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**Publication date: November 2024.**

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# Gozo Business Sentiment Survey

## Issue 2 – 2024 Volume 1

### 1. Introduction

To gain deeper insights into sectoral developments and emerging trends, The Gozo Business Chamber (GBC), in collaboration with the Gozo Regional Development Authority (GRDA), launched the Gozo Business Sentiment (GBS) initiative. This business dialogue effort aims to foster regular communication with businesses operating in Gozo, gathering timely data on recent performance, business activity expectations, investment and employment trends, and pricing dynamics. By doing so, the GBS complements official economic indicators, which are often available only with a time lag. Additionally, businesses are encouraged to share perspectives on sector-specific developments and current economic issues, providing qualitative feedback that allows both the Authority and the Chamber to understand the underlying drivers of present and future economic trends.

This publication presents a comprehensive analysis of the findings from the latest business sentiment survey, conducted in September 2024, alongside comparisons with sentiment data from previous rounds. The survey methodology remains consistent with that of the previous publication, ensuring a reliable sample size and sector representation to enhance comparability and data quality over time.<sup>1</sup> The survey comprises two sections: the first includes standard questions that remain unchanged across rounds to facilitate comparison. The second section, addressing topical issues that vary with each round, focuses in this edition on reskilling and upskilling initiatives.<sup>2</sup>

### 2. Gozo Business Sentiment Survey – Issue 2 (2024 Volume 1)

The data in this publication was gathered in September 2024, with the sample composition designed to reflect the profile of enterprises operating in Gozo (see Chart 1). This distribution has been kept consistent across survey rounds, maintaining a similar representation of industries at each data collection point, though the specific enterprises participating may vary from survey to survey.

Chart 1: GBS Survey Sample Composition



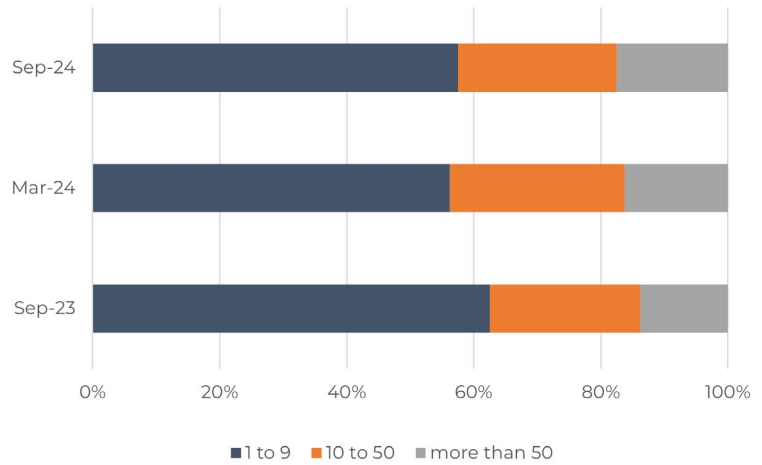
Data Source: Gozo Business Sentiment

<sup>1</sup> For a detailed description of the methodology adopted in the survey see GBS 2024 Issue 1 Volume 1. <https://grda.mt/wp-content/uploads/2024/06/GBC-2024-Vol.1-Issue-1.pdf>.

<sup>2</sup> The list of questions asked in this round are presented in Annex A of this report.

In the latest survey, more than half of the participating enterprises employed 10 or fewer individuals (see Chart 2). Meanwhile, 25% of enterprises reported workforces ranging from 10 to 50 individuals, while 18% reported workforces ranging from 50 workers or more. These figures are very similar to those of previous survey rounds, and they also closely resemble those reported by official statistics, affirming that the sample and composition employed in this survey accurately depict the business profile in Gozo.<sup>3</sup>

