewage disposal in the peak months of summer, and, high dependence on British visitors.

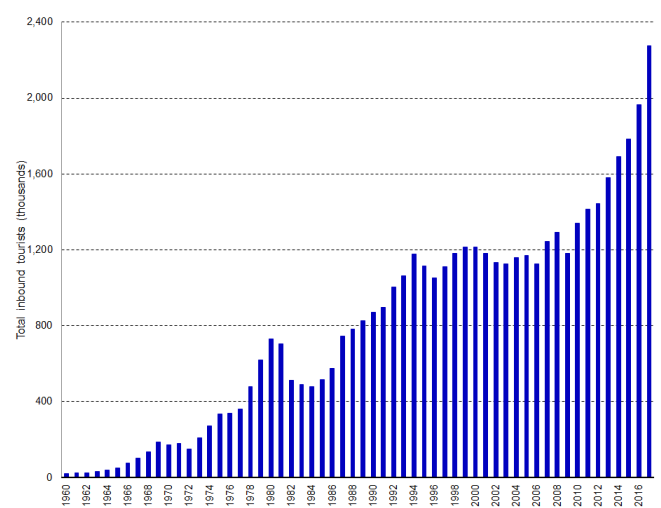


Figure 2: Total inbound tourists. Source: Central Bank of Malta.

The first half of the 1980s was characterized by a sharp decline in the number of arrivals. By 1984, the total number of tourists declined by about a third when compared with the high point reached in 1980. This slowdown was not exclusive to Malta, as other Southern European countries also experienced a lacklustre performance in their respective tourism markets in the wake of the second oil shock and deep recession in the UK (Mifsud, 2006). However, in the case of Malta, a strong exchange rate vis-à-vis competing 'sun currencies' (Spanish peseta, Portuguese escudo, Greek Drachma, and Italian lira) also led to a loss in cost competitiveness, particularly for UK package tourists. The latter constituted the largest segment of all visiting tourists.

By the end of the decade, the losses in tourism were reversed. The market had returned to growth, mainly due to the authorities' implementation of a diversification strategy in source markets for tourists. This included more competitive packages offered by industry operators, as well as a dual exchange rate in respect of the British pound, which was introduced to reduce the impact of the Maltese Lira appreciation. As the country reached the mass tourism market, it moved to the consolidation stage where visitors rose above the one million mark in 1992. This momentum was maintained until 1995 when the total number of tourist arrivals fell for two consecutive years, mainly due to a reduced demand from some British tour operators.

From the mid-1990s through the mid-2000s the number of visitors reached a plateau and this can be considered Malta's stagnation stage according to Butler's model. The authorities worked hard to avoid going into the decline stage shown in Fig. 1. With the setup of the

Malta Tourism Authority in 1999, Government aimed to improve the Maltese tourism product by shifting attention from a practically exclusive sun and sea destination to a more segmented industry niches based on improvements in the quality of tourism services. The advent of low cost airlines in 2006 increased route connectivity with mainland Europe. The effects of the air transport reform were complemented in subsequent years by the woes of competing destinations in the wake of the Arab Spring. As a result of this during the past decade, the Maltese tourism product experienced the rejuvenation stage, with the industry returning to very strong growth.

Assessing the evolution of tourism trends in Malta is necessary to understand the overall economic development of the country and towards the development and well-being of Malta's society. Thus, the inter-winding of sociocultural, demographic, economic and environmental factors connecting the tourism sector are of relevance to any policymaker.

2 The Changing Characteristics of Inbound Tourism in Malta

2.1 Source Markets and Profile of Visitors

Historically, reflecting the ties between Great Britain and Malta, the local tourism industry was practically exclusively reliant on the UK. Indeed, during the 1960s, when the first tourism statistics started to be compiled, almost 75% of all visitors were UK nationals (see Fig. 3). Arrivals from other European markets were mainly from Italy, and to a lesser extent from Germany. This situation more or less prevailed until the late 1980s.

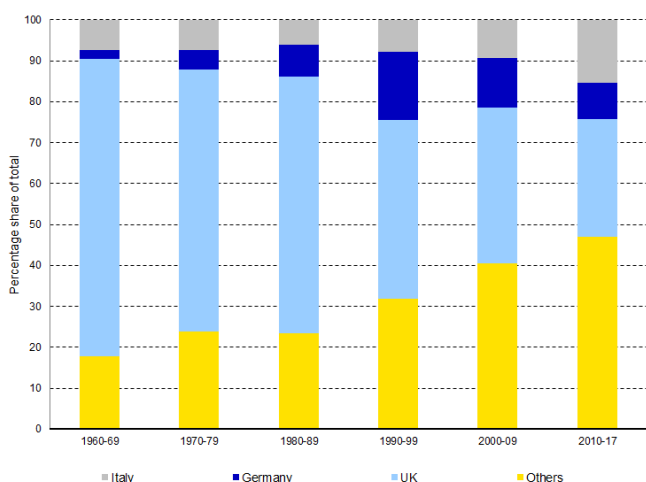


Figure 3: Source market of inbound tourists (figures for Germany pre-1990 represent figures for West Germany). Source: NSO, authors' own calculations.

The composition of tourists began to change significantly during the 1990s as the authorities responded with diversification strategies aimed at reversing the decline in tourism activity recorded in the previous decade.

By 2017, when a record of 2.3 million tourists visited Malta, the UK's market share, albeit still the largest, had fallen to close to 25%. Meanwhile, for the first time, arrivals from Italy and Germany collectively exceeded UK visitors, and tourists coming from the remaining source markets represented more than half of total visitors. The decreased reliance on few source markets is largely credited to increasing airline connectivity, but also the authorities' ability to diversify the Maltese tourism product.

