

## Box C: The Economic Effects of Staging the Olympic Games

### Investment

Investment expenditure associated with the Olympics includes that on venues (such as Stadium Australia) and related facilities (such as the Olympics Village) and that on projects indirectly linked to the Olympics, such as hotels. The total construction cost of Olympic venues and related facilities is expected to be around \$3<sup>1</sup>/<sub>2</sub> billion, two-thirds being funded by the public sector (Table C1). This amount, equivalent to a little over half of one per cent of annual Australian GDP, is spread mainly over a period of five years beginning in 1995/96, with privately funded construction mainly concentrated in the current financial year. The greatest stimulus to *growth* probably occurred in 1996/97.

The prospect of increased tourist numbers, including in the period after the Olympics, has also boosted private investment in other infrastructure. For example, work done on

hotels in NSW has increased strongly since 1995, albeit from a very low level, whereas such activity has shown no net increase in the rest of the country. Upgrading of facilities at Sydney Airport is also proceeding. The anticipated boost to tourist arrivals has also been one motivating factor behind some public infrastructure spending, such as the rail link to Sydney Airport and some upgrading of Sydney's roads. The NSW government expects the rail link – a joint public/private venture over four or so years – to cost a total of \$730 million. Other infrastructure spending is estimated to be around \$400 million.

Quantifying the effects of the Olympics itself is difficult, however, since some other activities which might have occurred (including elsewhere in Australia) could have been displaced by Olympics-related work, and some Sydney-based infrastructure investment might have occurred in the absence of the Olympics anyway.

**Table C1: Olympic Investment Projections**  
\$million

	Estimated total expend- iture	Expend- iture to 1995/96	1996/97	1997/98	1998/99	1999/00	Later
Public funding <sup>(a)</sup>	2 185	154	637	586	491	317	–
(% of public investment)	(12.6)	(0.7)	(2.9)	(2.8)	(2.3)	(1.5)	–
Private funding <sup>(b)</sup>	1 209	–	132	254	541	197	85
(% of private investment)	(1.5)	–	(0.1)	(0.2)	(0.5)	(0.2)	–
Total	3 394	154	769	840	1 032	514	85
(% of Olympic spending)		(4.5)	(22.7)	(24.8)	(30.4)	(15.1)	(2.5)
(% of GDP)	(0.61)	(0.03)	(0.14)	(0.15)	(0.18)	(0.09)	

(a) 1996/97, 1997/98, 1998/99 NSW Budget Papers.

(b) Estimates from the Olympic Co-ordination Authority.

## Balance of payments

While many tourists will come to Australia specifically to view Olympic events, tourism is thought likely to benefit more generally from the publicity Australia receives from hosting the Olympic Games. The Tourism Forecasting Council (TFC) expects that the staging of the Olympics will boost the number of overseas arrivals by around 340 000 over each of the next few years, about 110 000 of which will come solely for the Olympics, and by 1.6 million in total.<sup>1</sup> The average foreign tourist in 1998 spent about \$2 100 in Australia, suggesting the boost to tourism from the Olympics would add around \$700 million a year to *tourism revenue* over the next three years if the TFC projections were met.

The Olympics will also boost other types of service exports. *Sponsorship fees* received from overseas will be strong in the period leading up to the games, while revenue from *broadcast rights* (which are worth almost \$1 billion) will likely be recorded as exports in the September quarter of 2000. *Tickets* sold to overseas visitors will also be recorded in September 2000 and, the TFC estimates, will provide an additional boost to service exports of up to \$100 million. The overall boost to export receipts in the September quarter will be equivalent to around 1 per cent of GDP and will be associated with a near-commensurate temporary reduction in the current account deficit

## Consumption

*Ticket sales* to Australians for Olympic events will also be recorded in the September quarter 2000 and are expected by SOCOG to total around \$500 million, an amount equivalent to about 1/2 a per cent of quarterly consumption expenditure. However, the net increase in consumption is likely to be less

than this amount as households may curtail expenditure on other forms of entertainment.

It is also possible that the staging of the Olympics will boost consumption indirectly by improving consumer sentiment. It is, however, difficult to find much evidence that this has been particularly important at an aggregate level in other countries that have hosted the Olympic Games. In the US, for example, there was no pronounced improvement in consumer sentiment leading up to, or during the Olympic Games held in Los Angeles and Atlanta.

## Employment

The additional investment activity has contributed to expanded employment in recent years, mainly in the construction industry in NSW. The Olympic Co-ordination Authority (OCA) estimates that approximately 24 000 construction jobs are associated with Olympics-related activities over the four years to 1999/00.<sup>2</sup> This is equivalent to about 10 per cent of total employment in the NSW building industry, although the net addition to employment over the duration of the construction period may be considerably less than this. Most employment created during the period of the Games itself is likely to be voluntary or temporary in nature, as has been the case in previous Olympic Games. Furthermore, given that the Games only lasts two weeks, paid employment is likely to rely heavily on overtime hours, and rather less on the creation of new positions.

Some other business activities could conceivably be reduced or possibly even shut down for the Olympics period, so that the impact on recorded employment and output is difficult to predict with any accuracy. ✕

1. *The Olympic Effect: A report on the potential tourism impacts of the Sydney 2000 Games*, The Tourism Forecasting Council, 1998.
2. *State of Play 98 Update: A report to the people of NSW*, Olympic Co-ordination Authority, 1998.