Chart 2: Workforce of Sample Composition



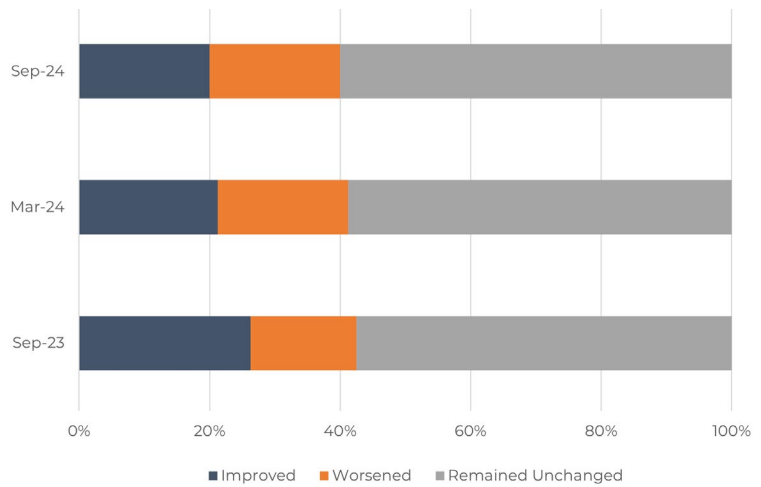
Data Source: Gozo Business Sentiment

## 2.1 Business Conditions and Expectations

The latest survey indicates that business conditions in Gozo remained generally positive overall. Over the past year, however, business optimism has experienced a slight decline.

Business conditions were relatively stable for businesses operating in Gozo during the six-month period from April to September 2024. Approximately 60% of businesses surveyed in September 2024 reported that their business conditions had remained unchanged over the prior six months, with this stability observed across all sectors (see Chart 3). Additionally, 20% of respondents noted an improvement in their economic activity during this period, particularly within the wholesale and retail, industry (excluding construction), and food and accommodation sectors. Conversely, 20% of Gozo-based businesses experienced a decline in economic activity over this period, with the construction sector notably impacted, as 30% of businesses in this sector reported a downturn.

Chart 3: Current Business Conditions

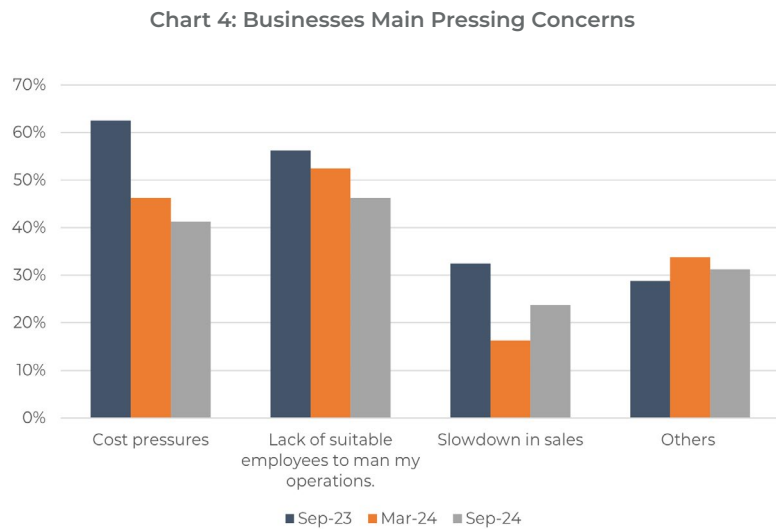


Data Source: Gozo Business Sentiment

Note: The question put to respondents was: 'Have your business conditions in the last 6 months improved, worsened or remain unchanged?'

<sup>3</sup> According to data published by Eurostat micro enterprises (between 1 and 9 employees) in Gozo constitute slightly more than half of the business population. <https://grda.mt/wp-content/uploads/2023/01/Employment-Skills-in-Gozo.pdf>.