Leisure tourism remains the main purpose of visit for the vast majority of arrivals, with its share increasing from 83.7% in 2010 to 85.3% of total inbound tourists in 2017, largely reflecting the expansion in self-catering accommodation facilities and internet marketing. Moreover, over the past decades, in order to reduce the strong seasonality factor, which is a major issue throughout the Mediterranean, Maltese policymakers adopted smart business diversification approaches to target non-leisure segments. From 2010 to 2017 the number of visitors for business purposes increased by over 62,000 persons, accounting for 7.9% of total inbound tourism. Meanwhile, the share of the "other" tourist segment, which includes tourism for educational, religious and health-related purposes, stood at 6.8%, accounting for more than 154,000 visitors in 2017.

Despite the increase in leisure tourism, there has also been some diversification within the Maltese holiday product itself. Indeed, based on the 2017 Malta Tourism Authority's (MTA) Market Profile Survey (Malta Tourism Authority, 2018), only 15.7% chose Malta as their destination solely for the traditional 'sun and sea' factor. The largest share of tourists, standing at 42.9% chose Malta for its culture and heritage. Moreover, important tourism niches such as, health, wellness, scuba diving and other sports segments were mentioned by a further 12.7% of the tourists surveyed as their main motivational factor in choosing Malta as their destination (see Fig. 4).

2.2 Nights Spent in Malta – Private Versus Collective Establishments

Over the ten year period to 2010, total nights spent by inbound tourists remained broadly stable (see Fig. 5). From 2001 to 2008, total nights stayed averaged 10.9 million nights per year, before declining to 9.9 million nights in 2009 on the back of dwindling demand spurred by the global financial crisis. The effect of the crisis was limited to a single year and the losses of more than one million nights in 2009 was more than recouped in the following year. Subsequently visitor nights spent in

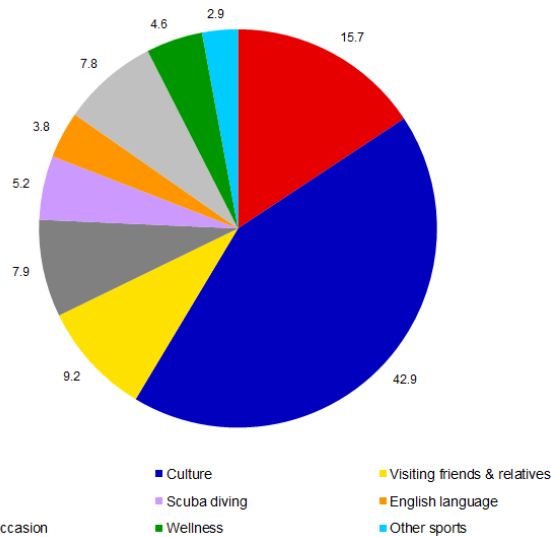


Figure 4: Main motivations for choosing Malta (percentage share of total). Source: MTA’s Market Profile Survey, 2017 (Malta Tourism Authority, 2018) and NSO (Inbound Tourism, 2017).

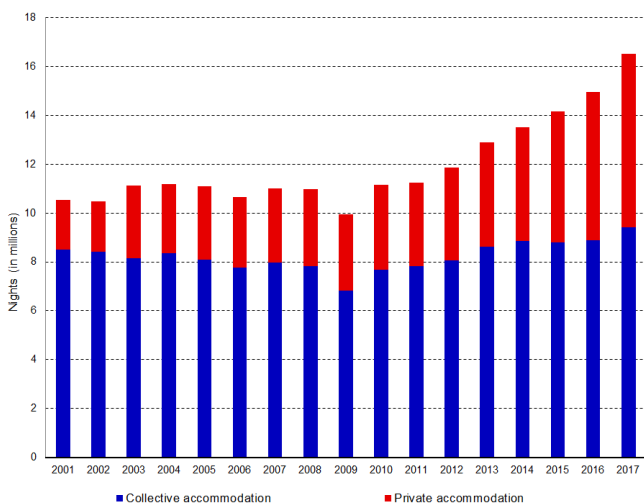


Figure 5: Nights stayed in collective and private accommodation. Source: NSO.

Malta continued to increase steadily and exceeded 16.5 million nights in 2017, almost 50% more than in 2010.

For several years, the vast majority of tourists preferred to spend their stays abroad in collective accommodation establishments.¹ However, since the turn of the century there has been a pronounced shift in preferences from collective accommodation towards stays in

¹As per NSO definition, these include hotels, guesthouses, hostels, tourist villages, holiday complexes, bed & breakfast, and campsites.

private accommodation establishments.^{2,3} This change in preference is mainly driven by technological advances and the ease in booking alternative accommodation on online platforms. The switch towards private accommodation also reflects increasing attention to the concept of value for money and a search for more experiential tourism, where visitors seek authentic local experiences.

In 2001, out of the 10.5 million nights spent by tourists in Malta, nights in private accommodation amounted to only about 2 million nights, or slightly less than 20% of total nights. Over the following eight years this share continued to trend upwards, and in 2009 it surpassed the 30% mark, as the negative impact of the global financial crisis was almost entirely absorbed by collective accommodation establishments. By 2017 the nights spent in collective accommodation establishments reached a high of 9.4 million nights. Nevertheless, its share in total nights spent by tourists in Malta declined to 57.0%, as nights stayed in private accommodation establishments rose at a faster rate.

As the popularity of private accommodation increased, the tourism industry in Malta has gradually also shifted from package to non-package holiday makers, with the traditional tour operator business losing market. The share of spending on package holidays almost halved from 2005 to 2017, down from 47.8% to 26.8% of total expenditure. At the same time, the share of spending on accommodation rose by ten percentage points to stand at 17.7% of total expenditure by 2017 (see Fig. 6).

