



The Gozo Business Chamber

BUSINESS SENTIMENT SURVEY 2022



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THE GOZO BUSINESS CHAMBER

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GOVERNMENT OF MALTA
MINISTRY FOR GOZO

Table of Contents

Introduction.....	2
Methodology.....	4
Section 1: General introduction about the business.....	6
Section 2: The Current Economic Scenario in Gozo.....	9
Section 3: E-commerce within your business.....	15
Section 4: Fast Ferry Service.....	17
Conclusion and Policy Options.....	18

Introduction

In 2022 the Gozo Business Chamber (GBC) launched the business sentiment survey. The scope of the business sentiment survey was for the Chamber to have a bird's eye view of how the economy in Gozo is fairing by undertaking a mid-year and an end-of-year survey among the Gozitan business community. Why was this survey necessary?

The scope of this survey is not to be a comprehensive statistical exercise, but to gauge the business sentiment among the Gozitan business community. As indicated by the name it focuses on the business sentiment, and therefore on the personal perspective of the Gozitan business community.

The GBC cannot propose policy solutions if it is not within a position to see the current state of the Gozitan economy. It is also important for the Chamber to gauge specific areas of interest. These were generally motivated by developments in that area, or to gauge particular areas which the Chamber felt they needed to be targeted.

The first survey launched in August 2022 was quite generic focusing specifically on the current economic scenario, with only a specific section which invited respondents to put forward their policy proposals.

The second survey which was launched in February of 2023 was intended to first gauge Gozo's present economic scenario following the busy Christmas period. It then gauged specific areas of interest, focusing on e-commerce and accessibility. Following the COVID-19 pandemic and at a European Union level, digitalization is often seen as bridging the gap faced by business entities on islands. As regards accessibility the reduction in the number of services scheduled by the fast ferry in 2022 led the Chamber to investigate the importance of such a service among the Gozitan business community. But why such a specific focus on Gozo?

Islands such as Gozo face specific dynamics which are not always recognized both at a national and at an international level. This is not only the situation of Gozo but also of other islands in the European Union which are neither considered as peripheral territories or regions for the scope of EU classification. Nonetheless given the difficulties faced they can be considered as peripheral regions for all intents and purposes. Consequently, they merit specific attention both at a national and an international level.

This survey must be read also within the context of developments at an EU level where a consistent voice on the need to devote specific attention to islands is being formed. The report on "EU Islands and Cohesion Policy: Current Situation and Future Challenges" (2021) presented to the European Parliament by Younus Omarjee for the Committee on Regional Development speaks of the need of a "dedicated strategy" and an "island policy agenda".¹ In fact the report highlights that while flexible solutions need to be adopted that take into account the specificities of islands, there is the need of "a European island vision to be developed".² The Palma Declaration of the CPMR Islands Commission speaks of a long-term EU Strategy

¹ European Parliament (13 May 2022), *Report on EU islands and Cohesion Policy: Current Situation and Future Challenges*, p. 5

² Ibid., p. 7.

for Islands.³ The Chamber hopes that this Business Sentiment Survey will continue to focus the attention of Gozo as a region and its specific needs and potentialities.

³ Conference of Peripheral Maritime Regions (22 February 2023), *Islands Commission Final Declaration*, p. 2 (online) :

Methodology

The survey was developed internally. Response to the survey was anonymous in order to ensure that business people would feel free to indicate their response about the current situation.

It was distributed both through the Gozo Business Chamber's social media platforms, and also directly to the Chamber's members. Telephone calls were made directly to members in order to elicit response. This proved the most effective tool, which significantly increased the response of the survey following this exercise.

The survey was conducted at two points in time. The first point in time was following the mid-year of 2022 i.e., in August of the same year. The second point was following the end of year. It was decided to start the exercise in February to have a more comprehensive overview of the whole year and gauge their outlook for the upcoming year.

During the first survey conducted in August 2022 there were 53 responses. For the end-of-year survey 83 responses were received.

Given business people's busy schedule the survey was kept simple and direct in order to elicit response. The Chamber hopes that this survey will along the years continue to gain trust among the Gozitan business community providing a barometer for what is being felt by businesspeople on the ground, and consequently identifying those issues that need to be addressed.

The first part of the survey, which was dedicated to description of the business entity and the economic scenario in Gozo, remained a constant for both surveys. This was done with the intent of comparing the results of the surveys. This will always remain a constant for the surveys in the coming years.

The first survey then put specific focus on policy proposals by respondents. On the other hand, the end-of-year survey focused on the issue of e-commerce and accessibility. This was dictated by current developments. As regards e-commerce this was prompted by Government's increasing efforts to increase the uptake of e-commerce among local SMEs. The Chamber in this area wanted to have a regional snapshot of the situation. As regards accessibility, the survey investigated the importance of the fast ferry service for the local business community and was prompted by the severe curtailing of the service in 2022, following its launch in 2021. The Chamber believes that this is an essential service for Gozitans and is happy to note the introduction of a schedule which reflects the needs of Gozitans in the past weeks. Nonetheless the response to this survey must be taken within the context that at the time of its response the level of service was minimal.

Different response formats were adopted depending on the type of question:

- Where information on the type of business and the sectors they operate in was being gathered, specific categories were provided in line with the membership category of the GBC, and in line with its experience of the various sectors. It was pointless offering categories which are practically non-existent on the island of Gozo, such as regards the number of employees within a particular business. The Discussion Paper published by the Gozo Regional Development Authority (2023) highlighted in fact how "Gozo's business profile also differs significantly from that of mainland Malta. Micro

enterprises (between 1 and 9 employees) constitute slightly more than half of the business population against one-fifth for Malta”.⁴ However, as regards the number of employees currently employed by the respondent in the first survey, a minimalist category of 1-10, 11-30 and more than 30 was adopted. Given that the greatest response was registered in the more than 30 category in the first survey (54.7%), in the second survey a different categorization was adopted (1-10, 11-25, 26-100, more than 100) in order to get a better picture of the size of the current workforce of the respondents. This was felt to be more in line with the profile of business entities based in Gozo. Consequently, in this specific area results may not be comparable between the two surveys.

