

Economics of Brazil: 2016 Olympics – Rio De Janeiro

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Introduction

Hosting the Olympics is considered a very prestigious honor, but raising capital and finding land to do so is exhausting. It has been reported by the Organising Committees of the Olympics, that every Olympic host city has broke even since 1984. However, the report doesn't take into consideration capital costs such as buying land and building facilities. Being one of the major costs of hosting the Olympics, it is more often than not the factor that puts the host cities in billions of debt.

Brazil received the notification that it will host the 2016 Olympics on October 2, 2009. At this point, people were celebrating their country on the rise, but there was trouble on the horizon. What lay ahead would be the worst recession in decades along with political corruption, while still having to make an overbudgeted Olympic Games thrive. This is how Rio and Brazil turned out.

Vacant Venues

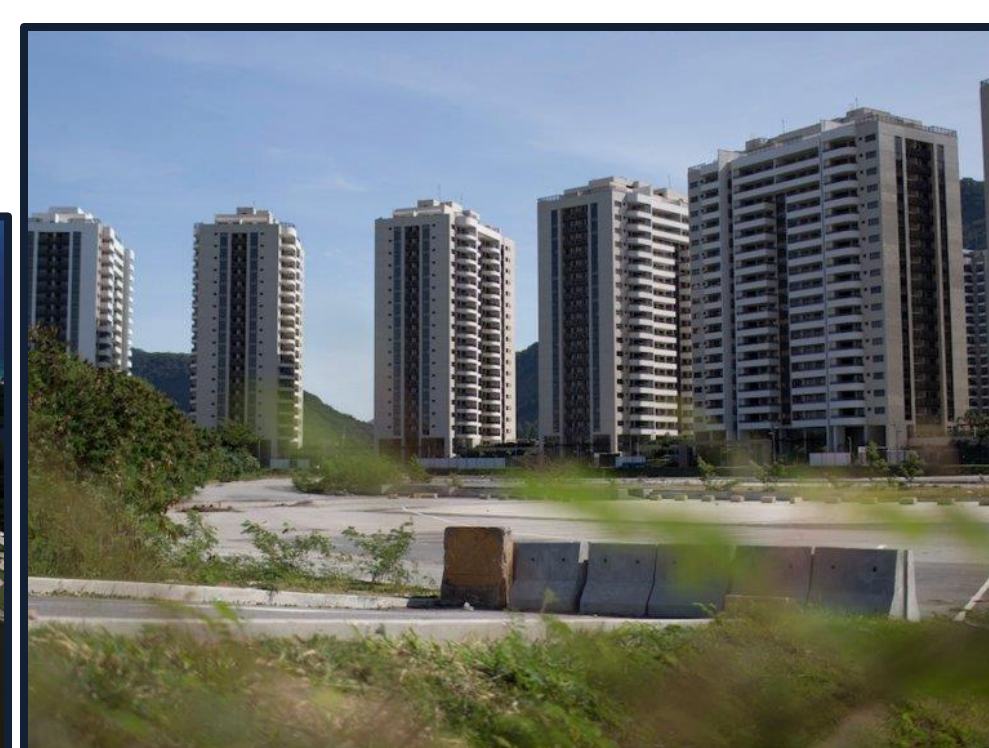
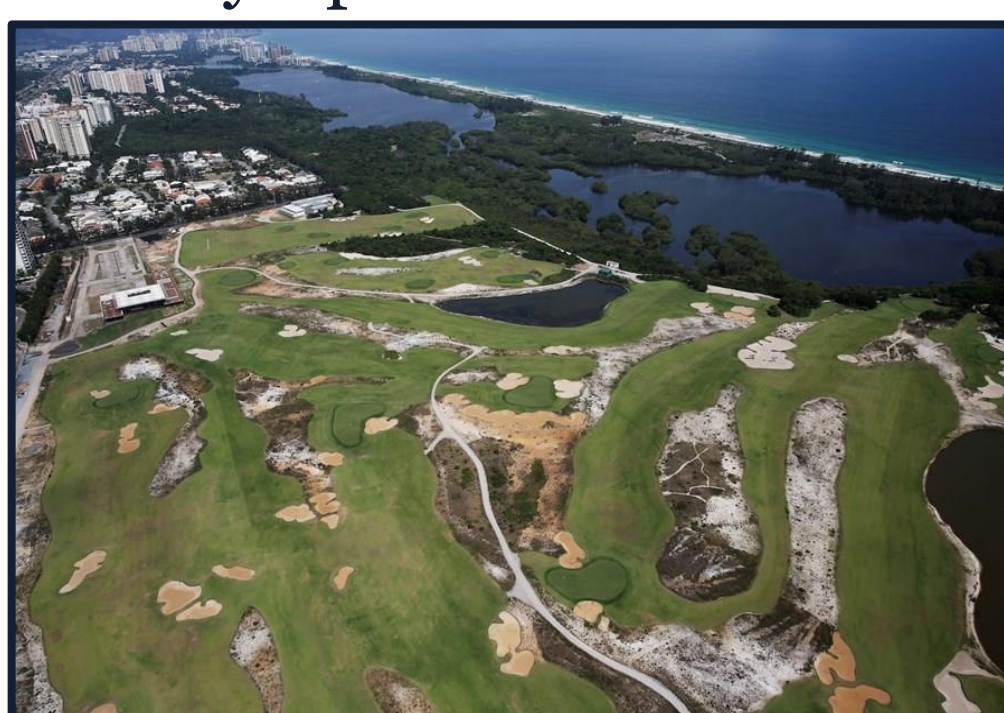
The past two Olympic games have left the host countries struggling to find opportunities for the vacant venues. After putting in countless hours of construction and paperwork along with the large costs, Brazil and it's investors take the loss on abandoned venues.