2.3 Average Length of Stay and Tourism Expenditure

During the same period, the average length of nights spent in Malta, but also worldwide, have generally declined (see Fig. 7). In 2001, on average, inbound tourists’ spent 9.2 nights in Malta, rising to 10.2 nights by 2003.⁴ However, since 2004, the average length of stay has been on a downward trend, standing at 7.3 nights in 2017. The drop in the average length of stay was more pronounced post-2007, partly reflecting the advent of low cost carriers which led to more frequent airline connectivity of the islands, increasing Malta’s viability as a short holiday destination.

²The changing trend in tourists’ preference to stay in private accommodation is a global phenomenon and not exclusive to Malta.

³Private accommodation includes rented accommodation, own private residence, staying with friends and other private accommodations.

⁴In the 1980s and 90s Malta was a favoured long winter stay for the ‘senior citizen market’ segment, particularly the British, who used to spend the whole winter in Malta. Thus, prior to the 2000s average length of stay tended to be higher.

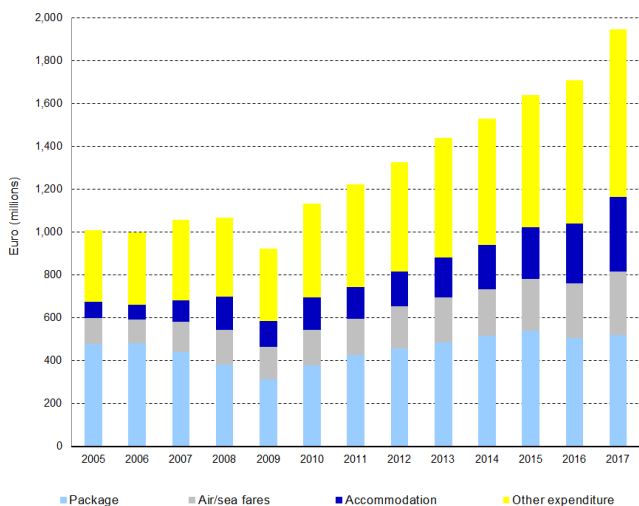


Figure 6: Tourist spending. Source: NSO.

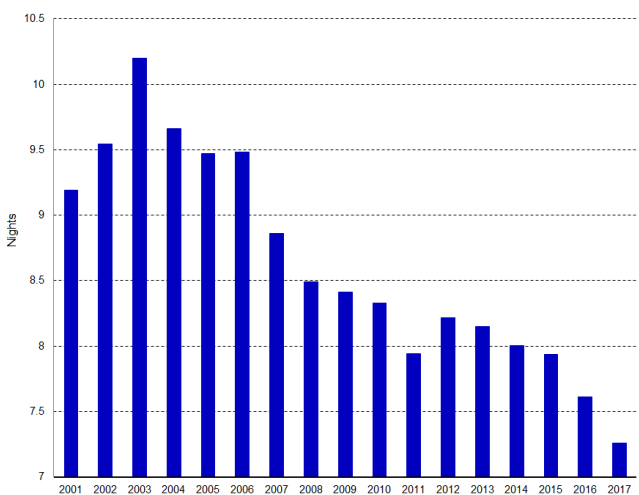


Figure 7: Average length of stay. Source: NSO.

Reflecting the rise in inbound tourists and total nights stayed in Malta, visitors' spending also surged markedly. In 2001, total tourist expenditure stood at €960.4 million. It surpassed the €1 billion mark in 2003. Spending remained broadly stable until 2008 before declining by 13.5% in 2009. From 2010 onwards, expenditure grew at an average annual rate of 9.9%, reaching €1.9 billion in 2017, more than double the level recorded in 2009 (see Fig. 8).

Given the decline in the average length of stay, the average expenditure per visiting tourist did not change much from 2001 onwards. On a per capita expenditure basis, tourists spent €838 per stay in 2001, rising only to €856 in 2017 (see Fig. 8). However, when taking into account the impact of shorter stays, the average expenditure per night increased on a nominal basis from €91 in 2001 to €118 in 2017.

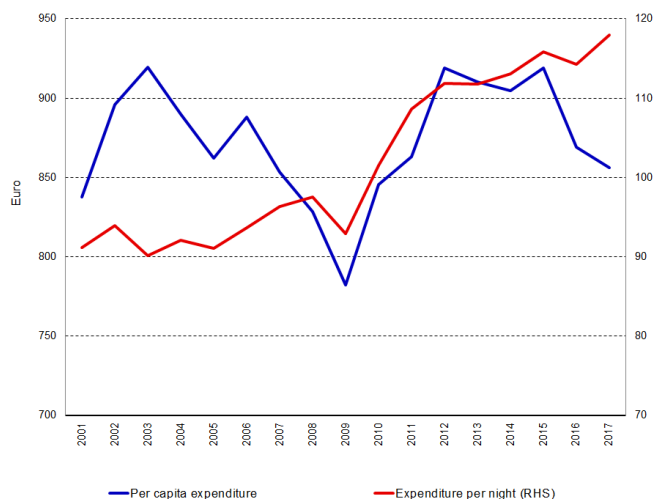


Figure 8: Expenditure per capita and per night. Source: NSO.

The relative stability in the average length of stay and spending per night masks notable heterogeneity across different source markets. Fig. 9 and 10 compare the various markets in 2001 and 2017, respectively. In both years, Libyan tourists recorded the largest expenditure per night spent in Malta, but on average also had the shortest stay. In contrast, in 2001, the average British visitor had the lowest expenditure per night amongst the different source markets (see Fig. 9). At the same time, together with visitors from the USA and Russia, British tourists spent the longest stays in Malta. Meanwhile, German tourists spent only marginally more than British visitors and stayed for a shorter period of time.

