

GOZO BUSINESS SENTIMENT

2025 Vol. 2 - Issue 1



GOZO REGIONAL
DEVELOPMENT AUTHORITY



PUBLISHED BY

GOZO REGIONAL DEVELOPMENT AUTHORITY

75, Republic Street, Victoria - Gozo, Malta

Tel: +356 22156333

www.grda.mt

THE GOZO BUSINESS CHAMBER

The Brokerage Level 4A, St Marta Street, Victoria - Gozo, Malta

Tel: +356 21550305

www.gozobusinesschamber.org

Publication date: May 2025.

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Any queries should be sent on: info@grda.mt or info@gozobusinesschamber.org.

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Gozo Business Sentiment Survey

Issue 1 – 2025 Volume 2

1. Introduction

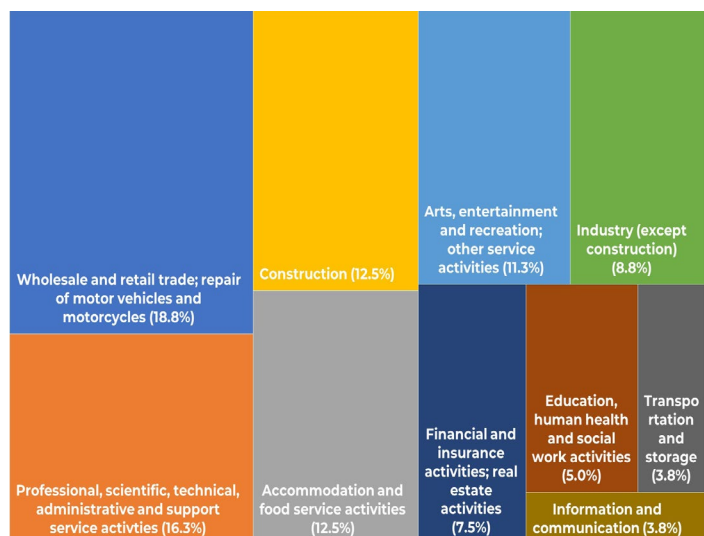
The Gozo Business Sentiment (GBS) is a business dialogue initiative which aims to establish and maintain regular communication with businesses operating in Gozo. The primary objective of this initiative is to gather real-time information on recent performance, business activity expectations, investment and employment trends, and pricing dynamics. The objective of this exercise is to complement official economic indicators and provide deeper insights into sectoral developments and trends in Gozo. A joint effort between the Gozo Regional Development Authority (GRDA) and the Gozo Business Chamber (GBC), the GBS helps both organisations better understand the factors shaping current and emerging economic trends on the island.

This publication presents a comprehensive analysis of the findings from the latest business sentiment survey, conducted in March 2025, alongside comparisons with sentiment data from previous rounds. The survey methodology remains consistent with that of previous publications, ensuring a reliable sample size and sector representation to enhance comparability and data quality over time.¹ 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, which in this edition focuses on the wellbeing of employees.²

2. Gozo Business Sentiment Survey – Issue 1 (2025 Volume 2)

The data in this publication was gathered in March 2025, with the sample composition designed to reflect the profile of enterprises operating in Gozo (see Chart 1). This distribution has been kept consistent with previous survey rounds, thus 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



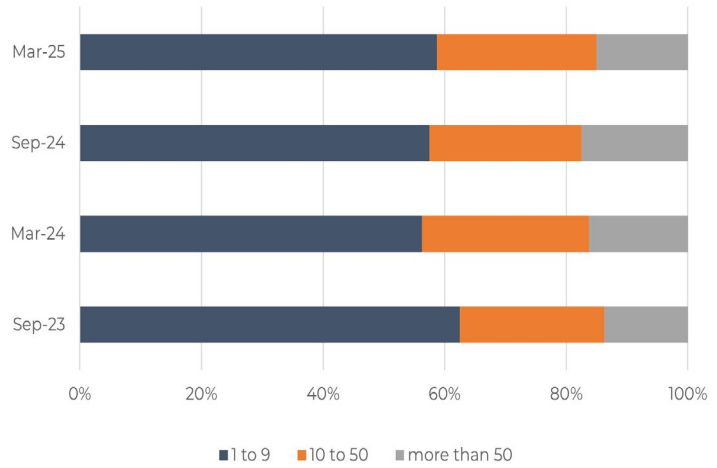
Data Source: Gozo Business Sentiment

¹ 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>.

