

Regional Economic Statistics for Gozo

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Background

This paper will briefly describe some regional statistics which relate to Gozo's economic and social realities, referring to the diversity, as well as the similarities, of Gozo when compared to mainland Malta.

The Nomenclature of Territorial Units for Statistics, more concisely known as the NUTS Classification, was first used in Community legislation in 1988. In 2003, the EC Regulation No. 1059/2003 on the establishment of a common classification of territorial units for statistics was adopted by the European Parliament and the Council of the European Union. As from 1 May 2004, regions in the 10 new Member States have been included in the NUTS Classification. Under this classification Malta as a whole is classified as NUTS II. Gozo and Comino are classified as a NUTS III region.¹

Demographic Aspects of Gozo

Gozo has a more elderly population when compared to mainland Malta. Preliminary estimates of the Census of Population and Housing 2005 indicate a 7 per cent rise in the Island's population compared to that recorded in the Census of 1995 (NSO, 2006a). Gozo's birth rate in 2005 was 8.81 to mainland Malta's 9.63 (NSO, 2006b).

Table 1: Regional Dependency Ratios, 2005

Gozo	Malta	National
50.0	44.1	44.5

Note: Dependency ratio is defined as the population in the 0-14 and 65+ age brackets as a ratio of the working-age population i.e. 15-64 age brackets.

Source: National Statistics Office, Census of Population and Housing 2005 – Preliminary Report

An important contributor to the Gozitan population growth is the higher rate of immigration in

¹ In the declaration on Gozo as part of Malta's treaty of accession to the EU it is stated that in the event that Malta, as a NUTS II region, would no longer be eligible for certain measures of the EU regional policy, Gozo could, under certain circumstances, continue to be eligible for those measures.

comparison to mainland Malta, in the form of Gozitan migrants returning to the Island. This translates into a significantly higher dependency ratio than the one characterising the sister island, as can be seen in Table 1.

As a result the number of retirees in Gozo is well above that of Malta. This is exacerbated by the exodus of Gozitan young people who, having completed their education, move to Malta or to other places in search of careers or jobs.

The percentage of Gozitans with a university qualification has risen from about 6 per cent in 2001 to an estimated 7.6 per cent last year (NSO, unpublished LFS data). But are Gozitan graduates managing to forge careers within the region's economy? This question cannot be answered with a sufficient degree of certainty. A longitudinal study which would follow Gozitan graduates from higher education through to their chosen career paths is therefore called for.

Gozitan population density is about 450 persons per square kilometre which is much lower than Malta's, albeit having gone up by some 30 persons per square kilometre since 1995 (see Table 2). This exerts less pressure on environmental resources than is the case in mainland Malta, where the population density is about 1,500 per square kilometre. Compared to the EU, Gozo's population density is still relatively very high.

Table 2: Regional Population Density, Census Years: 1995, 2005

	1995		2005	
	Population	Persons per sq. Km	Population	Persons per sq. Km
National	378,132	1,200	404,039	1,282
Malta	349,106	1,417	372,986	1,513
Gozo and Comino	29,026	422	31,053	452

Source: National Statistics Office, Census of Population and Housing 2005 – Preliminary Report