The situation changed considerably by 2017 - the average length of stay fell to 7.3 nights while the average tourist expenditure per night edged up to €118 (see Fig. 10). While visitors from Libya continued to lead in terms of expenditure per night, tourists from the USA, Switzerland, Austria and Scandinavia also spent substantially more than the average spend. At €104 per night, Italian tourists were the lowest spenders, followed by the French and British tourists. The practically unchanged spend per night by the Italian tourists between 2001 and 2017 can be partly attributed to increased connectivity and lower airfares between the two countries, which has changed the profile of the average Italian visitor. Meanwhile, only Russian tourists continued to prefer spending around 10 days in Malta. By contrast, recent years have seen the average Scandinavian and Swiss tourist lowering their average length of stay but increasing their spending considerably.

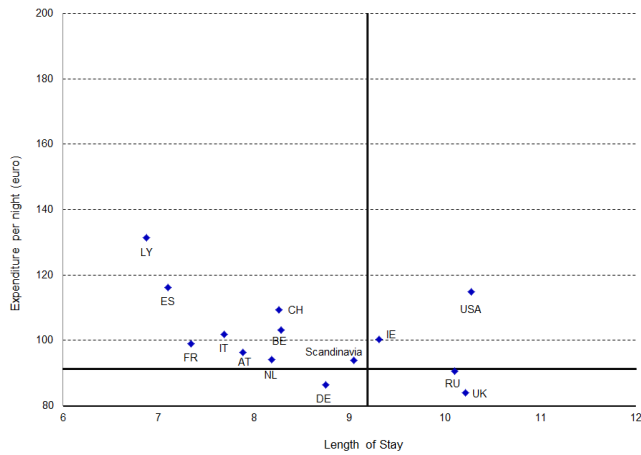


Figure 9: Expense per night and length of stay (2001). Source: NSO.

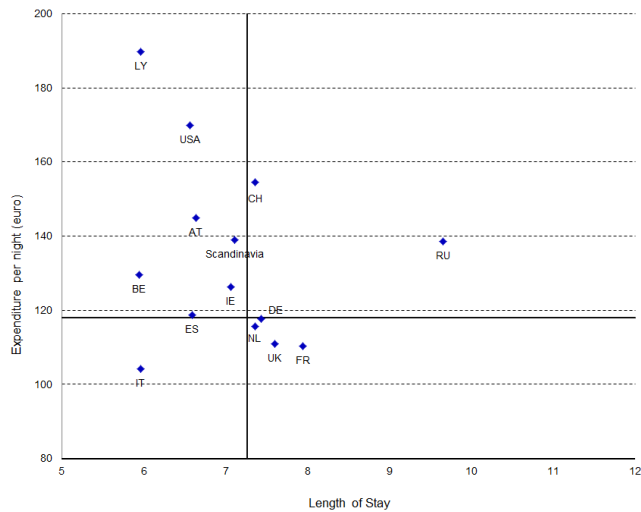


Figure 10: Expense per night and length of stay (2017). Source: NSO.

3 Adapting Supply-Side Factors

Over the years, tourism-related supply factors have adjusted to more dynamic demand. In this study, we limit our consideration of supply to capacity in collective accommodation establishments, aircraft movements, seat capacity and seat load factor, as well as cruise liner calls. A more comprehensive analysis would also warrant an assessment on infrastructural needs and utilisation, and the increasingly importance of stays in private accommodation. However, data on the latter indicators are unavailable or fragmented at best.

3.1 Availability and Occupancy Rates in Collective Accommodation Establishments

Possibly reflecting the requirement of relatively large tracts of land, which is a scarce resource, for the ho-

tels sector, the number of collective accommodation establishments rose at a more muted pace than inbound tourism. Over the last decade, the number of collective establishments on the island rose from 161 in the peak month of August in 2008 to 188 in the same month of 2017. The majority of the new establishments were three-star hotels, followed by two-star establishments. Over this period, the number of five-star hotels remained unchanged at fifteen and only three new four-star establishments were opened.

Since 2008, bed capacity in collective accommodation establishments rose by 8.9%, or close to 3,500 more bed-places (see Fig. 11). Most of the increase emanated from the three and four-star segments. At the same time, capacity in the 'other collective accommodation' establishments declined notably. This drop can be partly attributed to the increased preference towards transforming guesthouses and hostels into boutique hotels which tend to have a smaller number of rooms but offer higher quality standards and facilities.

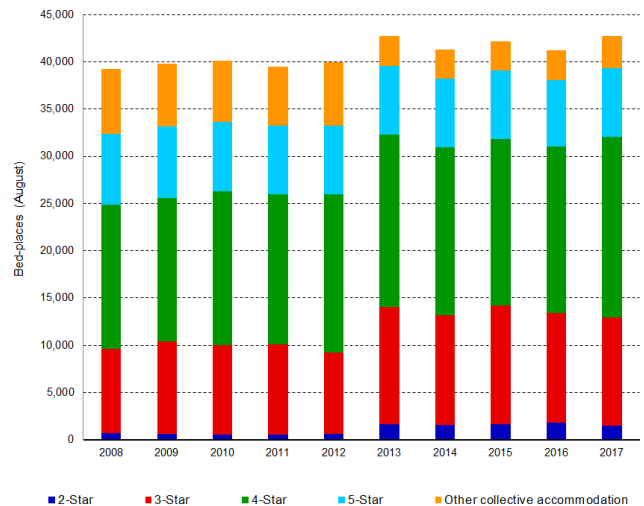


Figure 11: Bed-places by type of accommodation. Source: NSO.

Despite losing market share to private accommodation establishments and increasing the number of bed-places, hotels still managed to increase their occupancy rates. Indeed, apart from a dip in 2009, where occupancy rates bottomed out at 50.7%, occupancy rates in collective accommodation establishments increased steadily, reaching 65.6% in 2017 (see Fig. 12). This rise was a result of higher occupancy rates across all hotel categories. Nonetheless, the most notable increases were recorded in the five and three-star sectors, where occupancy rates rose by 12.5 and 12.6 percentage points respectively since 2008. Throughout the period under review, four-star hotels continued to enjoy the highest average annual occupancy rates. Occupancy rates in this category edged up to 71.4% in 2017, from 67.5% in 2008.

