

An Economic impact study and analysis of the economies of Gibraltar and the Campo de Gibraltar

by Professor John Fletcher of Bournemouth University.



Commissioned by the Gibraltar Chamber of Commerce.
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Introduction

In February 2007, the Chamber held a member's dinner at which Sr José Maria Pons Irazábal, Spain's then Director General for Foreign Affairs and chief negotiator in the Tripartite Forum was guest speaker.

In discussions during the dinner between Chamber directors, other members and guests it became clear that the perception about the workings of Gibraltar's economy, its key economic activities and in particular, Gibraltar's economic influence on Campo de Gibraltar - the Spanish hinterland - was quite different from the reality. The Board was invited to educate, inform and update the perception of the extent of Gibraltar's economic activities so as to enhance understanding, build trust and add momentum to the tripartite process.

This independent report, funded entirely by the Chamber, is the Chamber's response to the challenge laid down at that dinner. To the Board's knowledge such an extensive study has never been conducted previously.

There are a variety of ways in which the economies of Gibraltar and Spain interact with each other and this study provides an analysis of each type of interaction and thereby estimates the net total effect that the Gibraltar economy has on the economy of the Campo. The study makes use of the Gibraltar Input-Output Model, the Spanish regional Input-Output Model, the import data provided by the Customs Office of Gibraltar, the Employment Survey data together with data gleaned from the previous Input-Output studies and a survey undertaken of Chamber of Commerce members.

What is clear is that Gibraltar has had and continues to have a significant and positive economic impact on the Campo de Gibraltar in direct and indirect terms. But the study is noteworthy for the significant role played by the Campo region in Gibraltar's economic development as well. Both economies and societies would be the poorer without the other but together the strengths of both economies have ensured that the entire Campo region has developed to a greater extent than would otherwise have been possible.

It is the Board's wish that this report will be read widely in Spain, the UK as well as in Gibraltar. We believe that it serves to illustrate the interdependence of the two economies and the many resulting business opportunities that this creates.

It is hoped by the Board and on behalf of our members in general that this cooperation will persevere in the future so that the region as a whole will continue to develop and prosper for the benefit of all.

Signed by

The Board of the Chamber Of Commerce

About the Research Team

The Gibraltar Chamber of Commerce commissioned Professor John Fletcher of Bournemouth University, to undertake an economic analysis of the relationships that exist between Gibraltar and the economic area of the Campo de Gibraltar.

Professor Fletcher has undertaken economic impact studies for governments and international agencies around the world for the past 3 decades. He has constructed economic impact models for counties in the Caribbean, the Indian Ocean, the Mediterranean, the Far East as well as mainland Europe and the UK. In particular he has undertaken a variety of economic impact studies for the UK and Gibraltar Governments since 1978 and is well acquainted with all aspects of Gibraltar's economy. Professor Fletcher undertook the analyses in this report with Professor Adam Blake and Dr. Yeganeh Morakabati, both of whom are staff within the International Centre for Tourism & Hospitality Research. Adam is a renowned economist who specialises and has been responsible for leading the development of Computable General Equilibrium Models of economies and Yeganeh is a specialist research methodologist who has written on international trade flows and undertaken a variety of research projects concerned with trade and risk.

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Executive Summary

- The Gibraltar economy has a significant and positive economic impact on the Campo de Gibraltar region when considered from the point of view of net recurrent expenditure.
- In 2007 Gibraltar businesses imported more than £174m of goods and services from Spain (excluding petroleum imports).
- Spanish frontier workers earned almost £43m in 2007 and this money was repatriated and spent in the Campo de Gibraltar region to generate further rounds of economic activity.
- Other frontier workers (excluding Spanish and Gibraltarian) earned £82.8m from within the economy of Gibraltar.
- The number of jobs supported by the Gibraltar economy (within Gibraltar) is equivalent to 18% of the total 102,468 jobs recorded in the Campo de Gibraltar region in 2007.
- Residents of Gibraltar spent almost £30m on shopping, food and other goods and services, in Spain, during 2007.
- Gibraltarians with second homes in the Campo de Gibraltar spent more than £33.5m in the Spanish economy during 2007.
- Gibraltar's economy increased the level of output in the Campo de Gibraltar in 2007 by £301.745m. Total visitor spending in Gibraltar in 2007 was £230.6m of which £176m was by visitors across the land frontier. Of this £176m land frontier visitor expenditure, some £112.4m was attributable to Campo de Gibraltar residents and a further £21.27m is assumed to be displacement from the Spanish economy, leaving a total net direct output effect of £168m from recurrent spending (£302m-£134m).
- In 2007 the £302m direct output effect of the Gibraltar economy on the Campo de Gibraltar economy was responsible for a direct increase in Gross Domestic Product (GDP) within the Campo de Gibraltar region of £195m.
- Using the Andalucía Regional Input-Output model to estimate the secondary effects of the two economies' interaction, the Gibraltar economy was responsible for a further increase in GDP in the Campo de Gibraltar region of £125m, resulting in a total increase in GDP of just over £420m.
- The Gibraltar economy was responsible for approximately 12.2% of the total GDP in the Campo de Gibraltar in 2007.
- In terms of a further wealth effect created by the Gibraltar economy, the evidence would seem to suggest that property values within the Campo de Gibraltar region have increased by up to 40% because of the proximity to Gibraltar. With just over 86,000 households in the region and using a conservative property value (at 2007 prices) this could account for an increase in Campo de Gibraltar asset values of somewhere between **£1.4 to £5.4 billion**. The reason for such large variation is explained partly through the lack of data that are available without undertaking a detailed survey and partly because of the volatility experienced by the Spanish housing market over the past year, where property prices, particularly in some areas, have fallen dramatically. In part this fall in property prices is explained by the general economic downturn being experienced by the global economy and in part by the effect of the falling £ with respect to the value of the euro which will have put further downward pressure on property prices in the region.
- Gibraltar also imported approximately 1.5m tonnes of petroleum products from the Campo de Gibraltar region for bunkering during 2007 and the value of this has not been included in the analyses. If the value of this fuel is included as an import from the Campo de Gibraltar it adds almost another **£300m** to the impact of Gibraltar on the region. [using Meyrick and Associates of fuel bunker prices for this period and a £ to US\$ exchange rate of 0.5049 being the mid-point in 2007].



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