The Olympic Village:

- Meant to be converted to luxury condo's after the Olympics
- 3,600 apartments
- Only about 7% were sold, 93% remain vacant/abandoned
- Cost: \$700 Million USD

Sport Venues:

- Maracana Stadium
 - Built in 1950 for World Cup, used til 2016 Olympics
 - Destroyed and abandoned – seats torn out, graffiti, browning field
- Rio Media Center – destroyed, but remains lay
- Olympic Park
- Deodoro Sports Complex
- Olympic Golf Course

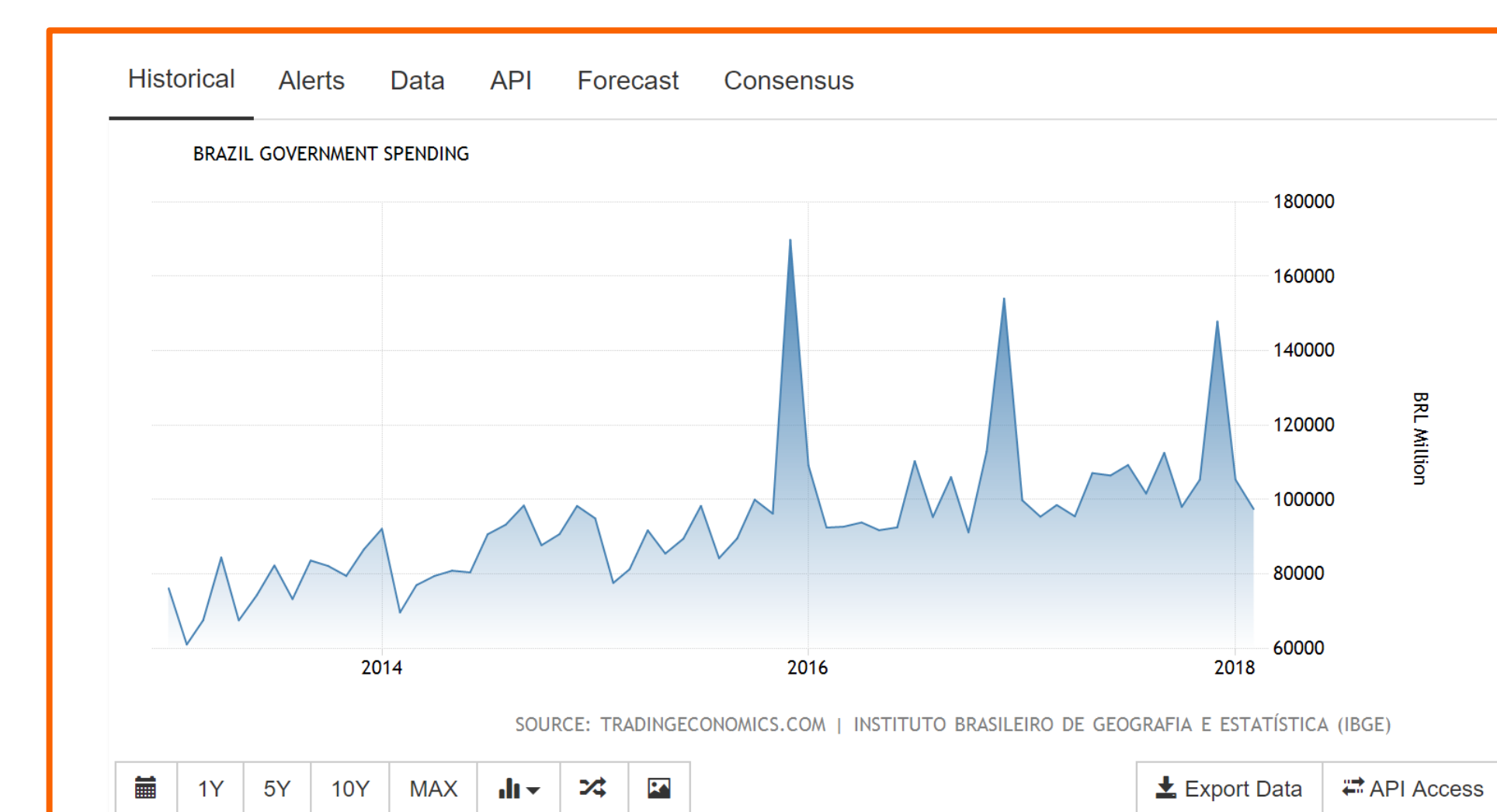


Economic Indicators

While the Olympics are a major investment, Brazil was cornered by a deepening recession and political instability. The Olympics were merely a distraction to the economic/political situation. Being that Brazil is the 8th largest economy in the world, it was hard to see growth if any in the positive indicators.



- Major events create a heavy demand for everyday necessities: food, drink, place to stay, and wants (souvenirs, alcohol)
- Prices rise and so does the inflation rate.



- Government spending peaked at 160 Trillion BRL, just before 2016 – Olympic Costs



- B's Fabio Iwabe: During the Olympics, real estate prices rose
- As the demand for property in Rio rose due to the Olympics, prices rose as well

Infrastructure Additions

While hosting the Olympics is a large expense, it can help to modernize a city such as Rio De Janeiro. The city needed updated mass transit systems, housing, and a lasting first impression for those arriving at the Galeão International Airport.

Galeão International Airport:

- Additions to Terminal 2 – 26 new jet bridges
- Doubled the lounge area for travelers