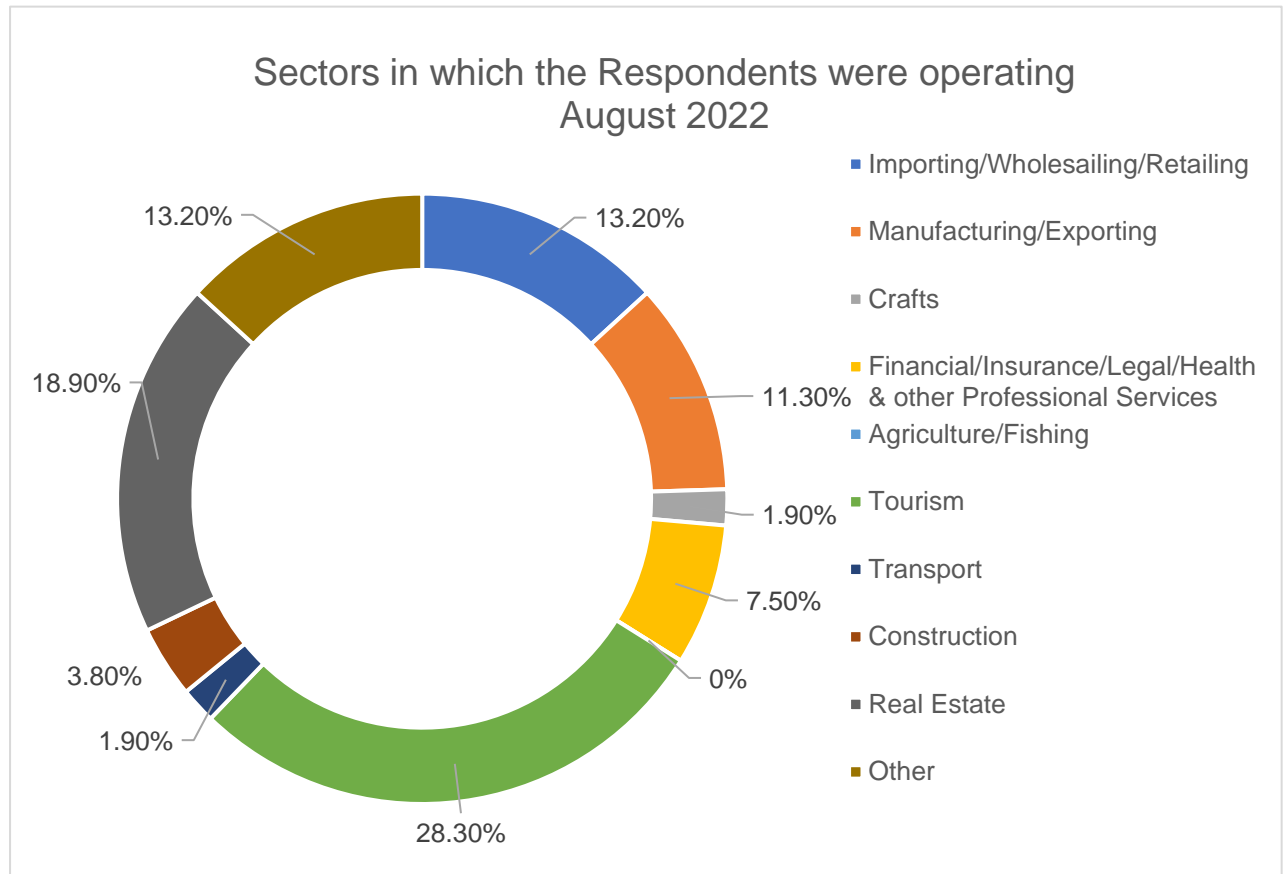
- As regards the perspective on how the economy is fairing, it was decided that in order to obtain a balanced judgment and perspective, a 1 to 5 rating scale (Likert Scale) would be adopted with a perspective associated to each number.
- With respect to the questions relating to: (a) difficulties faced; (b) plans for the upcoming future; and (c) the future of the Gozitan economy, specific categories were provided. Nonetheless as regards the difficulties faced the possibility was also given to them to highlight other difficulties which were not listed.
- In the first survey respondents were invited to outline measures which should be considered by the Government to tackle specific sectors or improve the Gozitan economy in general.
- The e-commerce section in the second survey was mainly composed of questions which provided for specific categories, from which they had to choose. Nonetheless, when asked whether they experienced an increase in sales which was directly related to their adoption of e-commerce, this was left as an open answer. This was done in order to elicit a qualitative response to this question.
- With respect to the questions related to the fast ferry service in the second survey specific categories were provided.

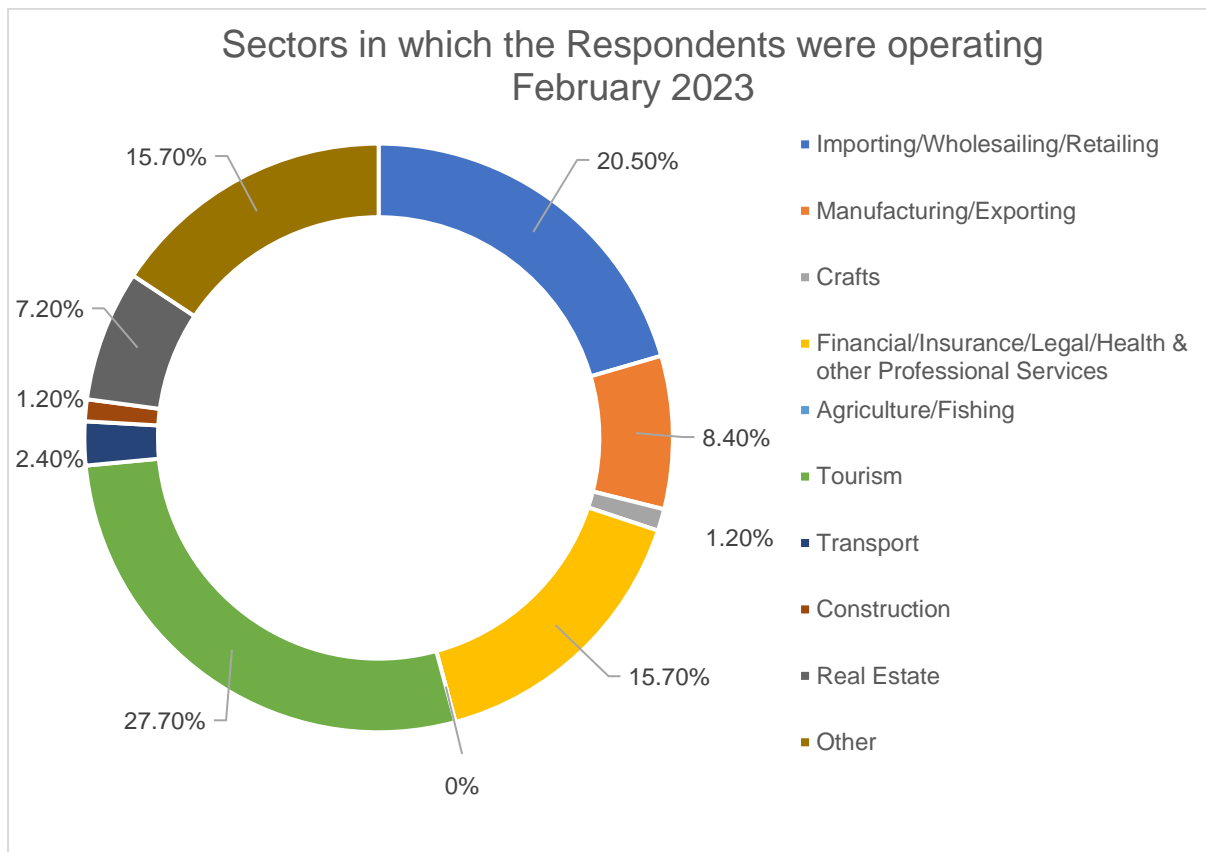
⁴ Gozo Regional Development Authority (2023), *Employment and Skills in Gozo. Discussion Paper*, p. 6 (online) : <https://grda.mt/wp-content/uploads/2023/01/Employment-Skills-in-Gozo.pdf> [accessed 15 March 2023].

Section 1: General introduction about the business

Question 1 - What is the sector in which you are operating?