² The list of questions asked in this round are presented in Annex A of this report.

In the latest survey, carried out in March of 2025, more than half of the participating enterprises employed 10 or fewer individuals (see Chart 2). Meanwhile, 26% of enterprises reported workforces ranging from 10 to 50 individuals, while 15% reported 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.

Chart 2: Workforce of sample composition



Data Source: Gozo Business Sentiment

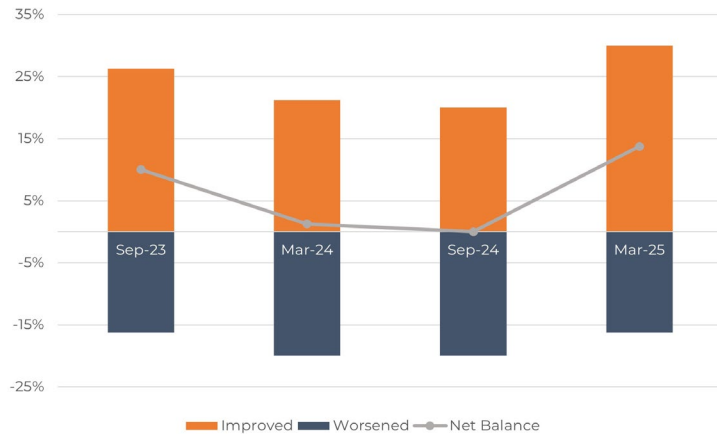
2.1 Business Conditions and Expectations

Business conditions improve

According to information gathered in March 2025, business conditions in Gozo remained positive on balance over the past six months. Moreover, the latest survey indicates that the net share of firms reporting an improvement in their business activity increased when compared to that registered over the previous quarter and also to that reported a year earlier.

During the 6-month period from September 2024 and March 2025, 30% of firms stated that their business conditions had improved over this period, up from the 20% reported in the previous six months. At the same time, the share of firms stating that business activity worsened dropped to 16% from the 20% in the previous six months. As a result, the net share of firms reporting improved business conditions rose to 14%, from a balanced net balance in the previous survey round. Meanwhile the share of firms, which reported relatively stable conditions during this period amounted to 54%, a drop from the 60% reported in September 2024.

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 remained unchanged?'

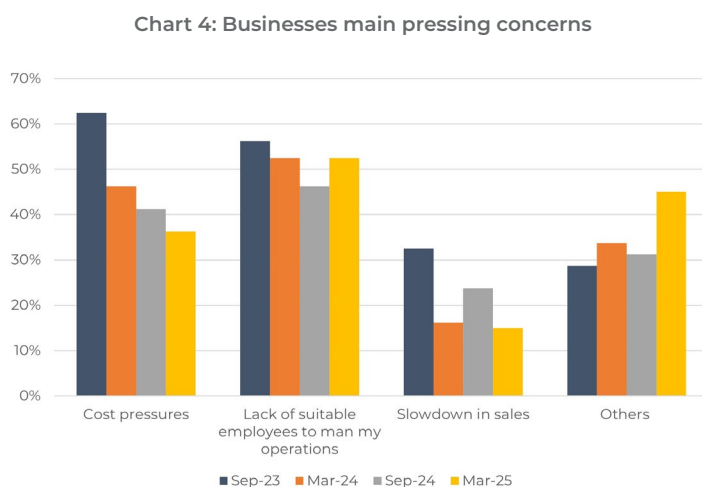
When assessing current business conditions by sector, the secondary sector, which primarily includes manufacturing and construction firms, registered a net positive balance of 17%. This reflects

the fact that 22% of respondents reported improved business activity, while 6% indicated a decline.

In the services sector, the overall net positive balance stood at 15%. Notably, firms in the transportation and storage sector reported particularly strong sentiment, with 67% indicating improved conditions. Positive net balances were also recorded in the information and communication sector (55%), the professional, scientific, technical, administrative and support services sector (45%). However, this overall positive sentiment in services was partly offset by negative results in the accommodation and food service activities sector. Here, 22% of respondents reported improved conditions, while 33% reported a deterioration, resulting in a net negative balance of 11%.