- Doubled the parking space area from around 3,000 to over 6,000 spaces
- 100+ new stores and restaurants
- Free, high-speed WiFi

Rio De Janeiro Mass Transit:

- Subway Metro Line 4
 - 440 buses
 - 125 stations
 - 125 km of exclusive corridor
- VLT Carioca – Light Rail System (Below)



Robson G Barreto – AMCHAM

- Businessman: The Olympics were great and improved transportation, security, and infrastructure.

Who Benefit/Hurt

An overbudgeted Olympics caused the government to spend money than they have and make the common taxpayer pay more. All to modernize and entertain the World.

Hurt

- Favela families removed from homes
- Poor people
- Public Sector workers
- Retirees living on pension

Benefit

- Tourists and tourism industry
- Large companies investing in Olympics – tax incentive
- Commuters using the new transportation

Conclusion

The 2016 Olympics in Rio De Janeiro occurred at the wrong time considering the budget deficit, President Rousseff's impeachment, unemployment and inflation high and rising. The timing was not ideal for the country, but the improvements made towards a more modern city infrastructure seemed due. The Olympics did not have a lasting effect on the Brazilian economy, but temporarily created jobs, minimal GDP growth, boosted local tourism, and benefited relative business. However, the government made promises to relieve stress in the favela communities for the Olympics, but only made it worse for many poor families. Now that the 2016 Olympics are behind Brazil, it is time to focus more attention on the education system, public health, and the Social Security deficit.



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