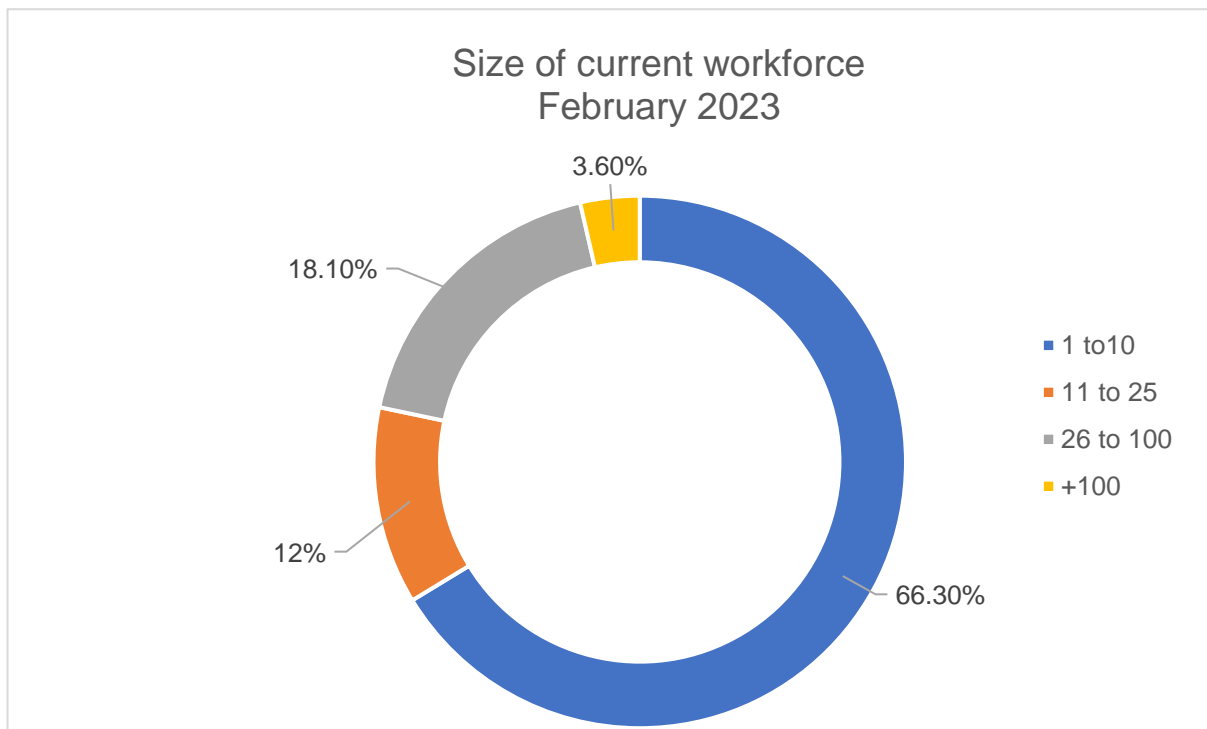
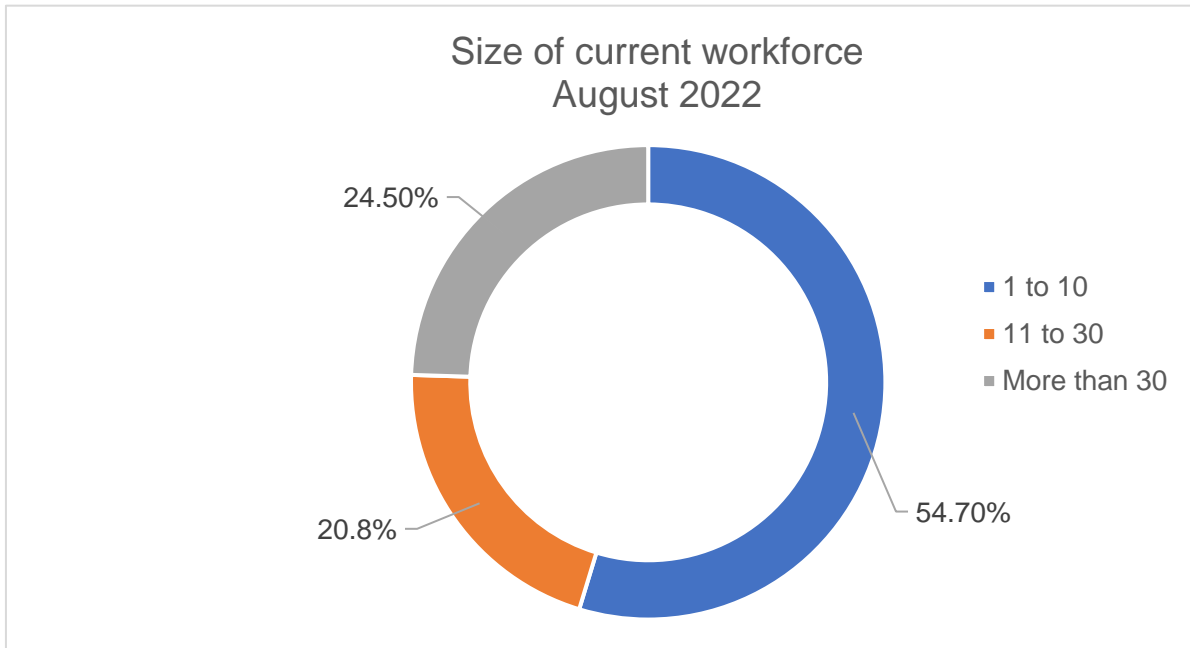
August 2022





In the first survey the sectors which were most represented were the tourism (28.3%), followed by the real estate sector (18.9%), and the importing/wholesale/retail sector (13.2%). In the second survey the tourism sector was again the most highly represented (27.7%), followed by the import/wholesale/retail sector (20.5%), and the Financial/Insurance/Legal/Health and other Professional Services (15.7%).