Shortage of employees remains the main concern while cost pressures decline

The latest survey results confirm that the shortage of suitable employees to support business operations remains the most pressing challenge for firms in Gozo. This issue reflects a tight labour market and historically low unemployment levels. In fact, 53% of respondents identified this concern, an increase from 46% in September 2024 (see Chart 4). The issue was particularly acute among businesses in the construction and tourism-related sectors. Notably, 70% of construction firms reported difficulties in sourcing adequate labour. Similarly, over 65% of businesses in the accommodation and food services, as well as wholesale and retail trade, both closely tied to tourism, flagged this as a key concern.



Data Source: Gozo Business Sentiment

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

In addition, 36% of businesses highlighted cost pressures as a challenge. However, concerns related to costs have continued on a downward trend observed in recent months and are now nearly half the level reported in September 2023. Cost pressures were especially prominent in the transportation (67%), construction (60%), and accommodation and food services (56%) sectors.

While a slowdown in sales remains a concern, its significance has diminished. Only 15% of respondents cited it as a major issue, down by 8 percentage points from September 2024, bringing it back to levels registered in March of the previous year. Concerns about slowing sales were mainly reported by businesses in the construction sector, consistent with the previous survey round.

A positive short term business outlook

Looking ahead, business activity in Gozo is expected to be more optimistic over the next six months. In the period under review, 41% of firms anticipate an improved business activity, up

from the 20% reported in September 2024 (see Chart 5). Meanwhile, the share of firms which expect business conditions to worsen over the next six months fell to just 9% from 31% in September 2024. Consequently, the net share of firms expecting an improvement in short term business conditions reached 33%, the highest expectations recorded since the start of this exercise.

The share of respondents expecting unchanged conditions per the upcoming six months remained at the same level as that reported in September 2024 at 49%.

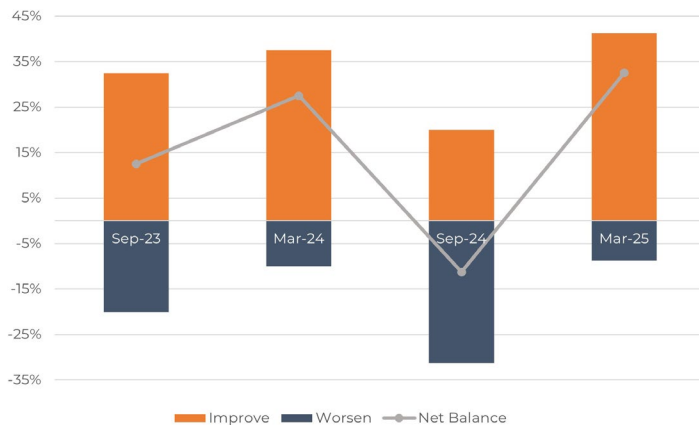
When analysing business expectations by sector, the tertiary (services) sector recorded the highest overall net positive balance. This optimistic outlook was particularly strong among businesses in the accommodation and food services sector, which reported a net positive balance of 89%. Positive sentiment was also observed, though to a lesser extent, in the information and communication sector (50%) and in the education and human health sectors (40%).

2.2 Prices

Input and selling price pressures decline slightly

As noted earlier in this note, cost pressures remain a concern for businesses in Gozo, despite some recent easing. This concern is expected to continue over the next six months, with many businesses anticipating further increases in input prices during this period. In fact, 66% of firms surveyed in March 2025 expect the prices of products and services essential to their operations to rise in the coming six months (see Chart 6). Nonetheless, this marks a decline in input price expectations compared to the results from September 2024.

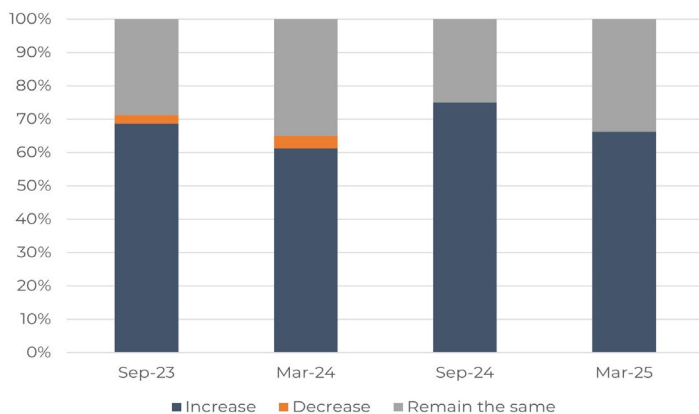
Chart 5: Expectation for business activity



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?"