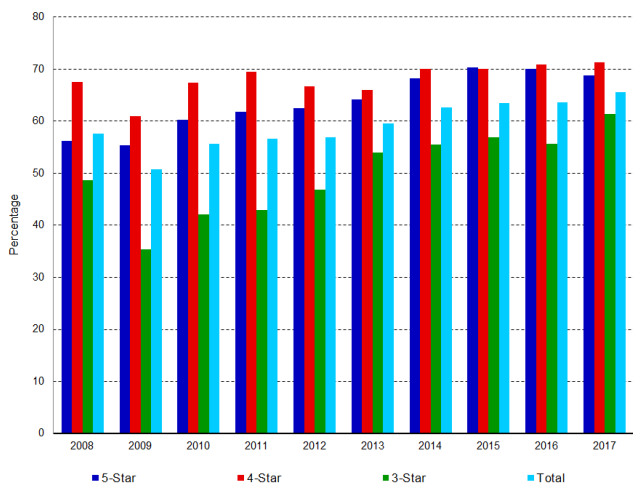


Figure 12: Collective accommodation – occupancy rates. Source: NSO.

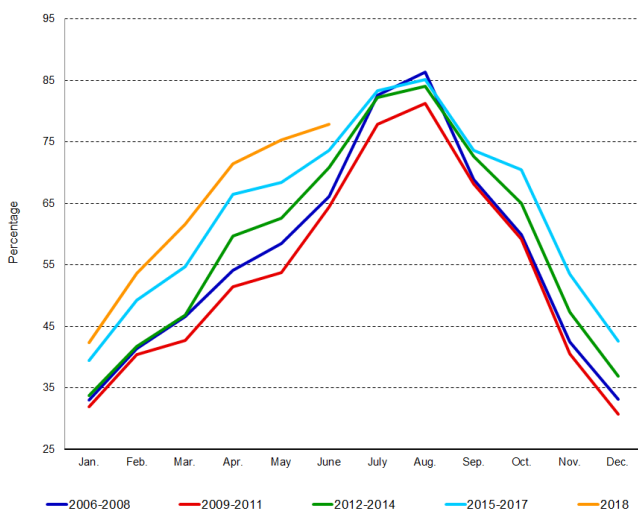


Figure 13: Seasonality in occupancy rates. Source: NSO.

Higher occupancy rates can be largely attributed to a concerted effort, by various stakeholders, to attract visitors during the winter and the shoulder months of the peak season. In fact, the occupancy rates of total collective accommodations during their peak experienced little change. As can be seen in Fig. 13, apart from the period characterized by the global financial crisis, the occupancy rates in July and August remained broadly stable around the 85% mark when taken as three-year averages. However, occupancy rates have clearly risen in the shoulder months, and the increase is more pronounced in recent years. Data for the first half of 2018 show that occupancy rates averaged 63.7%, up from 50.0% in the 2006 to 2008 period.

Interestingly, higher occupancy rates were not achieved at the expense of lower room rates but through

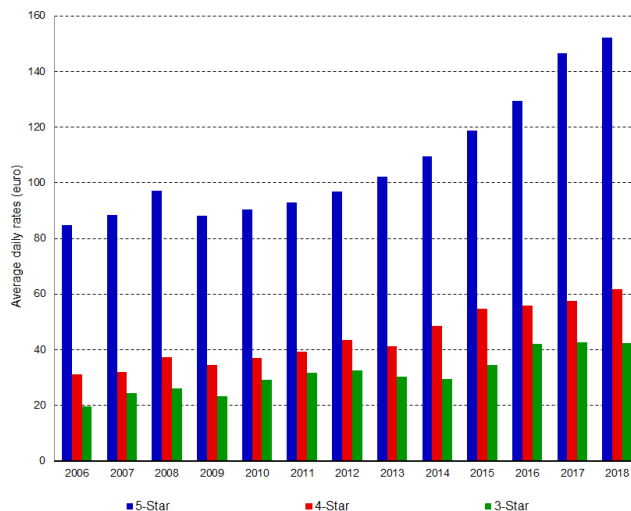


Figure 14: Average daily rates (average based on rates charged between January and June of each year). Source: BOV-Deloitte MHRA Reports.

non-cost factors and an improved quality product. As can be seen in Fig. 14, hoteliers were able to increase daily room rates markedly from 2006 onwards.⁵ Average rates in the first half of every year suggest that between 2006 and 2018 five-star hotels increased their rates by around 80%, whereas the four-star establishments doubled the rates, and three-star hotels charged 115% more. However, over time, while wage bill and operational costs rose, hoteliers managed to increase their gross operating profit margin per available room. The increased revenue per room was also positively impacted by lower utility tariffs and an influx of foreign workers who have muted increases in wages.

3.2 Airline Connectivity and Seat Capacity

The island's tourism sector is very dependent on the operations of the country's sole airport. Route connectivity and increased aircraft movements are major supply-side factors in the country's tourism market. Over the last decade route connectivity increased from 61 in 2009 to 90 in 2017, and MIA claims that in summer 2018 over 100 destinations were being served (see Fig. 15). Consequently, aircraft movements and the resulting seat capacity increased markedly.

After peaking at close to 28,400 in the year 2000, aircraft movements dropped to almost 24,300 in 2002, and remained close to 25,000 until 2006. The advent of low cost carriers in 2006 led to a rise in the number of aircraft movements but the high point reached in 2000 was only surpassed in 2010 (see Fig. 16). In the following years, aircraft movements continued to grow steadily, reaching close to 43,000 scheduled and chartered flights

⁵BOV-Deloitte MHRA Reports.