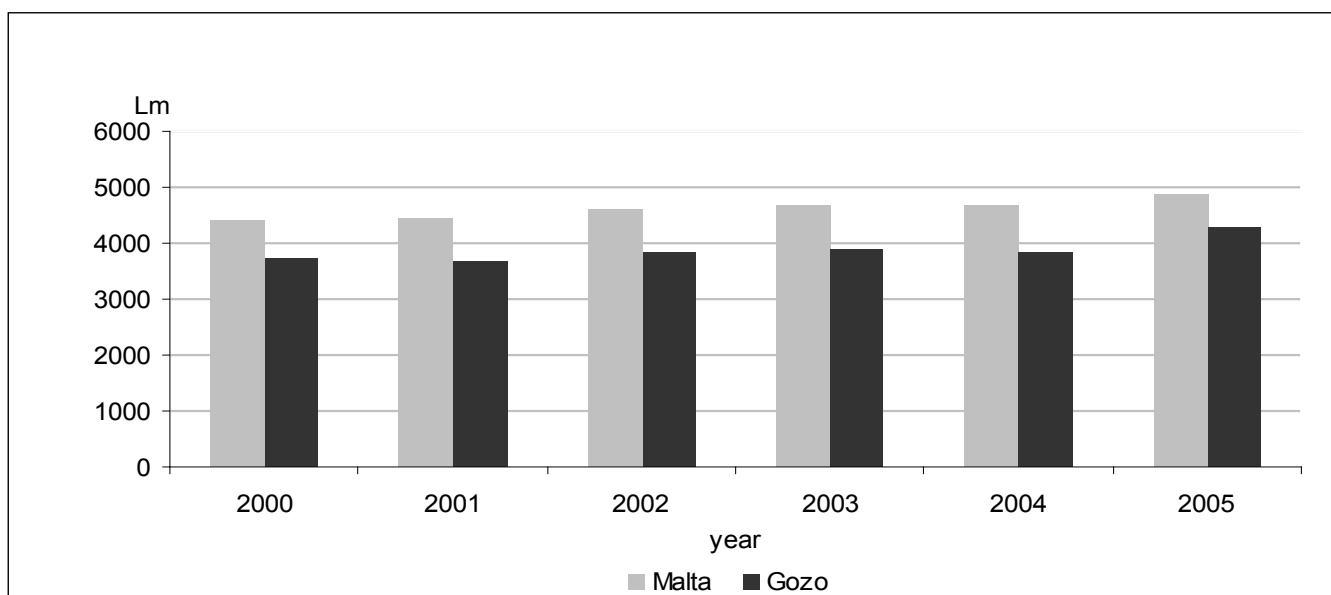
Regional Gross Domestic Product

Towards the end of 2006, the National Statistics Office (NSO) published provisional estimates of the Gross Domestic Product (GDP) generated by Gozo. The GDP is important as a measure of production generated in a given economic territory but not as a measure of income of the residents (who can also earn income from abroad); any analysis should be undertaken with this approach in mind. The NSO estimates indicate that in 2005, the Island's Gross Domestic Product amounted to Lm120.9 million, or 6.2 per cent of the national total. When compared to 1999, the first year in the time series produced by the NSO, the estimated increase averaged 3.9 per cent per annum at current prices (NSO, 2006c).

Chart 1 gives a graphical representation of Gozo's GDP per capita between 2000 and 2005, at current prices. The estimated Gozitan GDP per capita at current prices averaged about 84 per cent that of mainland Malta during this period.

It should be noted that estimation of Gozitan economic activity is complicated by certain factors peculiar to Gozo. In the first place, many Gozitans work in mainland Malta, while there are Maltese residents working in Gozo. Secondly, in some cases, firms located in Malta which have branches in Gozo may return data that have been organised on a corporate not regional level. Having said so, this does not apply to all businesses. Thirdly, there are self-employed persons who operate both in Gozo and in mainland Malta. With regard to

Chart 1: Regional GDP Per Capita at Market Prices.



NSO measurement of various phenomena, all these factors are taken into consideration and the necessary adjustments are carried out. In various cases therefore, the split by region is reasonably approximate. Another factor is that the ESA95 does not require GDP at regional level (NUTS III) to be measured by the expenditure side; accordingly, this is not calculated by the NSO.

A dimension that complicates the estimation of GDP per capita is the fact that there are mainland Malta residents with an official residency address in Gozo. In this case, the per capita statistics will have to be adjusted for this reality, as has been done with regard to the figures shown in Chart 1.

Yet another dimension relates to the informal economy. There are no statistics available in this regard by region but only at a national level. If the informal economy is assumed to be relatively higher in Gozo, the GDP per capita of Gozo may be understated when compared to Malta.