According to the latest information, the range of concerns faced by businesses in Gozo has broadened compared to September 2023 and March 2024. While issues related to a shortage of suitable employees and rising cost pressures remain the top concerns, their significance has somewhat declined. As shown in Chart 4, similar to the March 2024 results, the shortage of employees continues to be the leading challenge for businesses in Gozo, a reflection of the tight labour market and historically low unemployment rates. Additionally, over 40% of businesses reported challenges linked to cost pressures, largely driven by post-pandemic international price increases, and further impacted by conflicts in Ukraine and Israel. However, concerns about cost pressures are gradually easing, with this issue reported as 22 percentage points lower in September 2024 compared to a year prior.

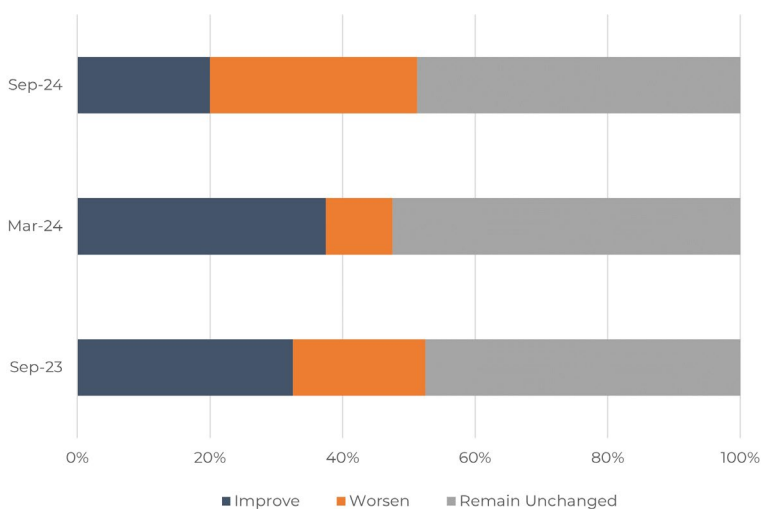


Data Source: Gozo Business Sentiment

Note: The question put to respondents was: "What are the main pressing concerns for your business?"

Sales slowdown also remains a concern, cited by 24% of businesses, a rise of 8 percentage points from March 2024, though still 9 percentage points lower than in September of last year. It's worth noting that seasonal factors likely contribute to heightened concerns about sales in the September period, particularly for certain industries. In addition to these primary concerns, around 30% of businesses highlighted other challenges, including issues related to logistics and infrastructure.

**Chart 5: Expectation for Business Activity**



Data Source: Gozo Business Sentiment

Note: The question put to respondents was: "Do you expect your business conditions in the next 6 months to improve, worsen or remain unchanged?"

Looking ahead, business activity in Gozo is expected to be less optimistic over the next six months, although most businesses surveyed in September 2024 anticipate stable conditions. Specifically, 50% of respondents expect their business environment to remain unchanged during this period (see Chart 5). Meanwhile, 20% of businesses foresee an improvement in performance, with more than 30% of businesses in the arts, recreational, and entertainment sectors anticipating better conditions.

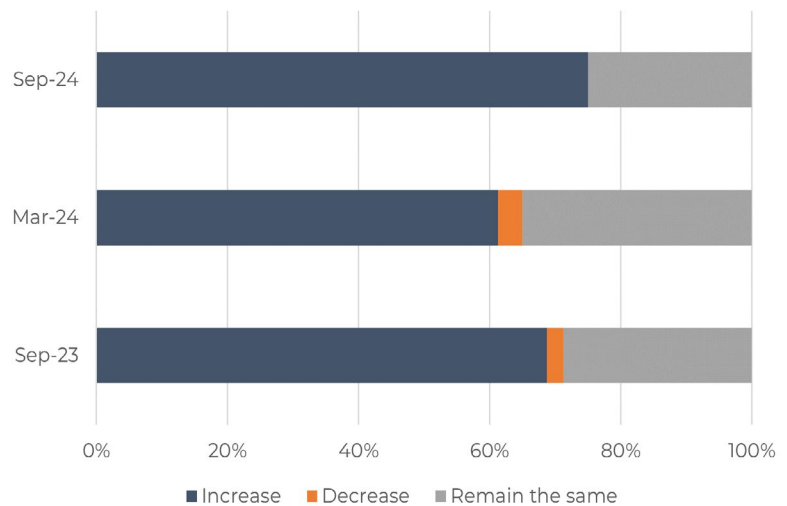
Conversely, 30% of businesses expect a downturn in their business environment, a higher proportion than reported a year ago. The construction sector, in particular, stands out, with 40% of businesses predicting a decline in activity, continuing the cautious sentiment reported by this sector over the previous six months. This indicates a more moderate growth in the construction sector compared to that observed in recent years, aligning with the Gozo Regional Development Strategy’s vision to shift focus away from construction.