Chart 6: Price expectations of products or services purchased

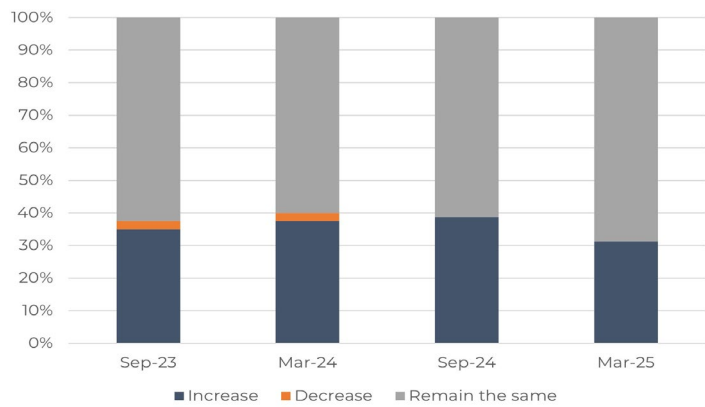


Data Source: Gozo Business Sentiment

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?"

The reduced incidence of input cost increases is also mirrored in firms' expectations for selling prices. In March 2025, 31% of businesses anticipated raising their selling prices over the next six months, down from the 39% in September 2024 (see Chart 7). This figure also marks the lowest level since the start of this exercise in September 2023, suggesting a cautious but steady easing of cost pressures.

Chart 7: Price expectations of products or services sold



Data Source: Gozo Business Sentiment

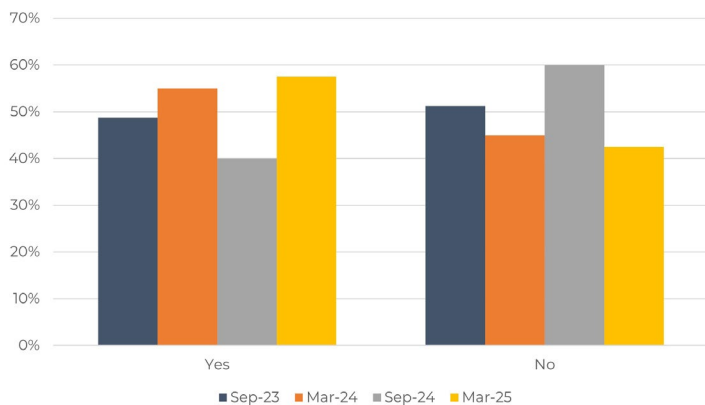
Note: The question put to respondents was: "Over the next 6 months are prices of products and services sold, expected to increase, decrease or remain the same?"

2.3 Employment

Firm's hiring intentions increase

The latest survey results show that 58% of firms intend to increase their workforce over the next six months (Chart 8). This marks an 18-percentage point increase compared to the previous survey conducted in September 2024 and is slightly higher, by 3 percentage points, than the figure reported in March 2024. These findings suggest that labour demand in Gozo remains robust, with no clear signs of slowing down.

Chart 8: Employment expectations



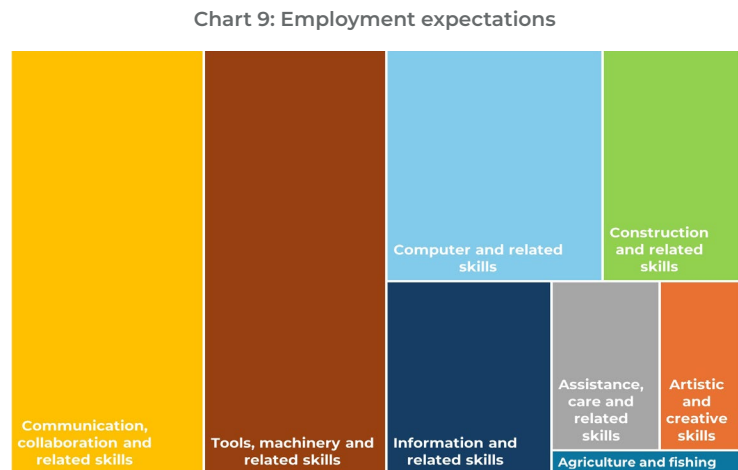
Data Source: Gozo Business Sentiment

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

The strongest hiring intentions are evident among firms in the secondary sector, particularly manufacturing, where nearly 90% of businesses reported plans to recruit. The services sector also shows solid hiring momentum, with 55% of firms anticipating workforce expansion. Notably, hiring intentions are highest among firms engaged in financial and insurance activities (83%), followed by those in tourism-related sectors such as transportation and storage (67%), and accommodation and food service activities (56%).

