



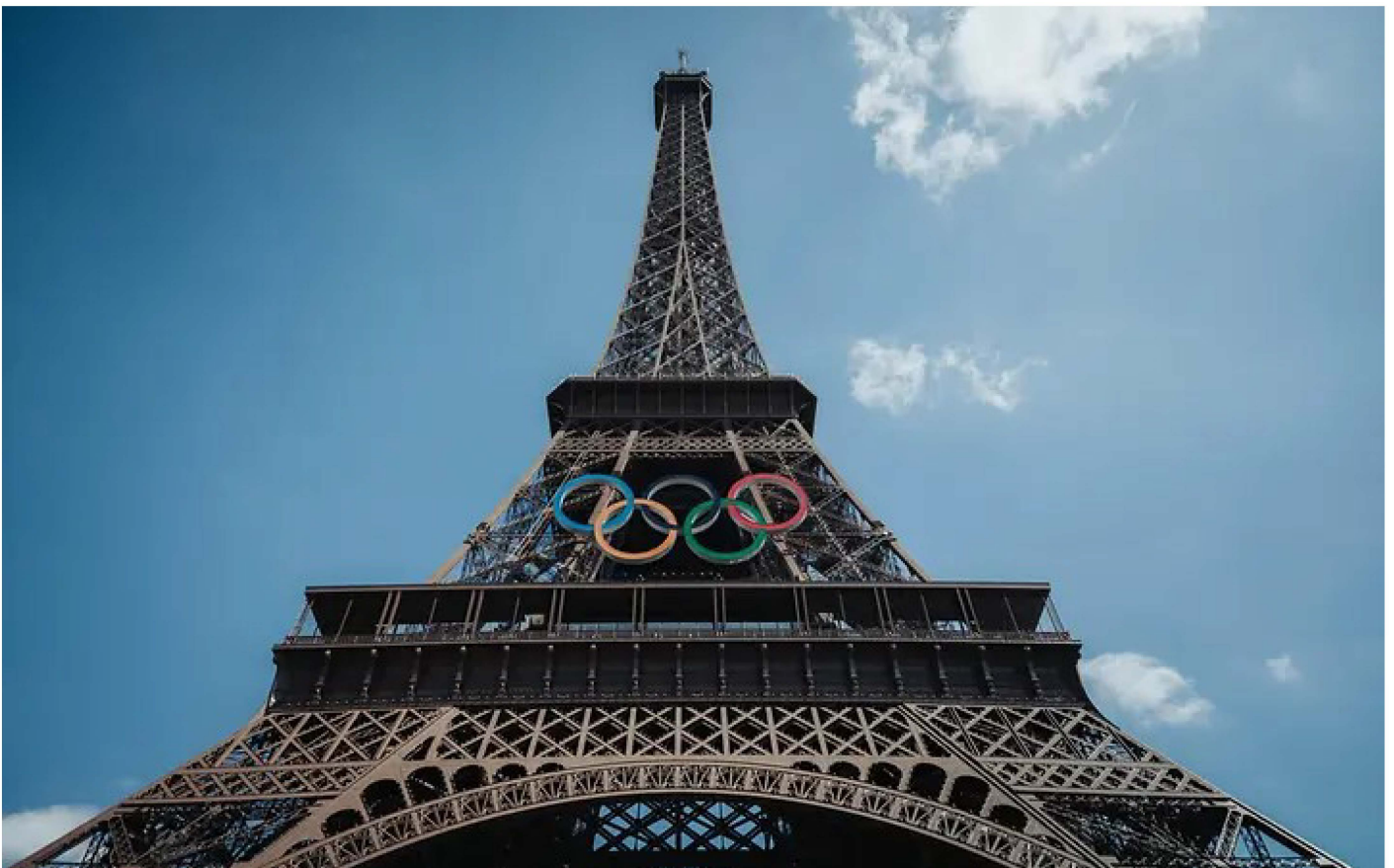
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## Market View

# What are the true costs of hosting the Olympics?

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### At a glance

- Soaring costs: hosting the Olympics has become increasingly costly, often surpassing initial budgets. While the IOC promotes the benefits, many economists argue the financial strain on host cities outweighs the gains.