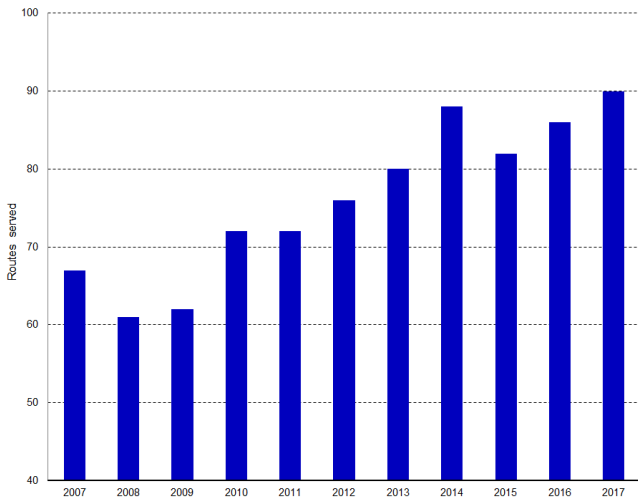


Figure 15: Routes Served. Source: MIA.

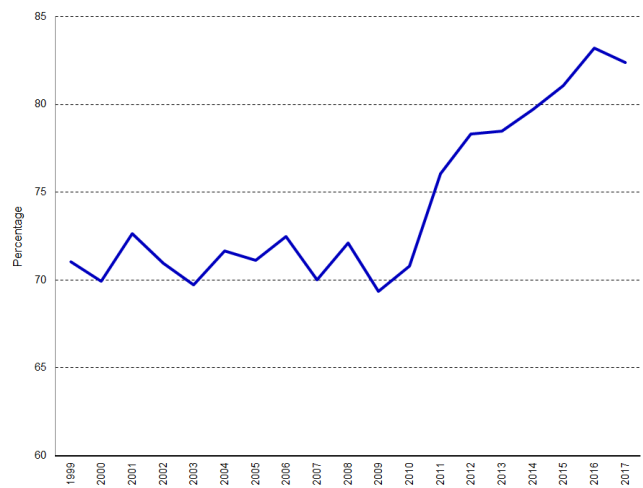


Figure 17: Seat load factor. Source: Authors' own calculations based on MIA releases.

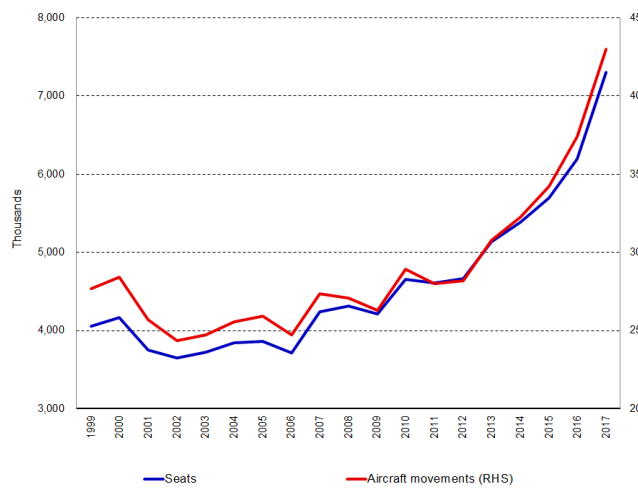


Figure 16: Aircraft movements and available seats. Source: MIA.

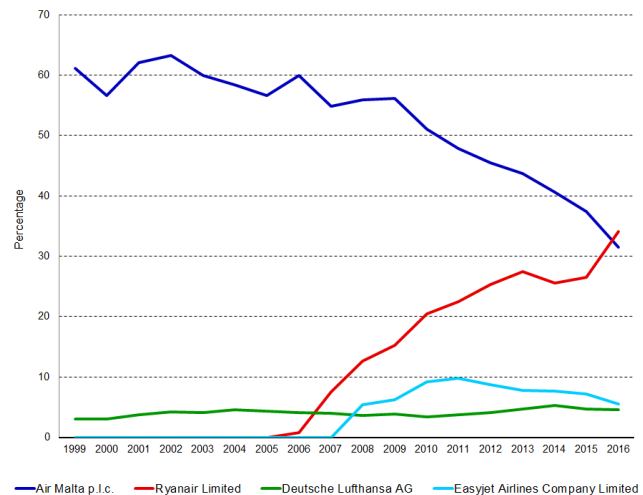


Figure 18: Share of passenger movements by major airlines. Source: MIA.

in 2017. In line with the rise in aircraft movements, the number of seats available to passengers surged to 7.3 million in 2017.

The increase in seat capacity was also met by a rise in passenger, or seat load factor, which measures the capacity utilisation of aircraft. Fig. 17 shows that from 1999 to 2010 the seat load factor of aircraft to and from Malta hovered around 71%; meaning that on average, close to 30% of the aircraft seats were not being sold. Over the succeeding years, the seat load factor climbed gradually to reach 83.2% in 2016, before receding marginally in 2017.

The rise in the seat load factor of aircraft can be partly attributable to the emergence of low cost carriers which are more flexible in altering routes to more profitable destinations. Moreover, as opposed to legacy airlines,

low cost carriers tend to have less, or no, first class seating – which are more difficult to sell. Data show that improvements in the seat load factor coincided with the increased intensity of Ryanair. As can be seen in Fig. 18, in 2006, the year during which Ryanair commenced its operations in Malta, Air Malta had a market share of 59.9% of all passengers travelling through the MIA. Over time, mainly through increases in the number of routes by Ryanair, but also due to financial challenges faced by the national airline, the share of Air Malta's total passenger movements dipped to 31.5% in 2016. During the same year, Ryanair's market share rose to 34.1%, becoming, for the first time, the largest carrier of passengers travelling to and from Malta.