Given the high rate of returning migration in Gozo and the large number of Gozitan emigrants, transfers of money are likely to be relatively large in the Island. The figure is not known with a sufficient degree of precision. Such transfers do not feature in the measurement of the GDP because the latter includes income from production only. That said, money transfers and other non-earned sources of income indirectly affect the extent of production generated in the Island as a result of the consumption and investment expenditures derived from it.

Sectoral Distribution

A closer look at the shares of various sectors in the Gozitan Gross Domestic Product reveals similarities to mainland Malta, but also significant disparities (Table 3).

In 2005 agriculture and fishing constituted 6 per cent of the Island's economic output, well above the 2 per cent contribution of this economic sector to the Maltese GDP. The tomato crop, for example, is cultivated on a large scale in Gozo and accounts for 60 per cent of the national crop (OPM, 2006).

Industry, which includes manufacturing, construction and quarrying and energy generation, contributed around 12 per cent which is lower than mainland Malta's 18 per cent. In recent years, the manufacturing sector in Gozo has experienced a decline in its share which is even more pronounced than in mainland Malta.

The concept of double insularity is very pertinent in the case of Gozo, given that it is a small island situated on the periphery of another small island. This makes it subject to heavy dependence on sea transport with the mainland, with important economic and social impacts. Among the economic effects are additional costs for the carriage of raw materials and for transport of finished goods, including those destined for export. This

adversely affects the competitiveness of Gozitan manufacturing. Double insularity also affects employment patterns and tourism since, in the absence of international passenger flights landing directly in Gozo, mainland Malta effectively acts as a conduit for all tourist traffic. The state of affairs in Gozo with regard to the tourist industry is discussed in more detail further on in the paper.



The contribution of the agricultural sector to the economy is larger in Gozo than it is in Malta.

In Gozo as in Malta services, including government services, registered the heftiest shares of economic output in 2005. For both Islands, this share was estimated at about 75 per cent of the respective regional Gross Value Added.

The public sector in Gozo takes a larger share of the economy than in Malta, 29 per cent to the 20 per cent recorded in the mainland in 2005.

Table 3: Sectoral Contribution to Gross Value Added in Gozo & Mainland Malta, 2005

Economic Activity	Total Economy						Lm million		
							<i>of which:</i> General Government		
	Gozo	%	Malta	%	Total	%	Gozo	Malta	Total
Agriculture & Fisheries	6.3	6.1	35.0	2.2	41.3	2.5	1.4	7.3	8.7
Industry (incl. Manufacturing)	12.7	12.3	285.6	18.2	298.3	17.9	0.4	5.5	5.9
Construction	7.2	6.9	71.4	4.6	78.6	4.7	1.9	10.8	12.8
Services	77.2	74.7	1,173.8	75.0	1,251.0	74.9	25.9	292.0	317.9
Total	103.4	100.0	1,565.8	100.0	1,669.2	100.0	29.7	315.6	345.3

Note: General Government includes: Central Government, Local Councils and Extra-Budgetary Units (EBUs).

Source: National Statistics Office, national accounts data

Regional Employment

One feature of the labour force in Gozo is that the ratio of inactive persons to the population of persons aged 15 years and over is higher than the one characterising the larger island. Worked out on the basis of estimates from Labour Force Survey annualised data (see Table 4), this ratio is 1:1.8 for Gozo as against 1:2.0 for mainland Malta. Inactive persons include pensioners, housewives and persons living on own means. The higher ratio is borne out by the lower employment rate in respect of Gozo, as can be deduced from Table 4.

Table 4: Labour Force and Inactive Population in Gozo and Mainland Malta, 2006

Labour status	Gozo	Mainland Malta
Employed*	9,545	143,048
Inactive	13,878	149,079

Note: The inactive population is defined as persons aged 15 years and over who are neither employed nor unemployed.

* Employed in this table are classified according to the region they work in.
Source: National Statistics Office, LFS annualised data

Employment Rates

Overall, the employment rate in Gozo was lower than that of mainland Malta by around 3 percentage points (Table 5). The percentage of inactive men and women in Gozo is perceptibly higher when compared to mainland Malta. Reasons for this may include fewer job opportunities available in Gozo, but also, possibly, proportionately higher unreported employment.