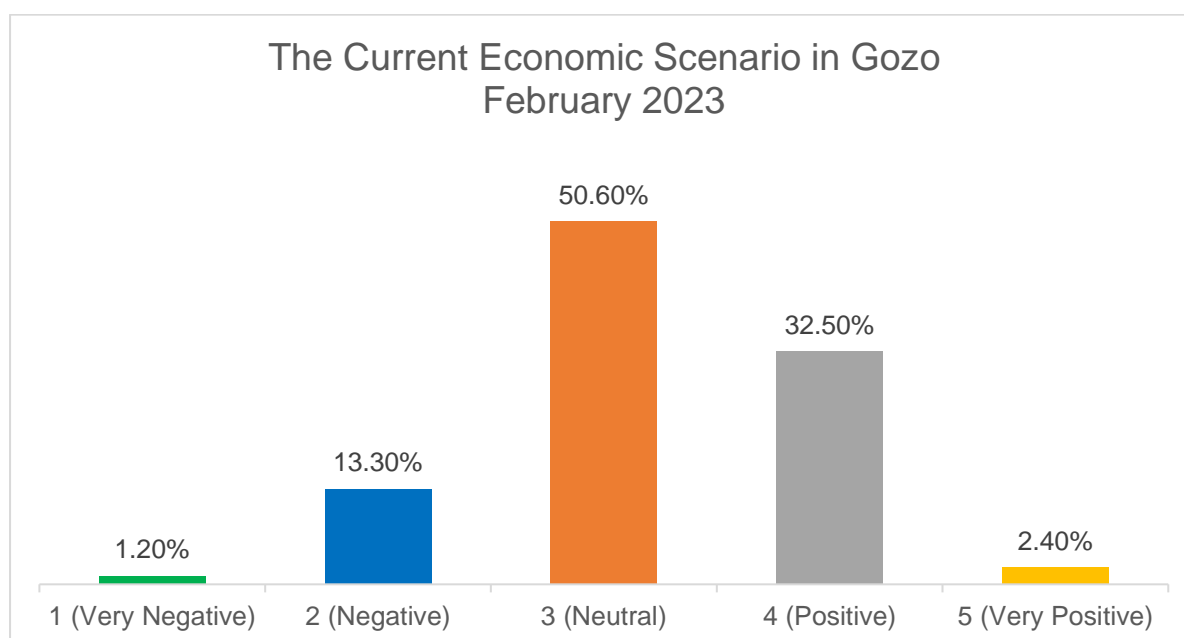
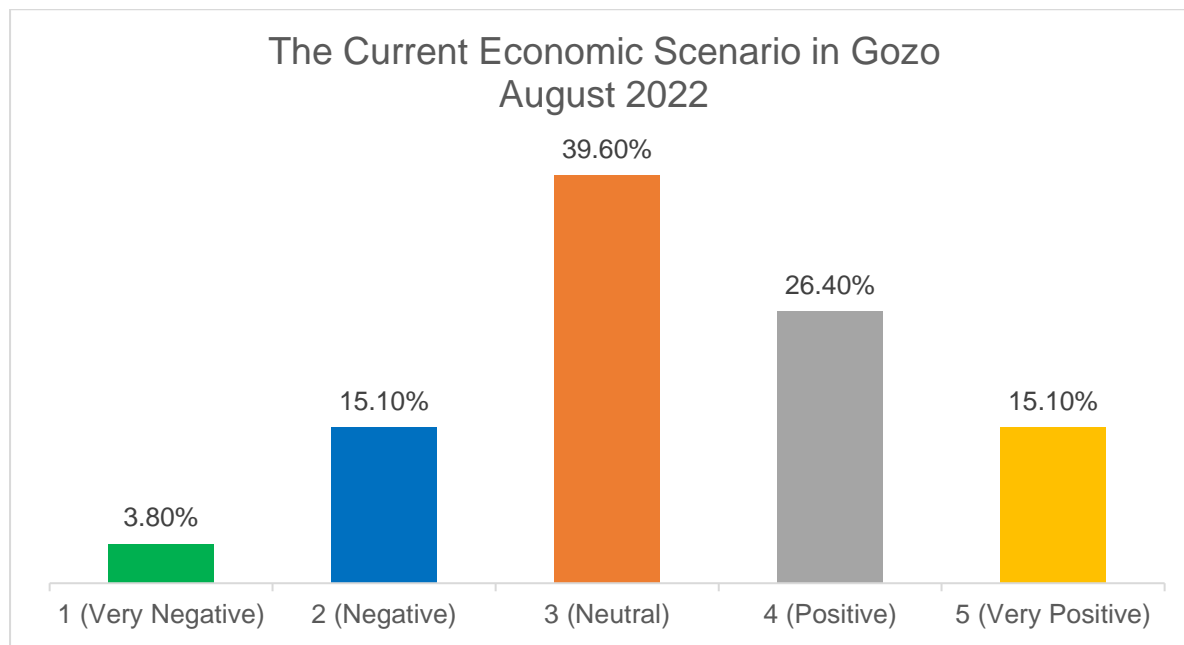
Question 2 - What is your current workforce?



Though a different categorization was adopted for both surveys the highest number of respondents were those employing between 1 to 10 employees. This is in line with the profile of business entities on the island.

Section 2: The Current Economic Scenario in Gozo

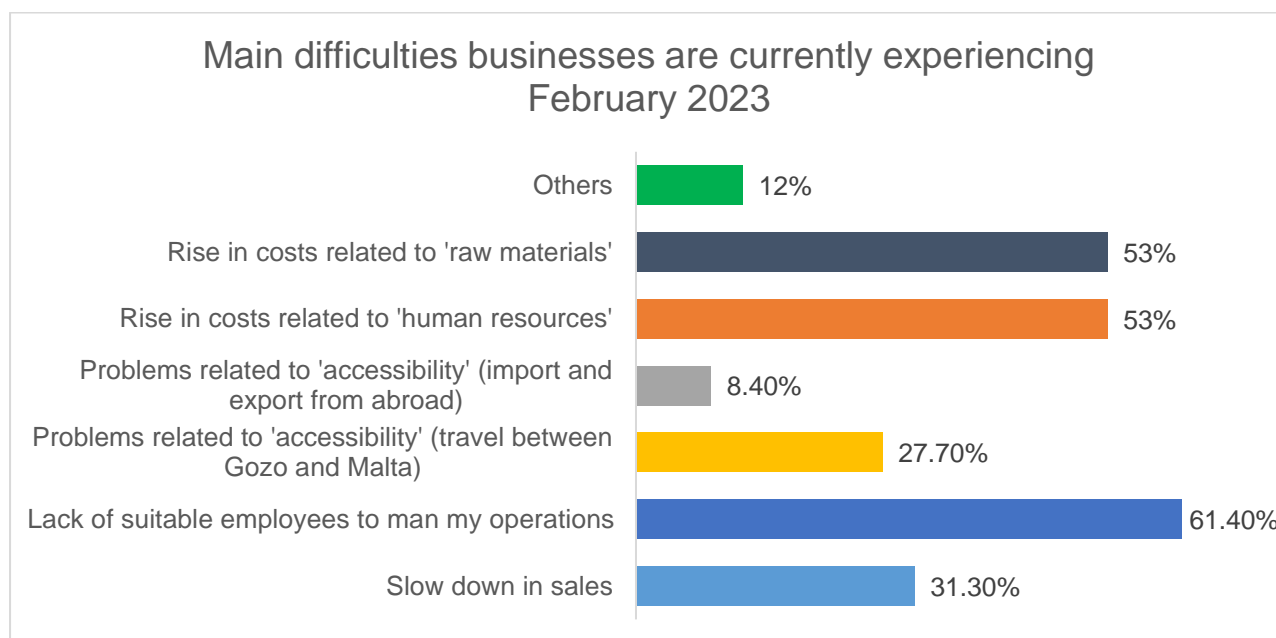
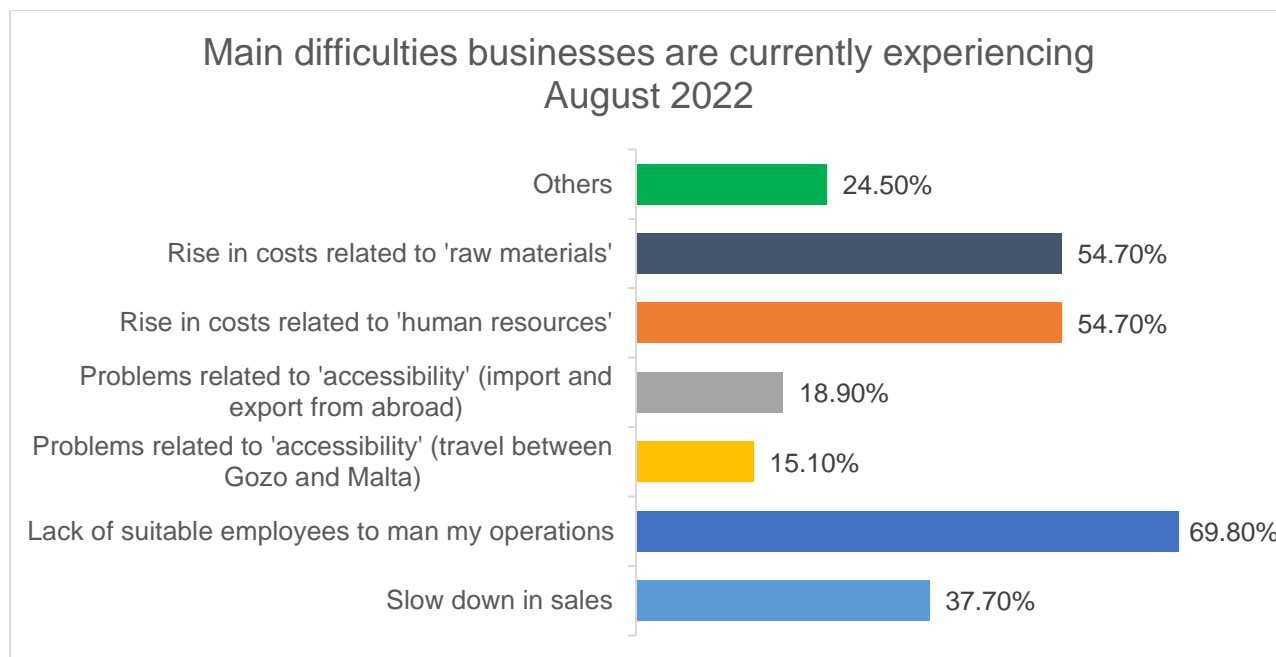
Question 3 - How is the current economic scenario in Gozo?