## 2.2 Prices

As outlined in an earlier part of this note, cost pressures are presently one of the primary concerns for businesses in Gozo. This concern is anticipated to persist over the next six months, with many businesses expressing expectations of rising input prices during this period. In fact, 75% of surveyed firms in September 2024 anticipate an increase in the prices of products and services necessary for their operations over the upcoming six months (see Chart 6). Comparing to March 2024 and September 2023, the figure indicates an increase in expectation for price increase.

Meanwhile, when it comes to the price of goods and services produced, most businesses reported that they do not anticipate a change in the prices of the products and services they offer over the next six months. Specifically, 60% of businesses expect their output prices to remain stable. Meanwhile, 40% anticipate an increase in their prices, with no business envisaging a decline in the prices (see Chart 7).

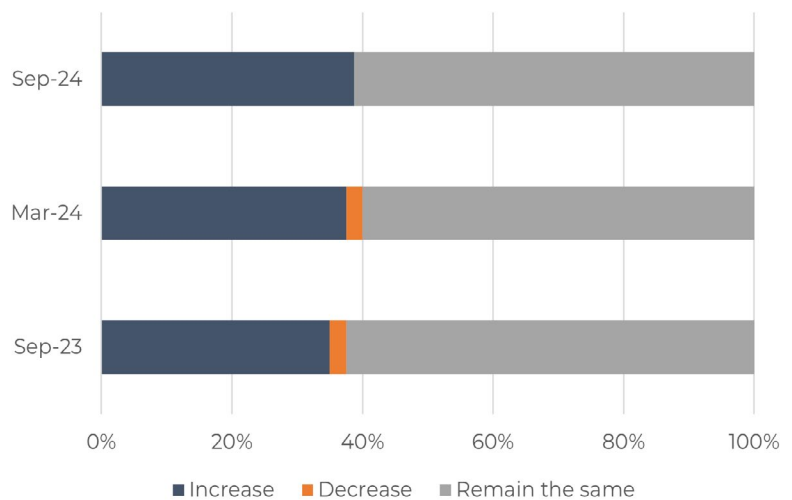
Chart 6: Price Expectations of Products or Services Purchased



Data Source: Gozo Business Sentiment

Note: The question put to respondents was: “Over the next 6 months are prices of products and services purchased, expected to increase, decrease or remain the same?”

Chart 7: Price Expectations of Products or Services Sold



Data Source: Gozo Business Sentiment

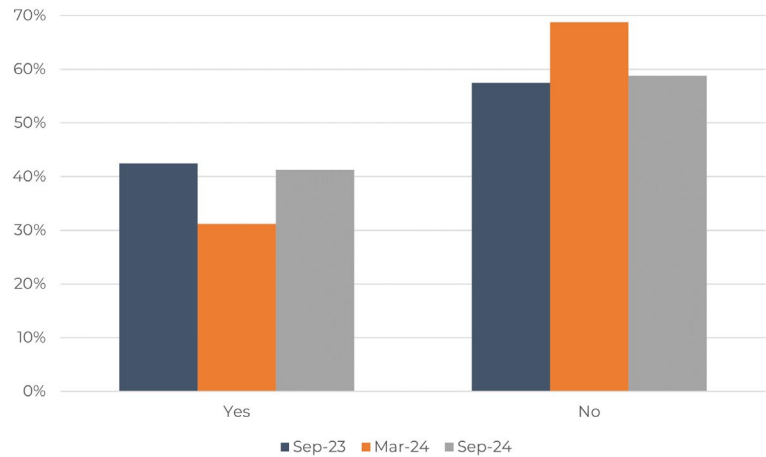
Note: The question put to respondents was: “Over the next 6 months are prices of products and services sold, expected to increase, decrease or remain the same?”