- Infrastructure investments: hosting requires significant spending on infrastructure, but the long-term economic impact is often uncertain, with revenues from the Games typically falling short of covering costs.
- Calls for reform: there is growing support for reforming the Olympic bidding process to reduce excessive spending, promote sustainability, and minimise financial risks, especially for less wealthy nations.

As athletes from around the world compete in the Paris 2024 Olympics, we take a closer look at the economic benefits of hosting the Olympic Games and whether these benefits outweigh the soaring costs.

The cost of hosting the Olympics has risen significantly in recent years, and the economic benefits remain unclear. The International Olympic Committee (IOC) claim that hosting the Games raises a city's global profile, generates tourism and boosts infrastructure investments. But a growing number of economists believe that the benefits of hosting the Games are at best exaggerated and at worst, non-existent, as host cities are left with large debts and liabilities.<sup>1</sup>

Some economists argue reforms are needed, including reducing the cost of the bidding and selection process, which would incentivise budget planning, improve transparency and promote sustainable investments.

## What are the costs?

Firstly, cities invest millions – somewhere between \$50 to \$100 million – in evaluating, preparing and submitting a bid to the IOC.<sup>2</sup> Once a city wins the bid to host, it then has a decade to prepare for the influx of athletes and tourists. In addition to creating or upgrading highly specialised sports facilities, hosting requires intense investment in infrastructure more generally, such as housing and transportation. For example, the IOC requires a city hosting the summer Olympics to have a minimum of 40,000 available hotel rooms. Roads, train lines and airports meanwhile all need to either be created or upgraded. These infrastructure costs range from \$5 billion to more than \$50 billion.<sup>3</sup> Then there's the costs of security, maintaining specialised facilities post-Games, and debt and maintenance.

An Oxford University study found that all Games have cost overruns, and some 78% of Games have costs overrun by 50% in real terms, while 57% have cost overruns of 100%.<sup>4</sup> The same study estimates that since 1960, the average cost of hosting has been triple the bid price.<sup>5</sup>

## What are the benefits?

Cities justify spending these amounts by arguing the spending will outlive the Olympic Games. Some 85% of the 2014 Sochi Games' more than \$50 billion budget went to building non-sports infrastructure from scratch,<sup>6</sup> while more than half of Beijing 2008's \$45 billion budget went to rail, roads and airports, with a quarter towards environmental clean-up efforts.<sup>7</sup>

However, as costs for hosting the Games have jumped, revenues from the Games only cover a fraction of expenditures. Beijing's 2008 Olympics generated \$3.6 billion in revenue compared to over \$40 billion in costs. Tokyo made \$5.8 billion in revenue from its delayed 2020 Olympics, which cost \$13 billion.<sup>8</sup>

Various impact studies by host governments before the Games show that it creates jobs, draws tourists and improves overall economic output, but research carried out after the Games show these benefits remain dubious. For example, construction jobs are often temporary, and many of these jobs go to workers already employed. The impact on tourism is mixed, with security, crowding and higher prices dissuading many from visiting host cities. Barcelona, Sydney and Vancouver experienced upticks in tourism following their Games, but Beijing, London and Salt Lake City saw declines.<sup>9</sup>

Brazil meanwhile, which saw 2016 costs exceed \$20 billion, required a \$900 million bailout from the government to cover the cost of policing, and was unable to pay all of its public employees. And while the Olympic venues were meant to reinvigorate struggling neighbourhoods post-Games, many have been abandoned.<sup>10</sup>

London's own legacy from the 2012 Games is mixed. The Olympic Park in Stratford has attractive parks, impressive sports venues, and high-end homes with cultural attractions, but the poorest in some of London's most deprived neighbourhoods have lost out. In 2022, only 13,000 homes were built on and around the Olympic site, of which 11% are affordable to people on average local incomes.<sup>11</sup>

Again, opinions differ. The National Bureau of Economic Research has shown hosting has a positive impact on international trade.<sup>12</sup> Others meanwhile argue there is no long-term impact of hosting on a country's GDP.