Both surveys show that the main outlook remains a 'neutral' attitude which may show a cautious approach to business, which has tended to increase over the last two quarters. The negative attitude decreased slightly, while the 'positive' attitude continued to increase, while the 'very positive' attitude decreased from 15.1% to 2.4% over the last two quarters.

Question 2 - What are the main difficulties that you are currently experiencing?

Disclaimer: Participants had the option to select more than one answer in this question.



It is interesting to note that for both periods the 'lack of suitable employees' was identified as the main difficulty experienced by businesses, followed by the rise in costs related to 'human resources' and 'raw materials' on an equal level.

It is important to note that in these cases, respondents could identify multiple difficulties.

Question 3 - If you have selected 'Others', kindly specify what type of difficulties you have encountered.

These are the difficulties specified by the respondent which did not fall into any category.⁵

August 2022

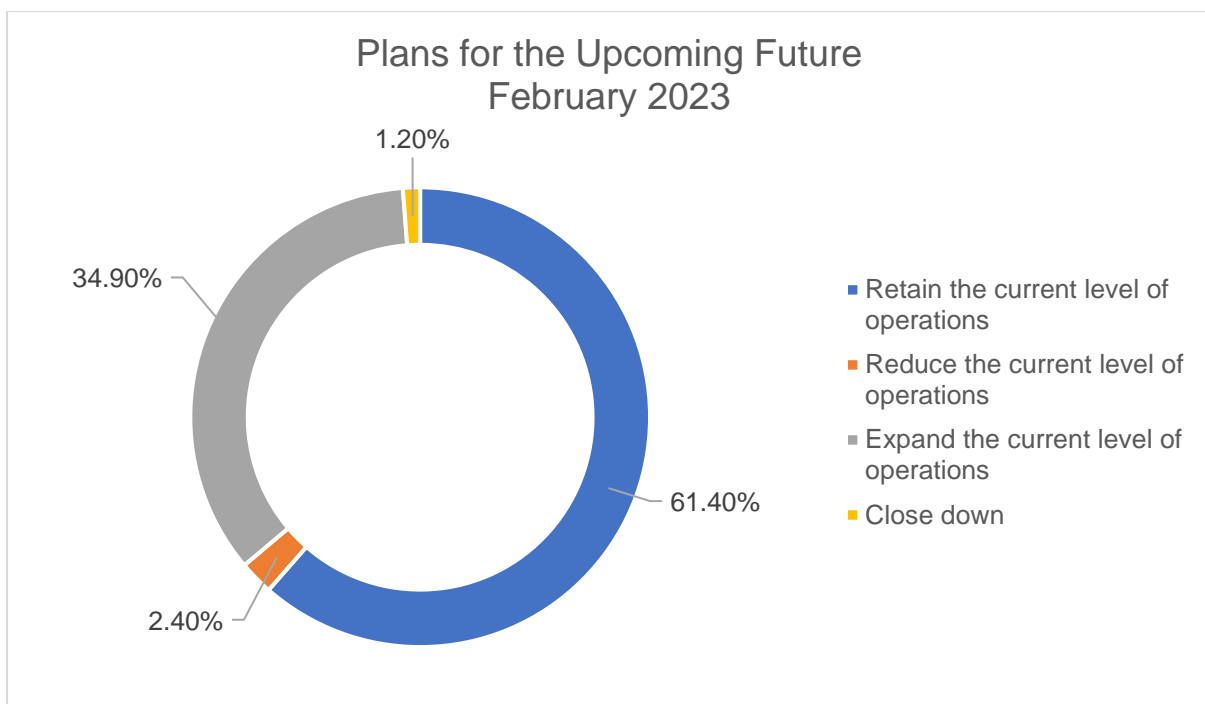
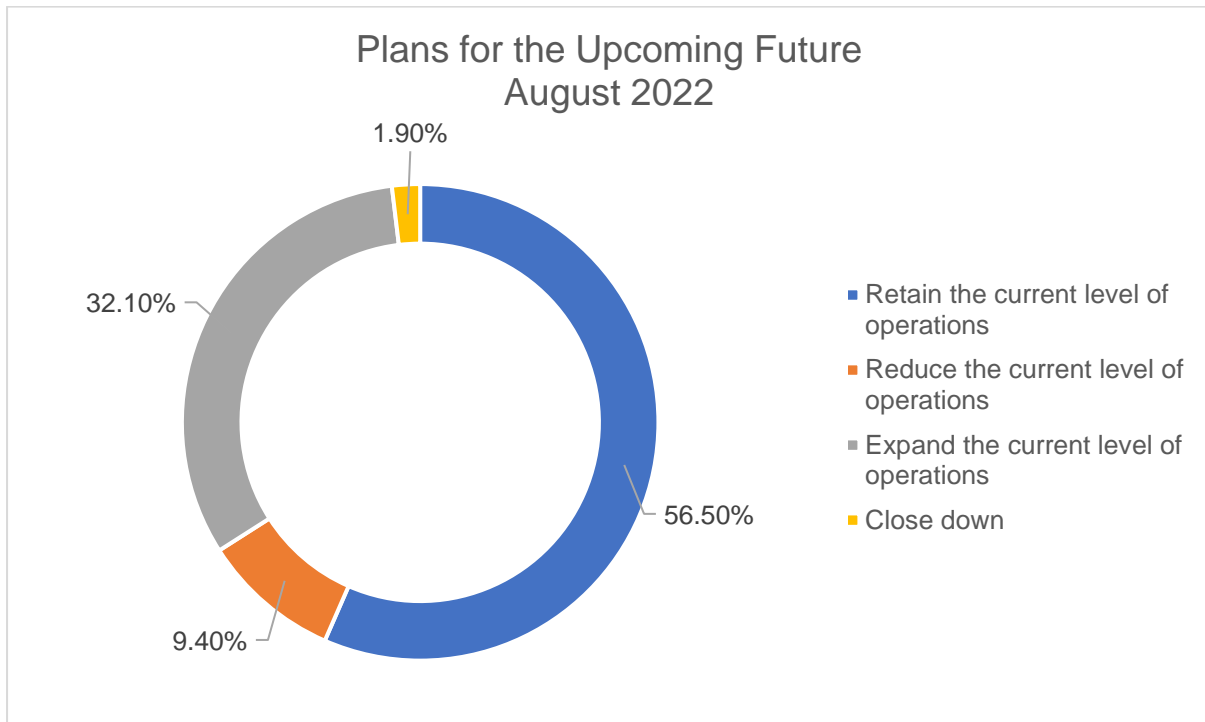
The main difficulties specified by the respondents during the survey that was carried out in August 2022, were mainly the rising fuel prices from abroad which resulted in an increase in freight costs when importing goods, and difficulties in finding workers and once you find them and train them, they either think to change job or opt to work with the public sector. Moreover, insensitive overdevelopment and take-up of ODZ land was a major difficulty, especially for those operating in the tourism industry. This resulted in another difficulty, that of a lack of good properties available. Furthermore, another difficulty that echoed with several respondents was the excessive compliance regulations, which resulted in difficulties opening a bank account. Two further difficulties that were highlighted were accessibility and the lack of adequate parking spaces in Victoria, and customers being careful on how much they spend.