Table 5: Regional Employment Rates, 2006

Gozo	Mainland Malta	National
52.0	55.1	54.8

Source: National Statistics Office, LFS annualised data

Sectoral Employment

At an estimated 42 per cent of the Gozitan work force, public-sector employment in Gozo is considerably higher than the national proportion of public-sector workers, which stood at 31 per cent at the end of 2006 (see Table 6).

Table 6: Regional Employment by Main Sector

November 2006			
Main Sector	Gozo	Mainland Malta	National Total
Public Sector	3,540	39,462	43,002
Private Sector	4,854	91,600	96,454
Total	8,394	131,062	139,456
% Public Sector	42.2	30.1	30.8

Source: National Statistics Office, ETC data

Thirteen per cent of Gozitan full-time workers are engaged in the wholesale and retail trade, lower by some 2 percentage points than its counterpart proportion relating to Maltese full-timers. Manufacturing in Gozo employs 11 per cent of the Gozitan full-time work force, well below the 18 per cent share that this sector employs in mainland Malta. This indicates that Gozitan manufacturing has proved even more susceptible than Malta to the problems facing this sector. Twelve per cent of full-time workers in Gozo are engaged in construction and quarrying activities; the proportion of full-time employment in this industry in mainland Malta stood at 8 per cent in November 2006 (see Table 7).

Table 7: Sectoral Composition of Full-time Employed Persons

November 2006				
Sectoral Composition	Gozo		Mainland Malta	
	No.	%	No.	%
	8,394	100.0	131,062	100.0
	<i>of which:</i>			
Agriculture & Fisheries	518	6.2	2,925	2.2
Construction & Quarrying	1,017	12.1	10,852	8.3
Manufacturing	913	10.9	23,023	17.6
Wholesale & Retail Trade	1,074	12.8	20,177	15.4

Source: National Statistics Office News Release No. 55/2007



Some sections of the Manufacturing sector are experiencing major difficulties in the Maltese Islands. The double insularity of Gozo is particularly problematic for Gozitan manufacturing.

Self-employment

A distinctive characteristic of the Gozitan economy is the perceptibly higher proportion of self-employment in comparison to the sister island. Employment and Training Corporation administrative data for November 2006 put this proportion at 18 per cent of the Gozitan work force as against 11 per cent in mainland Malta. These data for self-employment are shown in Table 8.

Table 8: Self-employed Persons in Gozo and Mainland Malta

Type of Employment	November 2006		
	Gozo	Malta	Total
Self-employed	1,507	14,910	16,417
Employees	6,887	116,152	123,039
Total	8,394	131,062	139,456

Source: National Statistics Office, ETC data

Unemployment

Short-term unemployment (under 1 year) is proportionately lower in Gozo, as can be seen in Table 9, while the shares of unemployment with longer duration periods tend to be higher than those of mainland Malta. This may reflect difficulties in the Gozitan labour market, in that longer periods of unemployment may be associated with what is known as “*hard-core*” unemployment.

Table 9: Registered Unemployment by Duration in Gozo and Mainland Malta

Years	December 2000				February 2007			
	Gozo		Malta		Gozo		Malta	
	<i>of which:</i>							
	No.	%	No.	%	No.	%	No.	%
Under 1	197	47.8	2,865	46.4	341	52.6	3,642	60.4
1-2	74	18.0	1,022	16.6	150	23.2	1,237	20.6
2-3	33	8.0	784	12.7	50	7.7	509	8.5
3-4	34	8.3	477	7.7	-	-	-	-
4-5	32	7.8	346	5.6	27	4.2	178	3.0
5 or more	42	10.1	677	11.0	80	12.3	452	7.5

Source: National Statistics Office, ETC data

Income from Employment

Average gross annual salary in manufacturing varies across the two Islands with Gozitan workers engaged in this activity earning lower wages, a fact which may be attributable to a higher prevalence of lower-grade manufacturing occupations in the smaller island. This is shown in Table 10. In Gozo in 2006, the average gross annual salary in this sector was estimated at 83 per cent of that earned in mainland Malta. The discrepancy is more evident in the case of Gozitan men engaged in this activity when compared to their female counterparts.