Businesses planning to grow their workforce over the next six months are seeking a broad range of skills, which differ depending on the sector and the operational requirements of each enterprise.

As shown in Chart 9, the most in-demand skills include those related to tools, machinery, and similar technical areas, alongside competencies in communication, teamwork, and related soft skills. Although to a lesser degree, computer-related and construction-related skills also emerged as key areas of demand. These findings are consistent with the results observed in September 2024.



Data Source: Gozo Business Sentiment

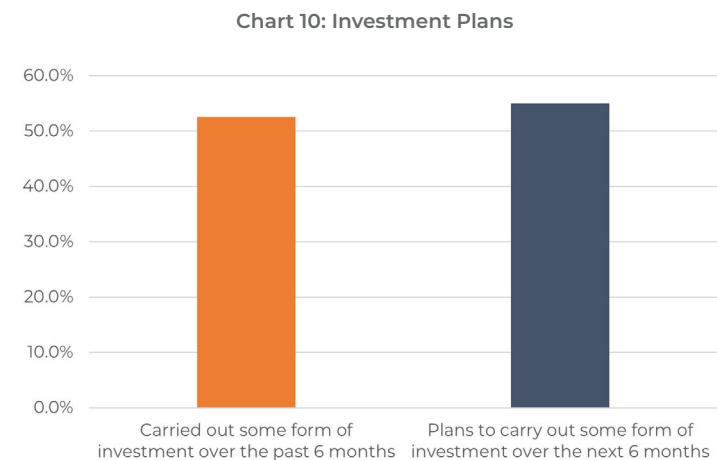
Note: The question put to respondents was: 'If the previous answer is "increase" specify the type of employee skills you require.'

2.4 Investment

More firms plan to invest in their businesses

Over the past six months, 53% of businesses in Gozo reported undertaking some form of investment in their operations (see Chart 10), up from 44% in September 2024. The highest share of reported investment was observed in the Knowledge Sector (Quaternary Sector), where 78% of firms indicated they had invested in their business.

Looking ahead, a significant proportion of businesses plan to make investments over the next six months. As shown in Chart 10, 55% of firms expect to invest during this period higher than the 48% in September 2024. The sectors most likely to register future investments are those within the manufacturing and industry sector (Secondary Sector), including construction.



Data Source: Gozo Business Sentiment

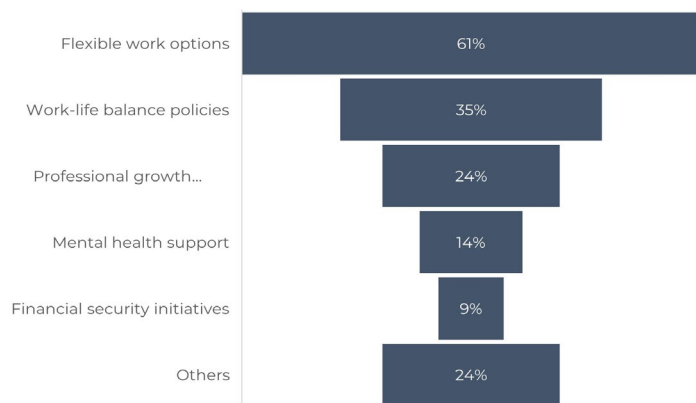
Note: The questions put to respondents was: "Have you carried out any capital investment over the last 6 months?" & "Do you expect to carry out any capital investment over the next 6 months?"

3. A Focus on Wellbeing

As in previous editions, the latest round of the GBS survey retains its core set of questions assessing overall business sentiment and short-term expectations. However, each edition also incorporates a set of topical questions that reflect emerging themes of relevance to the business community. In this round, the supplementary focus is on employee wellbeing, with particular attention to how employers in Gozo perceive and prioritise this aspect within their organisations. This theme is being examined at a time when there is increasing recognition, both globally and locally, of the need to look beyond traditional economic indicators and give greater importance to the wellbeing of individuals within the workforce.