February 2023

If one looks at the difficulties specified by the respondents during the survey that was carried out in February 2023, some difficulties that were mentioned both in August as well as in this survey include the excessive unsustainable development which is resulting in inadequate properties available and the loss of our identity as Gozitans. Another difficulty that echoed in both surveys was the increase in courier prices. Additional difficulties that emerged in this survey include lack of winter booking for those operating in the tourism industry, abundant unfair competition from businesses based in Sicily and imports to Malta, and also the issue that not all government entities have embraced the technological innovations and video conferencing facilities available today.

⁵ Responses were redacted when these were not grammatically correct. Responses which showed some form of lack of respect or were deemed to be abusive, were omitted.

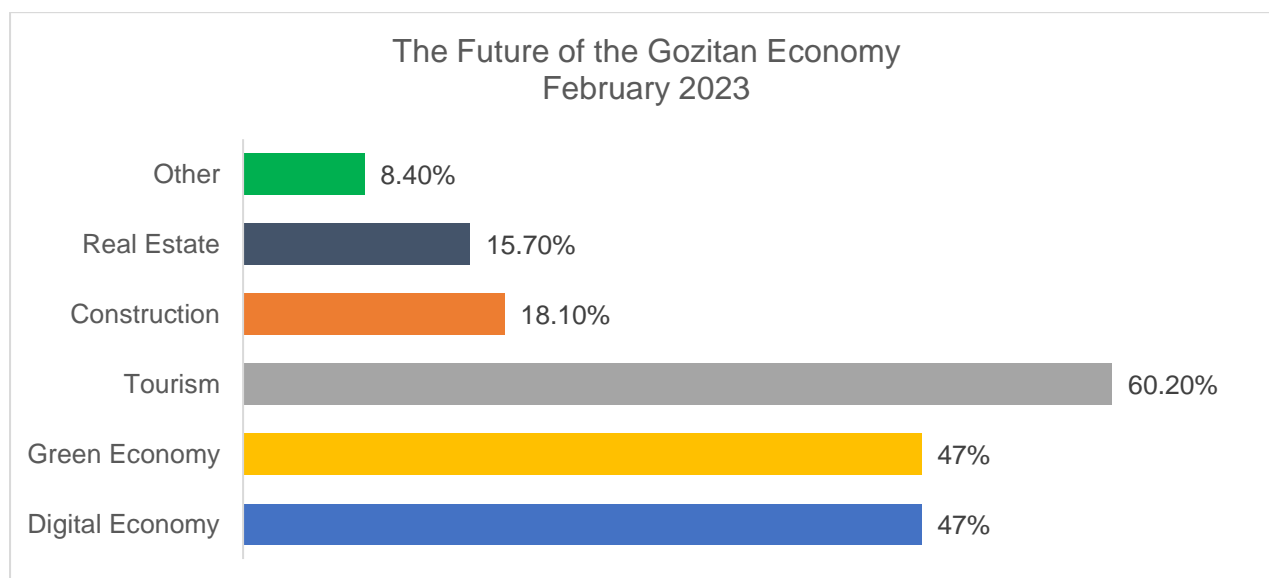
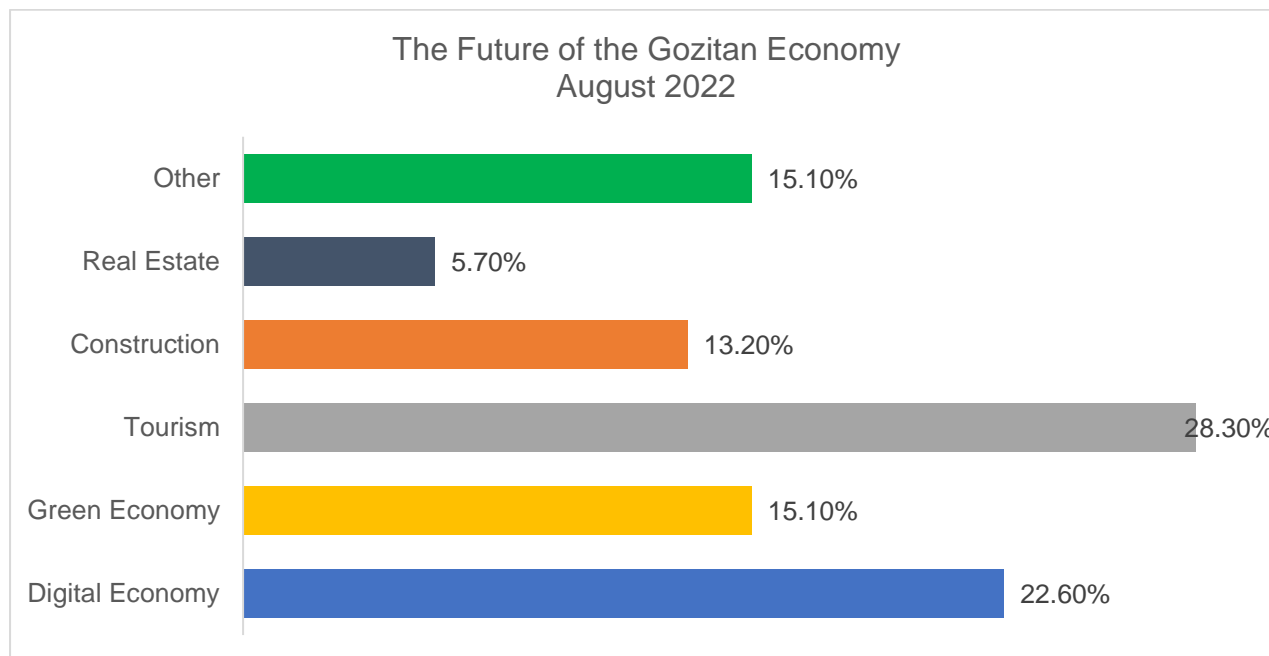
Question 4 - What are your plans for the upcoming future?



It is interesting to note that the majority in both surveys highlighted that they intend to retain the current level of operations. It is also important to note that 32.1% in August 2022 and 34.9% in February 2023 intend to expand the current level of operations.

Question 5 - Where do you see the future of the Gozitan economy?

Disclaimer: Participants had the option to select more than one answer in this question for February 2023.



In August 2022, and in February 2023, the majority of the respondents still saw tourism as the future of the Gozitan economy. It is to be noted that while in August 2022 respondents could choose only one option, it was decided that in February 2023 respondents could highlight more than one option where they saw the future of the Gozitan economy, as during the first survey it was felt that this option was being too restrictive. The latter option is going to be adopted for future surveys.

Question 6 – If you have selected 'Others', kindly specify.

Those who specified 'others' were asked to further specify what they thought should be the future of the Gozitan Economy.

August 2022

In August 2022 the areas that were highlighted include a private elderly home, a research institute based in Gozo, niche and high-end tourism, digitalization and new emerging sectors such as AI, AR and VR. Indeed, a participant from the digital economy stated that unfortunately, at this point in time, there is no future for their business in Gozo. In some cases respondents felt it more appropriate to highlight issues of concern⁶, including the issue over development. Another issue of concern raised was workers working in an illegal manner, and avoiding taxes, is also another matter of concern.

