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## UK ECONOMY SET TO BENEFIT FROM £16.5 BILLION 'OLYMPIC EFFECT'

- £16.5 billion GDP contribution expected from Games, its build-up and legacy
- Construction and tourism are the key sectors driving this increase
- More than half the GDP impact from tourism and construction is being generated by small and medium sized businesses.
- First five legacy years set to provide £5 billion of games-related GDP
- 'Happiness effect' equivalent to a £165 gift to each of the UK population
- Games set to support 354,000 years of employment nationwide
- Economic impact of the Games can be seen across the UK

The UK economy is set to benefit from £16.5 billion of GDP, as a direct result of the London 2012 Olympic and Paralympic Games and its legacy, according to a new study from Lloyds Banking Group.

The report, *The Economic Impact of the London 2012 Olympic & Paralympic Games*, examines the overall impact that the Games is likely to have on the UK's economy, taking in the period from London's successful bid in 2005, through until 2017 – a five year legacy period. It demonstrates that the event is driving activity across the key sectors of construction and tourism, leading to jobs, expenditure and opportunities for businesses across the UK – in both the short and long term - and it shows that SMEs are contributing more than half (52 percent) of the overall increase.

Patrick Foley, chief economist, Lloyds Banking Group, said: "London 2012 is the most important sporting event the UK has ever staged. However it is also impacting our economy in a way that cannot be ignored. We've witnessed a construction project on an unprecedented scale, the economic ripples of which are being felt not only in the Host City, but across the UK.

"As this study demonstrates, London 2012 will help support employment, tourism, consumer spending and living standards, not only this year, but for many years to come. And it could not have come at a better time, given the tough conditions in the UK economy."

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### Overall economic impact

Most of the GDP effect linked to the Games (57 percent) stems from construction projects occurring before 2012, including the building of the Olympic Park and the development of other sites and venues across the UK. Games-related tourism across the UK during London 2012 and over the first five legacy years is expected to deliver 12 percent of the GDP contribution, while spending on the staging of the event itself is expected to contribute six percent. The remainder of the impact, 24 percent, is due to legacy construction activity.

The study also shows that the Games will also help support and create the equivalent of more than 62,200 jobs in London and across the UK.

Although most (70 percent) of the total GDP impact expected from London 2012 will come from the period in the run up to and including the Games, the five year 'legacy' period could generate as much as £5 billion – nearly a third (30 percent) of the total economic effect expected from the event.

The economic impact is spread across the UK, with London delivering £6 billion of the overall contribution and other parts of the UK responsible for the remaining £10.5 billion.

### Key sector impacts

The key sectors of construction and tourism are expected to provide the largest contribution to GDP:

#### **Construction**

- Games related construction activity will have contributed £13.5 billion to GDP by 2017.
- Of this, £4.5 billion will come from pre- and post-Games construction work, while £5.8 billion will be delivered by firms providing supplies to London 2012 construction companies. A further £3.3 billion is expected from spending by construction workers and employees within the supply chain.
- The 800 construction related contracts awarded to UK suppliers by the ODA, have been spread across the regions. With 25% going to suppliers based in London and 75% to firms in the rest of the UK.
- The GDP impact from construction comes from the preparation of the Olympic Park site (£2.3 billion) and building of the main venues (£1.3 billion), while conversion of the Athlete's village into housing and building of retail space in the Park after the Games will also contribute around £4 billion.
- A total of 267,000 jobs are expected to be created and supported as a result of London 2012 construction. Approximately 70 percent of employment from Games-related construction will come in the run up to and during the Games, while the remainder will come in the legacy years.
- Critically, 59 percent of the anticipated construction related GDP will occur outside the capital, as a result of construction firms' purchases from their supply chain and spending by their own employees.