The findings from the survey indicate that the most prevalent forms of employee wellbeing initiatives implemented by Gozitan businesses are those aimed at enhancing work flexibility and promoting work-life balance. Specifically, 61% of surveyed businesses reported offering flexible work arrangements, while an additional 35% indicated that they provide formal work-life balance policies (see Chart 11).

Chart 11: Employers wellbeing initiatives



Data Source: Gozo Business Sentiment

Beyond flexibility, some businesses are also investing in their employees' long-term professional development, with 24% of firms reporting that they offer opportunities for career growth and skills enhancement. These initiatives reflect a broader understanding of wellbeing that encompasses not just immediate working conditions but also future aspirations and personal development.

Note: The questions put to respondents was: "How does your business prioritise employee wellbeing?"

Mental health support, a crucial and increasingly prominent component of workplace wellbeing, appears to be less commonly addressed. According to the survey results, only 14% of businesses in Gozo currently provide any form of mental health support to their employees. Such initiatives are more frequently observed among firms operating in the tertiary sector. For instance, 20% of businesses engaged in education, human health, and social work activities, as well as 18% of those in professional and scientific activities, reported offering mental health-related support services.

The survey also examined the primary constraints that businesses encounter when seeking to invest further in the wellbeing of their employees. Financial limitations emerged as the most commonly reported barrier, with 25% of respondents identifying budgetary constraints as the main challenge impeding greater investment in employee wellbeing initiatives (see Chart 12). This was followed by operational challenges, cited by 16% of businesses, which include the difficulty of implementing additional wellbeing measures without disrupting day-to-day operations. This challenge reflects the structural characteristics of the business landscape in Gozo. A significant

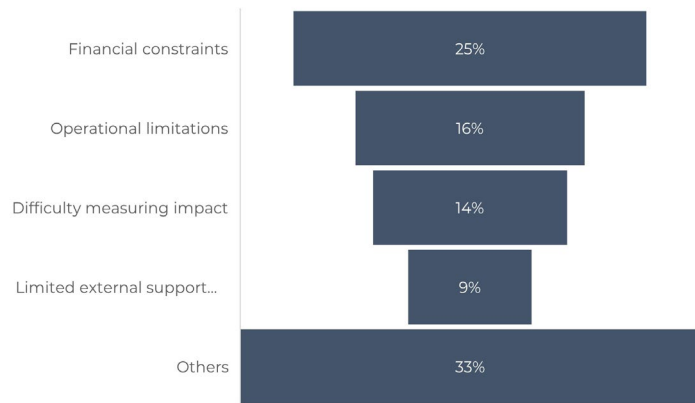
number of businesses are micro or small enterprises, and as such, often lack the economies of scale necessary to introduce comprehensive employee wellbeing programmes.

Furthermore, 14% of respondents pointed to the difficulty in quantifying and attributing the impact of wellbeing initiatives on overall productivity and business performance, which in turn affects their willingness to allocate resources towards such policies. Lastly, 9% of businesses reported limited access to external support, such as guidance, funding schemes, or expertise, as a factor limiting their capacity to implement wellbeing-focused measures.

In light of the challenges identified, the survey also explored potential policy measures that could support businesses in enhancing employee wellbeing. A significant majority, 70% of respondents, expressed the view that additional government incentives would serve as a strong motivator for their business to increase investment in employee wellbeing initiatives. These incentives could take the form of financial assistance, tax benefits, or access to specialised support services.

Conversely, a small minority of businesses (5%) indicated that further government incentives would not influence their decisions or actions in this regard, suggesting that other internal or structural factors may be more decisive in shaping their wellbeing strategies. Meanwhile, 25% of businesses remained uncertain about the effectiveness of such policy measures.

Chart 12: Reasons for not investing more in employee wellbeing



Data Source: Gozo Business Sentiment

Note: The questions put to respondents was: "What are the main challenges preventing your business from investing more in employee well-being?"

Annex A

Questions	March 2025
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?
Q12	How does your business prioritise employee well-being?
Q13	What are the main challenges preventing your business from investing more in employee well-being?
Q14a	Would government incentives encourage your business to invest more in employee well-being?
Q14b	If yes, what type of incentives would be most beneficial?



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