## 2.3 Employment

Over the past six months, more than 40% of businesses in Gozo have reported an increase in their workforce, with growth observed across all sectors (see Chart 8). Looking ahead to the next six months, over half of the surveyed businesses plan to maintain their current workforce levels, as shown in Chart 9. The sectors most likely to expand their workforce are primarily wholesale and retail trade, industry, and construction. In the construction sector, businesses indicated they intend to grow their workforce despite anticipating declines in economic activity. Moreover, no business reported plans to reduce their workforce in the coming six months, reflecting a strong labour market in Gozo and an overall positive economic outlook.

Businesses looking to expand their workforce in the next six months are seeking a diverse set of skills, which vary according to the specific sector and the operational needs of each business. As illustrated in Chart 10, the most in-demand skills will be those related to tools, machinery, and similar areas, along with skills in communication, collaboration, and related fields.

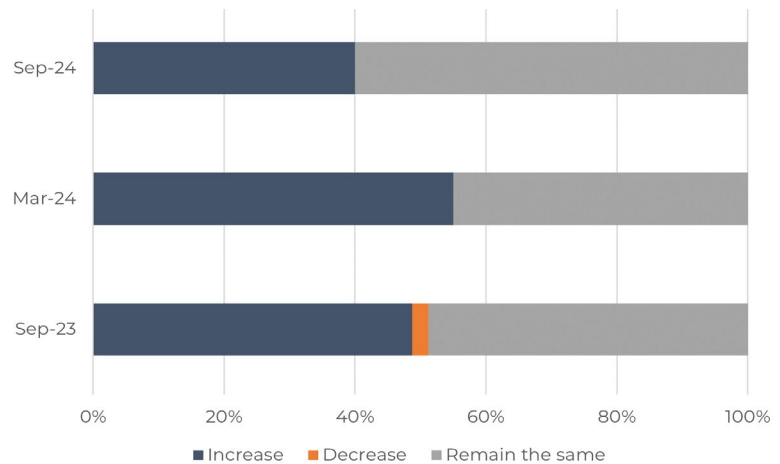
Chart 8: Employment Retention



Data Source: Gozo Business Sentiment

Note: The question put to respondents was: 'Have you increased the number of employees over the last 6 months?'

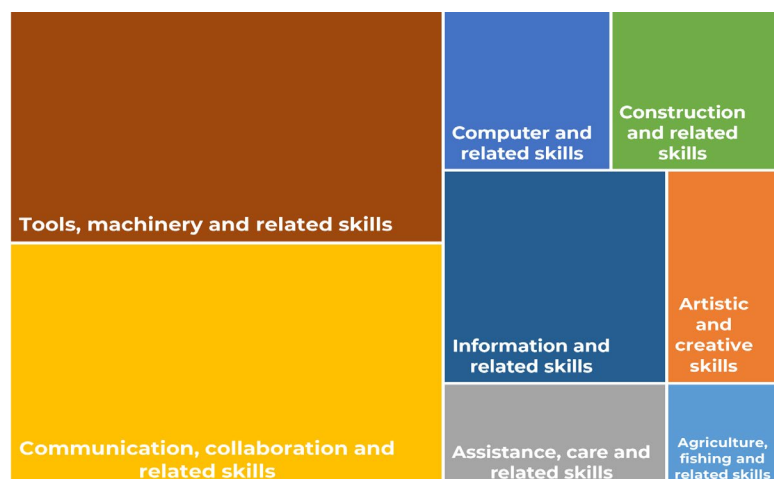
Chart 9: Employment Expectations



Data Source: Gozo Business Sentiment

Note: The question put to respondents was: "Do you plan to increase the number of employees over the next 6 months?"