3.3 Activity in Cruise Liner Tourism

Malta's unique geographical location has for long attracted the interest of major cruise liner companies operating in the Mediterranean Sea. The islands' central position makes it possible to cater for both West and East bound cruises. In more recent years, improvements in port infrastructure and ancillary services, combined with challenging economic and political conditions in neighbouring competing destinations, have increased the country's attractiveness.

Between 2008 and 2014 the number of cruise liner passengers arriving in Malta averaged slightly less than half a million passengers per year (see Fig. 19). From 2015 onwards cruise liner passengers rose markedly, reaching 670,000 in 2017. Since 2008, EU nationals accounted for around three-quarters of all arrivals, with the share dipping marginally in the last few years. In 2017, Germany and the UK were the most important source markets, accounting for half of all EU arrivals, whereas the US was the largest source of passengers from outside the EU.

Interestingly, the increase in passenger arrivals was not matched by a similar rise in cruise liner calls (see Fig. 18). In 2017, 342 cruise liner calls were made, significantly more than in the previous years, but still below the 397 calls made in 2008. This shows that larger vessels, with increased accommodation capacity are calling into the Maltese ports.

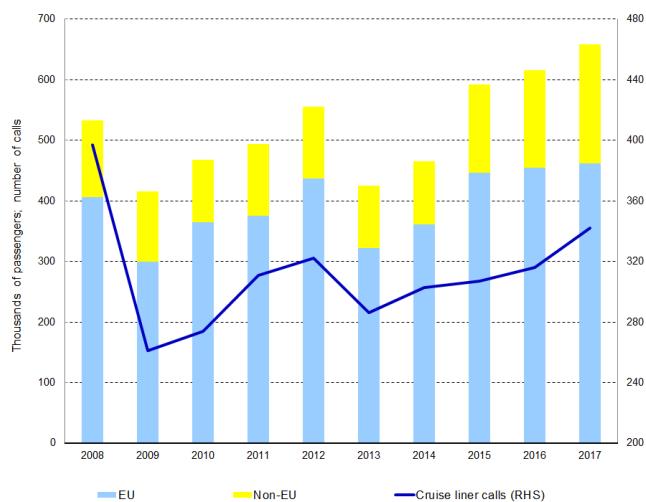


Figure 19: Cruise liner passengers and calls. Source: NSO.

4 Economic Importance of Tourism

This section will shed some light on a number of comparative indicators with neighbouring destinations, as well as comparing other previously conducted studies on the economic importance of tourism for the Malta. This study is not intended to comprehensively assess all

the economic factors which constitute this sector.

Data from the World Travel and Tourism Council (WTTC) show that the travel and tourism industry's total contribution to Malta's GDP stood at 27.1% in 2017 (see Fig. 20).⁶ This was the highest share recorded within the Mediterranean region by a notable margin. The second highest share pertained to Cyprus, at 22.3% of GDP, followed by Greece and Lebanon. Malta's share was also well above the Mediterranean, EU and World averages, which ranged between the 10% and 12% (World Travel and Tourism Council, 2018a, 2018b).

The contribution of the travel and tourism sector towards employment is correspondingly also very high in Malta when compared with other tourism destinations within the region. In 2016, it stood at 28.3%, once again higher than other countries surrounding the Mediterranean, as well as the Mediterranean, EU and World averages (see Fig. 20). When compared with other countries in the region, the second highest total share was recorded by Greece at 24.8%, followed by Cyprus. Such a high contribution of tourism towards employment serves to once again highlight the importance of tourism, both in the Maltese economic and social contexts.

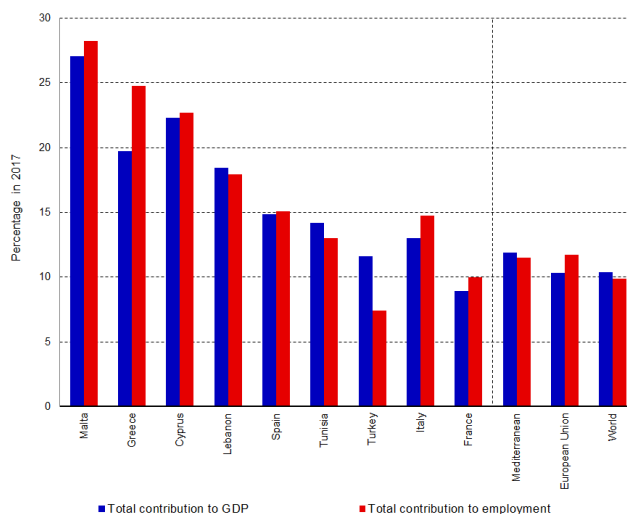


Figure 20: Contribution of travel and tourism to GDP and employment. Source: WTTC.

The WTTC estimated that the direct contribution of travel and tourism to GDP in Malta during 2017 was equal to 14.2%. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services), but it also includes,

⁶Total contributions to GDP and employment include all activity and jobs generated directly, indirectly, as well as the induced impacts of the travel and tourism sectors.

Table 1: Input-Output based estimates of the contribution of tourism to the Maltese Economy. Sources: Blake, Sinclair, Sugiyarto and DeHann (2003), Cassar (2015), National Statistics Office of Malta (NSO) (2016).

	Blake, Sinclair, Sugiyarto and DeHann (2003) (% of GNP for 2001)	Cassar (2015) (% of total GVA for 2008)	National Statistics Office of Malta (NSO) (2016) (% of total GVA for 2010)
Direct and indirect (Based on Type 1 multipliers)	12.3	12.5	11.5
Direct, indirect and induced (Based on Type 2 multipliers)	17.1	17.7	N/A

for example, the activities of the restaurant and leisure industries directly supported by tourists. Estimates of the same Council show that in 2017 the travel and tourism sectors generated 31,000 jobs directly in Malta (15.7% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services, as well as jobs in restaurant and leisure industries directly supported by tourists. The total contribution of these sectors to employment including indirect and induced impacts was estimated to reach 55,000 jobs in 2017 (28.3% of total employment).