February – March 2023

In February 2023, according to the respondents, the future of the Gozitan Economy should focus on niche and high-end tourism, digitalization, artificial intelligence and agriculture. Additionally, the participants highlighted the importance to protect our heritage, therefore create and apply a regional and comprehensive planning policy for Gozo.

In the August 2022 survey, participants were also asked to answer the following question **'Would you like to outline measures which should be considered by the Government to tackle specific sectors or improve the Gozitan economy in general.'** It's important to note that this question was asked only in August 2022, and was not repeated in February 2023.

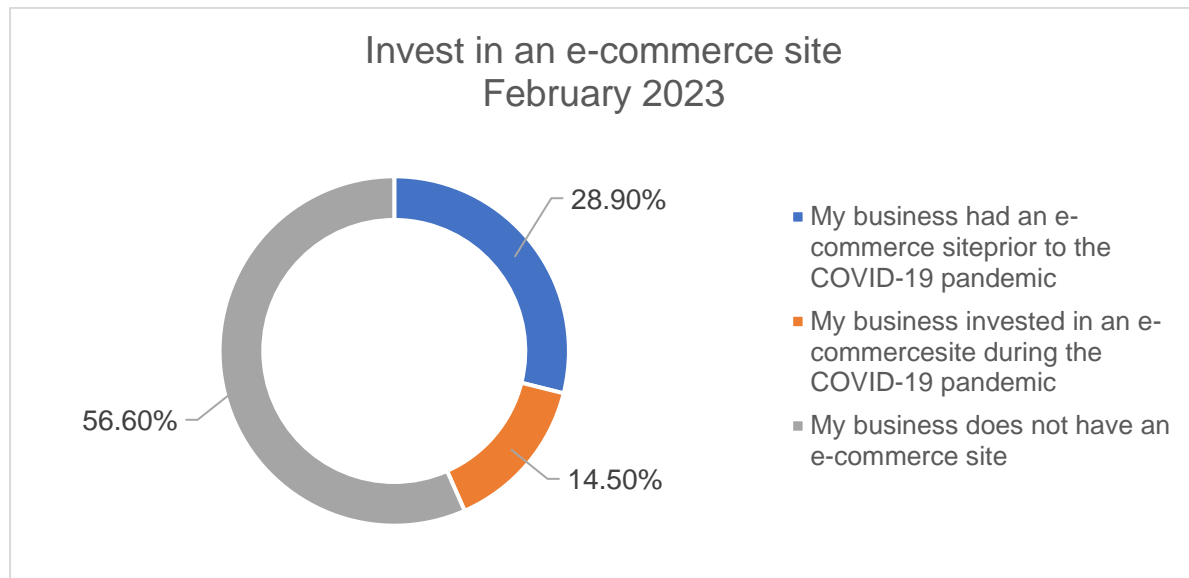
The most mentioned measure was that Gozo should have its own Planning and Development policy to support a sustainable economy. A further suggestion was to improve the road infrastructure, increase parking spaces, and provide clean public spaces. Another suggestion mentioned by the participant was that Gozo should become greener, by investing in more family recreational areas, having the public transport fully electric, major investment in electric vehicles, and a heavy investment in photovoltaic panels. Some participants also highlighted the need to help more entrepreneurs who come up with innovative ecofriendly initiatives. Moreover, another proposal that was echoed by several respondents was that Gozo should be connected to the mainland via a permanent link. Furthermore, a more concerted effort to fill in the Digital Innovation Hub, and to attract specific sectors where Gozitans are currently working in the main island of Malta. Government should help considerably small businessmen/tradesmen, who produce and sell traditional products. High-end tourism whereby we attract less tourists but who have a higher spending power.

⁶ Responses were redacted when these were not grammatically correct. Responses which showed some form of lack of respect or were deemed to be abusive, were omitted.

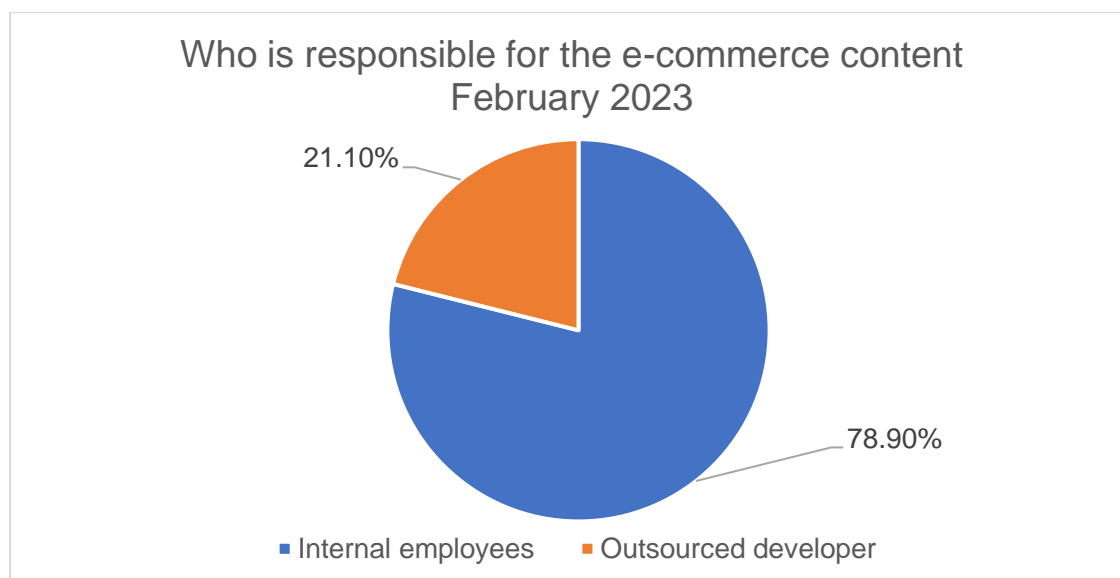
Section 3: E-commerce within your business

In the February session a specific section on E-commerce was introduced to gauge the level of e-commerce take-up among businesses.

Question 1 - When did you invest in an e-commerce site?



Question 2 - Who is responsible for the e-commerce content?



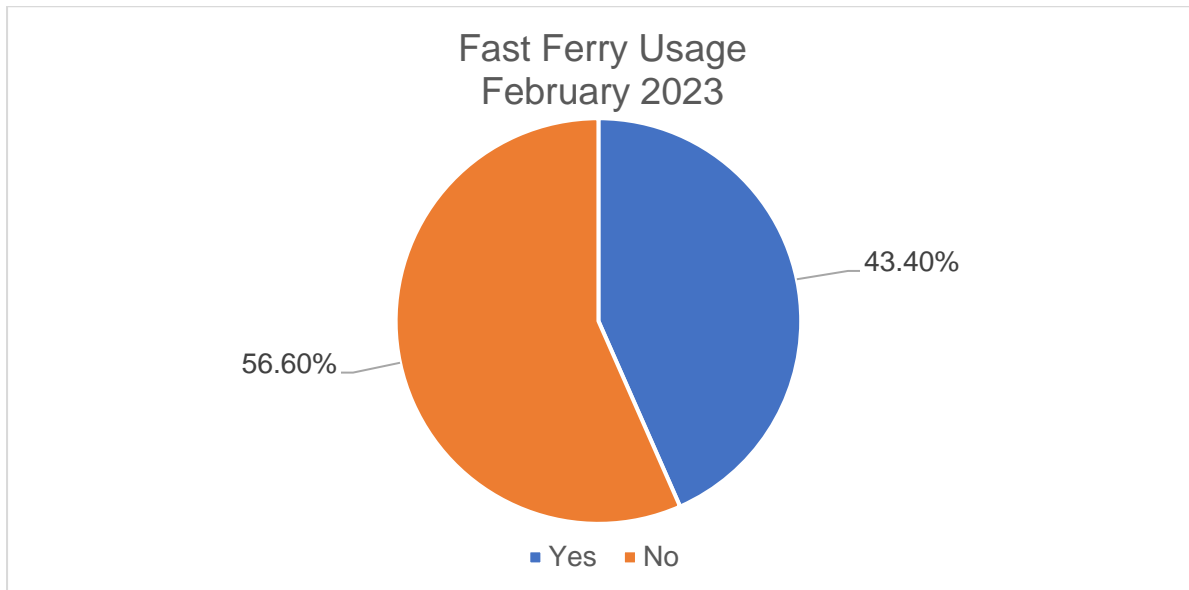
It is interesting to note that from those interviewed 56.6% did not have an e-commerce site, 28.9% had an e-commerce site prior to the pandemic, while 14.5% invested in an e-commerce site after the pandemic.

