

London 2012 Olympics To Have A Limited Impact On The UK's Infrastructure

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With only a small proportion of the Â£9.3 billion Olympic budget designated for infrastructure, the impact of the London 2012 Olympic Games on infrastructure will be limited and mainly local.

Although construction associated with the Games provided some respite to the ailing construction industry, this was temporary and could not make up for the losses in residential building.

Download the Euromonitor Olympics Briefing for insight on how the London Olympic Games will impact other consumer industries

Public Non-Housing Construction Output and Annual Real Growth in Gross Value Added (GVA) from Construction in the UK: 2006-2011

Note: Public non-housing construction output does not include infrastructure construction output; Output data are seasonally adjusted and in constant 2011 prices.

- The UK spent Â£9.3 billion of public funds on the 2012 Olympics, out of which Â£1.7 billion was used for regeneration and infrastructure. An additional Â£6.5 billion was spent outside of the Olympics' budget on London's transport infrastructure, but these upgrades were planned anyway and were only accelerated by the 2012 Games;

- The sporting venues – including the scaled-down Olympics Stadium, the Aquatics Centre, the VeloPark and the Olympic Park – will be the main legacy of the Games in terms of infrastructure. In terms of transport, the Javelin train will continue to provide a fast connection between London's St Pancras International and Stratford after the 2012 Olympics.

Implications

The London 2012 Olympics provided a temporary but much-needed boost to the UK's construction industry at a time when the housing market was stagnating due to the global slowdown:

- The Olympic Games induced strong growth in public non-housing construction output (which is where the majority of the Games' work falls) between 2008 and 2010, which provided some respite to the ailing construction industry. In 2011, the construction industry accounted for 5.4% of the UK's GDP and 8.5% of total employment;

- However, this boost to the construction industry was only temporary, as most construction work for the Olympics was completed by July 2011. It was also insufficient to make up for the losses associated with the falling residential housing completions.

Although the London 2012 Games were branded as having an impact on the UK as a whole, the benefits in terms of infrastructure will be felt mostly locally:

- Euromonitor International estimates an additional 13,000 hotel rooms have been built to support the influx of tourists. However, the value of this extra capacity after the Olympic Games is questionable, as tourism has suffered ever since the global slowdown in 2008-2009. According to national statistics, the number of overnight visits to London stood at an estimated 15.2 million in 2011, compared to 15.6 million in 2006;

- One of the biggest promises of the project was the re-generation of the deprived East London. The London boroughs of Tower Hamlets, Newham and Hackney, which will host the majority of the Olympic events, were in 2010 the most deprived local areas in the whole of England, according to the Index of Multiple Deprivation which measures deprivation across seven different aspects (including income, employment and housing);

- According to the London Legacy Development Corporation, an estimated Â£12.5 billion of private and public funding has been invested in the Stratford region of London in the run-up to the Games. This includes the opening in September 2011 of Europe's largest shopping centre – Westfield Stratford, which is estimated to have created 10,000 new jobs. This will boost consumer incomes and spending in the area;

- Large sporting events often result in 'white elephants' – large and expensive structures with little use afterwards – located in expensive and scarce urban areas. However, many London Olympic venues are intended as temporary, and after their decommission or deconstruction, the Olympic quarter will be converted into a business and residential area. Following the Olympic Games, 40,000 homes will be built in the vicinity of the Olympic Park, relieving some pressures on the local housing and providing further jobs to the area;

- While investments associated with the Olympics will help reduce inequalities within the capital, regional disparities will persist. In 2011, the total annual expenditure of an average London household was 23.5% more than that of an average UK household.

The value of the Olympics is questionable in times of recession and austerity:

- The cost of the Olympics to the public has grown significantly from the initial £4.0 billion bid made in 2005, partly due a drop in private sector funding from the anticipated £738 million to just £165 million, according to the National Audit Office. The bill will be passed on to consumers nationwide through higher transport costs, council tax increases and cuts in other areas of public spending. This is at a time when annual disposable income per capita fell by 3.3% in real terms between 2006 and 2011.

Per Capita Annual Disposable Income and Indices of Consumer Prices and Transport Prices in the UK: 2006-2011

Prospects

- The UK's construction industry will receive a further boost when the London 2012 Olympics finish, as only then will work begin on converting the Olympic site into a business and residential area. According to the plans by the London Legacy Development Corporation, this next phase of construction will take up to nearly two decades, until the year 2030; Æ Æ Æ

- A much more ambitious project, unrelated to the Olympics, is the Crossrail, a new railway link for London and the South-East. Its construction will last between 2010 and 2018 and cost £16 billion. The construction phase alone is expected to generate 14,000 jobs. The work related to it has already made 2011 a record year for infrastructure output since 1980. This will be much needed, as the housing market will unlikely see much activity in 2012, and the UK's real GDP growth is expected to remain subdued at 0.1% year-on-year.

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