Chart 10: Skills Required by Employees

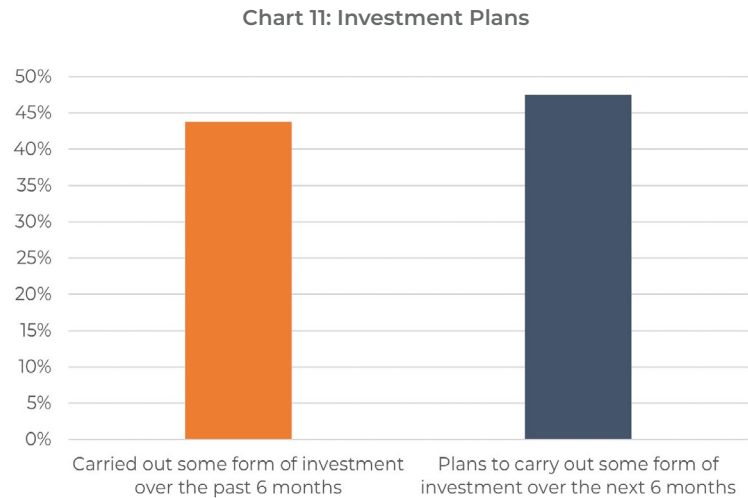


Data Source: Gozo Business Sentiment



## 2.4 Investment

Over the last 6 months, 44% of businesses in Gozo reported making some form of investment in their operations (see Chart 11). The industries with the highest shares or reported investment were education and human health, construction, arts and recreation, and industry. Going forward a significant proportion of businesses anticipate carrying out some form of investment in their business in the short term. As seen in Chart 11, 48% of businesses expect to make investments in the next six months. The sectors most likely to see future investments include construction, industry, food and accommodation, transport, and wholesale and retail trade.



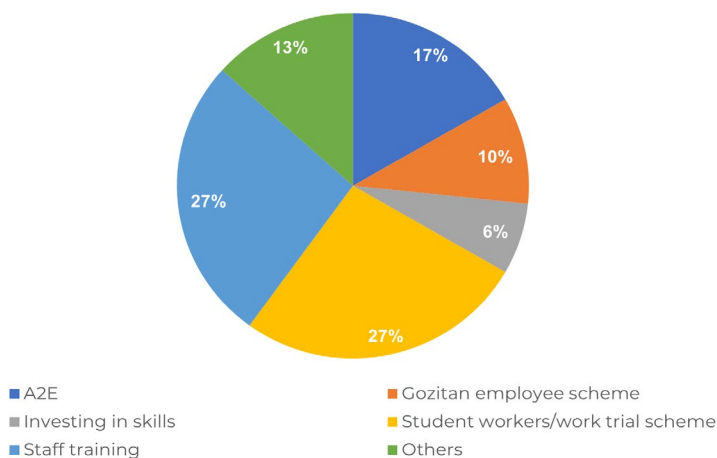
Data Source: Gozo Business Sentiment

Note: The questions put to respondents was: "Have you carried out any capital investment over the last 6 months?" & "Do you expect to carry out any capital investment over the next 6 months?"

## 3. Reskilling and Upskilling

Technological advancements and shifts in economic demand underscore the importance of continually reskilling and upskilling the workforce. Recently, extensive research has documented the potential effects of automation on jobs, with a broad consensus that many workers will need to acquire new skills for evolving roles. Locally, the need for workforce reskilling and

**Chart 12: Utilised Government Schemes**



Data Source: Gozo Business Sentiment

Note: Respondents were asked to outline the schemes and initiatives they have used.