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### **Tourism**

- By the end of 2017, London 2012 related tourism – where visitors come to London as a result of its status as an Olympic City - is expected to have generated £2 billion in GDP, across England, Scotland and Wales. Three percent of this GDP impact will be generated in the period before the Games; just less than half (49 percent) during; and a similar amount (48 percent) in the five legacy years.
- A total of 10 million people are expected to visit the Games competitions, with approximately 1.2 million (12 percent) of these coming from overseas.
- The net effect on UK tourism over the entire period covered by the report (2005-2017) is that there will be an estimated 10.8 million additional visits, including 400,000 pre-Games business trips and over 1.6 million visitors after 2012, as part of the Olympics' legacy effect.
- An increase in regional tourism is expected as Londoners and other UK residents look to avoid the Host City before - and particularly during the Games - and as a consequence of foreign tourists visiting other parts of the UK during their stay.
- Hotels and restaurants will experience the biggest impact – they will feel 22 percent of the anticipated tourism-related GDP impact, while retail and transport will provide 10 percent and 16 percent, respectively.
- Tourism attributable to London 2012 is expected to support or create more than 31,000 jobs across the UK in 2012 – 5,700 in London and 25,300 elsewhere - in particular in the North West, South West, South East, Scotland and Wales.

### **Staging the Games**

LOCOG's spend on staging London 2012 is expected to contribute just over £1 billion to UK GDP. This will come through the 364 LOCOG contracts to provide goods and services – 93 percent of which are with UK suppliers - including, performers, security staff, caterers, logistics and event management firms. Fifty five percent of these contractors come from outside London.

John Maltby, Group Director, Commercial, Lloyds Banking Group, said: “The London 2012 economic engine is being fuelled by thousands of small and medium sized businesses, many of whom are based outside London in towns and cities that might otherwise have assumed they had nothing to gain from the Games.

“We know that these businesses hold the key to growth, and even if it is still uncertain whether London 2012 can help to kick start a sustained economic recovery, the benefits to businesses are clear – unprecedented opportunities for trade and a real competitive advantage in years to come; invaluable training and experience for employees; and an incredible contribution to economic activity across the UK. But it must not stop there. The challenge now is for these businesses to build on what they have gained from the Games so that they can continue to grow and so that others might follow their lead.”

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### Legacy impact on the environment and labour market

As well as the impact on GDP that will come from construction and tourism in the 'legacy years' there is also expected to be a significant legacy effect on the physical environment and the labour market.

- The building of 3,850 new affordable homes is expected to deliver improvements in health and a reduction in crime of up to £130 million.
- The Games will leave an important legacy of six new neighbourhoods, with 11,000 new homes, five new schools, six new community centres, and 250 acres of new parkland.
- The overall benefit of these improvements is estimated to be as high as £2 billion over 20 years.
- The training boost provided to the workers involved in the London 2012 construction project is estimated to be worth £504 million over their working lives – a 7.5 percent increase on wages.
- The reemployment of 3,000 formerly unemployed people could result in a boost to their combined lifetime wages of as much as £121 million.

### The London 2012 'happiness effect' and its impact on GDP

Based on analysis of other sporting events, it is anticipated that London 2012's positive effect on the public mood will lead to improved consumer confidence, which will result in a rise in consumer spending and, therefore GDP. In the case of Euro 1996, the 'happiness effect' was equivalent to a gift of £165 to each man, woman, and child in England and it is anticipated that the effect of London 2012 will be at least comparable this event.

The Mayor of London, Boris Johnson, said: "I have always said that if the Games are to mean anything that they must be used as a force to transform the job prospects of Londoners and strengthen our economy for generations to come. This report shows that the Games will do precisely that, ensuring a lasting economic legacy long after the sporting spectacle has gone."

**-ends-**

### Notes to editors:

- The Economic Impact of the London 2012 Olympic & Paralympic Games, was produced by Oxford Economics, on behalf of Lloyds Banking Group, June 2012.
- The report will be available to download at:  
[www.loydsbankwholesale.com/London-2012/economic-impact-report](http://www.loydsbankwholesale.com/London-2012/economic-impact-report)

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