Of those who had an e-commerce site only 21.1% relied on an outsourced developer, with the majority (78.9%) relying on their own employees. This is something which had been observed informally in micro businesses in the past, and which has now been shown through this survey. Employees who are tech savvy are often given tasks related to digital marketing and e-commerce. These duties are often assigned together with other tasks.

Section 4: Fast Ferry Service

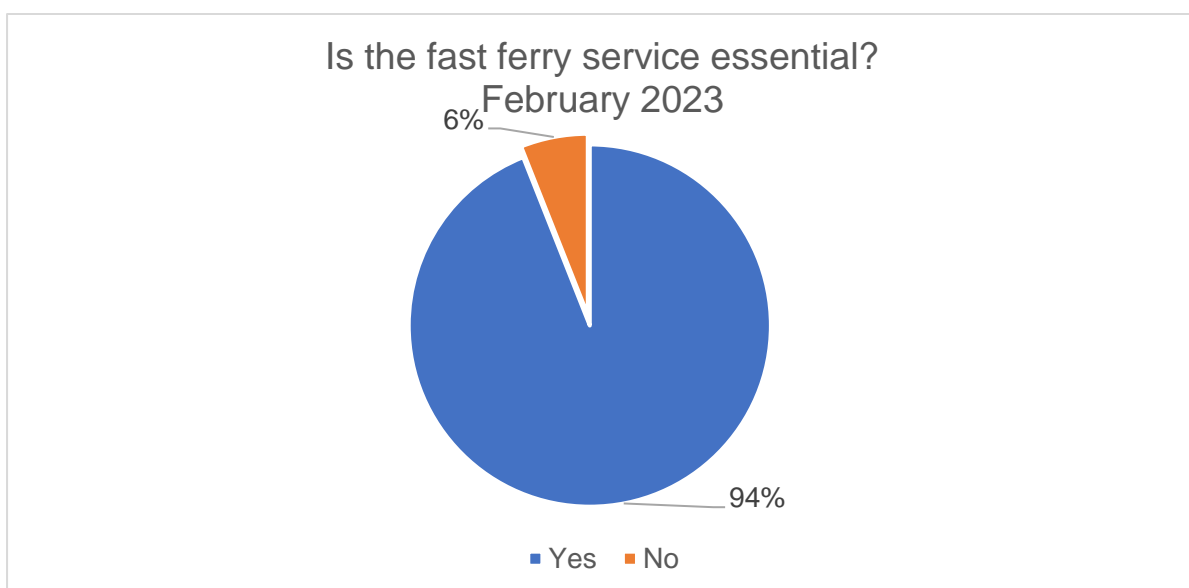
A specific section on the Fast Ferry Service was introduced in the February survey. As already indicated in the methodology during the time the survey was conducted, the level of service was minimal.

Question 1: When the fast ferry was launched and had a substantial number of trips, did you use it for business purposes?



This answer indicates that 43.4% used to use the ferry service for business purposes when the service was launched, and a substantial number of trips were being offered.

Question 2: Do you think that this service is essential for Gozitan residents as well as for tourists?



It is interesting to note that the majority (94%) thought that this was an essential service.

Conclusion and Policy Options

The policy options being formulated here are being based on the results of the survey. Overall the current economic scenario in Gozo as envisaged by the respondents is a stable one, with the second most majority having a positive outlook. The three major difficulties experienced by businesses in Gozo are: (a) the lack of suitable employees, and the rise in costs related to (b) human resources, and (c) raw materials. Other major concerns however, which emanated from this survey, included those related with over development, and the overreliance of the Gozitan economy on economic sectors such as construction and the tourism industry. Though in the case of the tourism industry, many pinpointed to the need to move towards high-end specialised tourism. Sustainable mobility also featured as an important issue among respondents. The diversification of the Gozitan economy was also highlighted as the way forward with important solutions being put forward by respondents.

As regards e-commerce the take-up among businesses is still not significant and when there is take-up this is still conducted by employees within the same business.

Accessibility remains important for Gozitan businesses, and though the majority (56.6%) did not use the ferry service for business purposes, the majority (94%) thought this was an essential service.

The following policy options are therefore being proposed:

- Develop a regional economic policy focused on distinct economic niches. The Chamber believes that Gozo has significant potential in the area of renewable energies. Gozo is set to become carbon neutral prior to Malta. Nonetheless more disruptive technologies need to be implemented. This would be possible with the establishment of a Research Centre focused on renewable energies here in Gozo. The Digital Innovation Hub in Xewkija would provide the right platform. In this case international partnerships should be sought. The success of the Queen Mary University of London should be seen as a prime example how the partnership with established universities and institutes could be done.
- In the area of sustainable mobility we need to prioritise the upgrading of the electricity infrastructure in Gozo, which is currently not in a position to sustain the shift to electric mobility by businesses and private users. The recent incident whereby an accident in Malta cut the electricity supply of the whole of Gozo, we need to consider the element of redundancy i.e. having another cable supplying electricity supply to Gozo. However, we need to shift towards Gozo becoming completely independent when it comes to its energy supply using renewable energies. To this end offshore wind farms should be potentially considered as a solution. Furthermore there needs to be further initiatives to increase the uptake of public transport in Gozo through increased trips but through a smaller electrified fleet especially when it comes to trips to small villages and towns in Gozo.
- The degrading of the environment is also a primary concern. This points, to the need for a targeted regional development plan for the island. This concern has been raised by the Chamber various times. Urgent action is required, as the deterioration is being felt by the business community who are outlining the long-term negative effects this will have on the community and the economy, with special emphasis on Gozo's tourism

product. Presently we have national policies which are applicable for both Malta and Gozo and have caused significant harm.

- The fast ferry service is considered as an essential service by the business community. However, since the take-up for business purposes is low, one should consider services which are tailored to the business community. A study should be considered to see what could increase the take-up among the business community. A fast ferry service for businesses from Valletta which may be able to take large commercial vehicles may be considered. This would reduce the large vehicles crossing all over Malta to reach the Ċirkewwa terminal.
- Though the take-up of e-commerce services is not low there is still significant potential for growth among the Gozitan business community. Given that the majority of businesses in Gozo are micro businesses, one should consider incentives to increase e-commerce services managed through affordable shared platforms.

As indicated in the beginning this study and survey aimed to gauge the business sentiment among the Gozitan business community. It is not meant to be an exhaustive statistical exercise but an indication of how business people are feeling and their future outlook. The Chamber believes that such a study is essential to formulate policies and solutions for businesspeople.



THE GOZO BUSINESS CHAMBER