Table 10: Average Gross Annual Salary for Full-time Employees in the Manufacturing Sector, 2006

	Men	Women	Total
	Lm		
National	5,472	4,523	5,215
Malta	5,499	4,540	5,240
Gozo	4,501	3,950	4,345
Gozo as % of the National Gross Annual Salary in Manufacturing	82.3	87.3	83.3

Source: National Statistics Office, LFS data

Regional Tourism

In July 2006 the overall supply of bed-places² in Gozitan hotels (2 to 5 star) comprised 4.7 per cent of the national total, while the net occupancy rate

² ‘Bed-places’ are determined by the number of persons who can stay overnight in a hotel and ‘nights spent’ refer to registered guest nights.

Table 11: Aspects of Regional Tourism, 2004-2006

	Mainland Malta			Gozo and Comino		
	2004	2005	2006	2004	2005	2006
No. of Hotel Bed-places (as at July)	30,935	29,876	31,879	1,667	1,463	1,569
Net Occupancy Rate in Hotels	59.5	59.0	55.6	48.0	45.9	45.8
Foreign-tourist Nights Spent in Hotels	6,217,701	6,162,657	5,942,298	186,054	168,002	175,114
Maltese-tourist Nights Spent in Hotels	178,331	170,099	224,843	63,308	49,663	55,814
Average Length of Stay in Nights (as at July and in all collective accommodation)	7.5	6.8	7.8	4.7	4.9	4.6

Important note: All variables refer to 2-5 star hotels except where indicated. Annual figures except where indicated.
Source: National Statistics Office, tourism statistics annualised data

for the whole year was calculated at 45.8. Mainland Malta, which accounts for 95.3 per cent of national bed-stock in these hotel categories, had an annual occupancy rate of 55.6.

Gozo benefits considerably from domestic tourism, characterised also by a growing trend in weekend breaks. In 2006 one-fifth of hotel nights spent by the Maltese in national territory were passed in Gozitan hotels.³

Gozo compares unfavourably with Malta in respect of the tourist length of stay and hotel occupancy rates. In July 2006 tourists spent an average of 4.6 nights in Gozo in contrast to 7.8 nights in mainland Malta. These characteristics could have potentially contributed to the closing down of a major hotel in Gozo which is now utilising the premises for another form of business.

Table 11 depicts a fuller picture of regional tourism in the Islands.

In mainland Malta, cruise tourism has grown considerably. As things stand, Gozo does not benefit much from this activity, having insufficient port facilities to accommodate cruise liners as well as additional constraints relating to berthing of ships in Gozo.

³ It should be noted that several Maltese who holiday in Gozo do not normally stay in hotels.



Tourism is a mainstay of the Gozitan economy.

Conclusion

This paper has briefly described some statistics pertaining to the Gozitan economy. It was shown that the major differences between Gozo and mainland Malta relate to the comparatively higher dependency ratio, the higher dependency on the public sector for employment, the more important role of farming and fishing in the economy, the higher rate of self-employment, and the lower share of manufacturing in GDP.

The paper has also referred to the issues which complicate statistical measurement and estimation, especially of economic phenomena, that relate to Gozo as a region. Nevertheless, awareness of these issues and requisite allowance and adjustment render NSO regional data on Gozo reasonably approximate.



The sea link with Malta is vital for Gozitan workers employed in Malta, for transport of industrial supplies and for tourism.

Regional statistics are of paramount importance not only for recording developments within the region but also to compare improvements in relation to other territories. In addition, proposals for funding, for example from the EU Structural Funds, generally need to be grounded in sound statistical information. For these reasons, a cornerstone of the national statistical system should be the continued development of regional statistics for Gozo.

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Note:

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