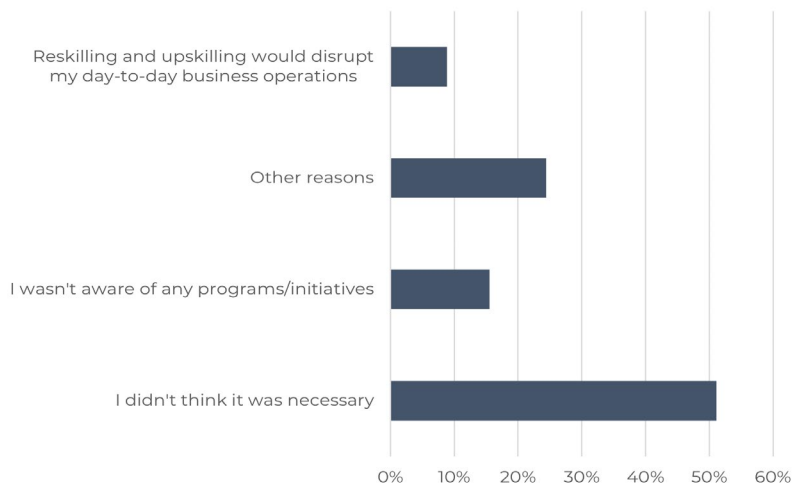
upskilling was thoroughly examined in a 2023 GRDA publication focused on employment and skills in Gozo. This analysis revealed that Gozitan enterprises face distinct challenges in workforce development due to their characteristics, including the relatively small size of most local companies. Considering this context, the latest GBS survey explored the extent of investment by Gozitan enterprises in reskilling and upskilling their employees. The survey inquired about the most commonly used incentives for workforce training and the reasons why some businesses

may not engage in reskilling and upskilling efforts.

According to the latest results from the Gozo Business Sentiment (GBS) survey, only 45% of businesses in Gozo have utilized government schemes to upskill or reskill their workforce since they began operations. The most frequently accessed initiatives, as shown in Chart 12, were work trial programs (including those for students), the Access to Employment (A2E) scheme, and other staff training initiatives.

Those who had not utilised any government schemes for workforce reskilling or upskilling were asked to explain why. The primary reason cited was that businesses felt such schemes were unnecessary (see Chart 13). Other reasons included a lack of awareness of these schemes and concerns that participation would disrupt daily operations. Additional reasons for not applying included a lack of time to complete the application process, though several businesses indicated they plan to allocate time to apply in the future.

**Chart 13: Reasons for Not Utilising Upskilling and Reskilling Related initiatives**



Data Source: Gozo Business Sentiment

Note: Respondents were asked to specify their reasons for not applying for incentives or schemes related to workforce upskilling and reskilling.

## Annex A

Questions	September 2024
Q1	What is the sector in which your business operates?
Q2	What is your current workforce?
Q3	Have business conditions improved, worsened or remained the same over the last 6 months?
Q4	Do you expect business conditions to improve, worsen or remain the same over the next 6 months?
Q5	What are the main pressing concerns for your business?
Q6	Have you carried out any capital investment over the last 6 months
Q7	Do you expect to carry out any investment over the next 6 months?
Q8	Have you increased the number of employees over the last 6 months
Q9a	Over the next 6 months, do you plan to increase the number of employees?
Q9b	If answer to previous answer is "yes", please specify the types of employee skills you are currently seeking
Q10	Over the next six months, are prices of products and services purchased expected to increase remain unchanged or decrease?
Q11	Over the next six months, are prices of products and services sold to increase, remain the same or decrease?
Q12a	Have you ever used any government programs or initiatives to upskill or reskill your workforce?
Q12b	If answer 12a is yes, please specify which program/initiative.
Q12c	If answer 12a is no, please indicate the reason



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