The WTTC estimates are the most recently available impacts of the contribution of the tourism industry on the Maltese economy and are one of the most widely referenced studies. Nonetheless, the input-output methodology used to estimate travel and tourism contributions to GDP and employment by the WTTC are based on assumptions which contrast with other studies conducted by other researchers and academics. Furthermore, it should be noted that the WTTC study did not utilize a fully specified input-output table for Malta for the derivation of the multiplier estimates, but applied technical coefficients obtained from the input-output tables of other countries where data was incomplete. It is important to point out that there is no indication of the country source of the input-output matrices which were applied to Malta.

In the research by Cassar, Vella and Buttigieg (2016) it is argued that the estimates of WTTC are relatively higher than what has been estimated separately by Blake, Sinclair, Sugiyarto and DeHann (2003) for 2001, Cassar (2015) for 2008 and National Statistics Office of Malta (NSO) (2016) for 2010 (see Table 1).

Table 1, sourced from Cassar et al. (2016), shows that, notwithstanding the divergences in the three methodologies and time elapsed between 2001 and 2010, the results obtained from the three input-output based studies all seem to corroborate a direct and indirect contribution to the Maltese economy equal to approximately 12% of total gross value added (GVA).

Furthermore, observing the Type II value added mul-

tipliers, which in the case of Cassar (2015) are based on the computed Type II weighted average tourism value added multiplier, one can note further similarities in results between the two studies with a contribution of tourism at around 17% of total GVA. Within the context of assessing the true contribution of tourism to the Maltese economy on the basis of the input-output studies discussed, would imply that a realistic contribution of the tourism sector to the Maltese economy would lie in the range of 12% to 17% of total GVA.

5 Sustainable Tourism and Policy Considerations

In devising tourism policies, policymakers need to take into consideration the impact on various stakeholders, including the economy, the environment, entrepreneurs, visitors and residents. Nonetheless, striking this fine balance is by no means an easy feat. This is particularly challenging in small countries like Malta, which saw 5.3 visitors per inhabitant in 2017; the second highest ratio worldwide after Iceland. When one takes into account tourists' concentration on Malta's limited geographical size and high population density, the situation is significantly more severe. As one of the main economic pillars, Malta's tourism sector creates jobs, drives exports, and generates prosperity. However, more needs to be done to ensure that recent growth rates in inbound tourism are sustainable.

The United Nations has designated 2017 as the International Year of Sustainable Tourism for Development. The recent growth in tourism requires the sector to ensure sustainable policies and practices that minimise adverse effects of tourism on the use of natural resources, infrastructure, mobility and congestion, as well as its socio-cultural impact (United Nations World Tourism Organisation, Centre of Expertise Leisure, Tourism & Hospitality, NHTV Breda University of Applied Sciences & NHL Stenden University of Applied Sciences, 2018). Increased reports of negative attitudes among local populations towards visitors, due to perceived overcrowding, noise and other issues, have led to

the spreading of terms such as 'overtourism' and 'tourismphobia' in the media. The first, and most prominent, cases of 'tourismphobia' occurred in Barcelona and Venice, where tensions have been rising for years over the unregulated surge in visitors and the negative impact on the local housing market. In these cities residents have voiced their anger over rising rents and pollution caused by huge cruise ships.

Looking closer at our shores, despite the general welcoming attitude of Maltese nationals towards tourists, the local tourism product faces the challenge of over-utilised infrastructure and the impact on the environment of construction and overcrowding in beaches, historic and cultural sites.

The success of the tourism industry cannot be merely measured by the number of inbound visitors but by a better economic and social return to society. As evidenced by official data, the increase in the number of inbound tourists was not matched by significant increases in nominal expenditure per night stayed. Furthermore, if one had to look at deflated figures, real expenditure per visitor per night is estimated to have declined in recent years, even after allowing for potentially lower airfares. This may suggest that the country's stakeholders' efforts were more successful in attracting higher volumes but lower spending visitors. It could also reflect the scarcity of large scale hotels and capacity constraints in established ones, which may have conditioned tourists to look for private accommodation, which tends to be cheaper.

The tourism product is composite and complex in nature. It encompasses anything that a tourist purchases, sees, experiences and feels from the moment they leave home to the time they return. It is in the interest of the operators within the tourism industry to sustain the destination. While many large operators are adopting better practices which will also bring environmental benefits, these practices are not generally being adopted by the smaller operators. Identifying and improving different aspects of the tourism product is key, but more importantly a holistic approach needs to be adopted, where the whole is greater than the sum of its parts. For example, the excellent provision of one sub-product (such as hotels) may not be worthwhile if the other inter-related services or sub-products (such as physical infrastructure) are not up to the expected standard.

Over the past few decades, a number of tourism master plans and policies have been successfully implemented. However, synergies between key stakeholders - the Government, Malta Tourism Authority, Malta Hotels and Restaurants Association (MHRA) and Malta International Airport, amongst others - were instrumental in reaping the positive economic benefits of the tourism industry. Efforts to increase route connectivity, thereby

reducing dependence on few source markets, and creating important niche markets to diversify the Maltese tourism product have helped in significantly tackling the issue of seasonality. Improvements on roads infrastructure and embellishment projects in a number of key locations are also commendable. However, additional effort is required to enhance the quality of the tourism product and improve public transport services. Moreover, hoteliers and entrepreneurs should continue to invest in high-end establishments that can help in attracting more affluent visitors. This would enable better wages to employees in the local industry, which would render it more attractive as a vocational career while ensuring that a larger share of the population would benefit from the buoyancy of the sector. Finally, the education system should also do its part to instil a nurturing mind-set towards the local cultural heritage.

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