## How are Paris's costs looking?

Paris budgeted around \$8 billion for the 2024 Olympics when it first bid, an amount that's increased by several billion dollars. However, costs should remain low as Paris already has most of the required infrastructure, with 95% of its Olympic venues already in place, which should help prevent financial distress, according to S&P Global.<sup>13</sup> The Games will also be spread across other cities, including Lyon, Marseille and Nice. Should costs remain at these levels, Paris will have hosted the cheapest Summer Games in decades.

## What are potential reforms?

Many argue the current bidding process encourages wasteful spending, and favours hosts

presenting more ambitious plans, leading to over-inflated bids that outweigh the actual value of hosting. Reform recommendations include reducing the cost of bidding, allowing hosts more flexibility in using existing sports facilities, encouraging sustainable strategies and improving transparency.<sup>14</sup> Some economists say low- and middle-income countries should spare themselves the burden of hosting and IOC should award the Games to countries better able to absorb the costs.<sup>15</sup>

## Conclusion

While the Olympics have come a long way since their Greek origins, the Games remain the ultimate display of human physicality. It's the athletes that should shine, not the host cities. In an age of increased populism, costs for an elitist endeavour are unlikely to be applauded.

[1] Council on Foreign Relations, <https://www.cfr.org/backgroundunder/economics-hosting-olympic-games#chapter-title-0-2>

[2] Council on Foreign Relations

[3] Council on Foreign Relations

[4] Oxford University, [https://www.researchgate.net/publication/381157992\\_The\\_Oxford\\_Olympics\\_Study\\_2024\\_Are\\_Cost\\_and\\_Cost\\_Overrun\\_at\\_the\\_G](https://www.researchgate.net/publication/381157992_The_Oxford_Olympics_Study_2024_Are_Cost_and_Cost_Overrun_at_the_G)

[5] Oxford University, [https://www.researchgate.net/publication/381157992\\_The\\_Oxford\\_Olympics\\_Study\\_2024\\_Are\\_Cost\\_and\\_Cost\\_Overrun\\_at\\_the\\_G](https://www.researchgate.net/publication/381157992_The_Oxford_Olympics_Study_2024_Are_Cost_and_Cost_Overrun_at_the_G)

[6] Holy Cross, [https://hcapps.holycross.edu/hcs/RePEc/hcx/HC1305-Baumann-Matheson\\_MegaEventsDeveloping.pdf](https://hcapps.holycross.edu/hcs/RePEc/hcx/HC1305-Baumann-Matheson_MegaEventsDeveloping.pdf)

[7] Council on Foreign Relations

[8] Council on Foreign Relations, <https://www.cfr.org/backgroundunder/economics-hosting-olympic-games#chapter-title-0-2>

[9] Council on Foreign Relations

[10] ESPN, [https://www.espn.com/espn/feature/story/\\_/id/20292414/the-reality-post-olympic-rio](https://www.espn.com/espn/feature/story/_/id/20292414/the-reality-post-olympic-rio)

[11] Guardian, <https://olympics.com/ioc/news/london-2012-a-legacy-that-keeps-giving>

[12] National Bureau of Economic Research, [https://www.nber.org/system/files/working\\_papers/w14854/w14854.pdf](https://www.nber.org/system/files/working_papers/w14854/w14854.pdf)

[13] S&P Global, <https://www.spglobal.com/ratings/en/research/articles/240311-paris-lean->

[14] Council on Foreign Relations

[15] Washington Post, <https://www.washingtonpost.com/news/wonk/wp/2013/08/27/economists-think-its-a-terrible-idea-for-d-c-to-host-the-2024-olympics/>

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