

## Economic impact of the Vancouver Olympic and Paralympic Games – Revisited

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It has been almost four years since our initial assessment of the economic impact of the 2010 Winter Games on British Columbia's economy<sup>1</sup>. At that time, we estimated that provincial growth would receive a direct and indirect boost of between 0.9 and 1.2 percentage points a year during the 2005 to 2011 period, including post-Games spinoffs. The early years would see this lift concentrated on preparatory capital spending, while the focus would shift in the later years toward tourism, related consumer spending and business investment.

We still believe this is an accurate portrayal of the upside potential to economic growth. However, a look at the province's economy today will show that since the Games were awarded, several factors have changed for the better and some for the worse. Our initial estimates were made during a time of relatively greater economic weakness and uncertainty in British Columbia. In the ensuing four years, the B.C. economy has strengthened considerably and this has two implications. First, the drivers of growth are more diversified and the provincial economy may be somewhat less dependent on the Games. Second, the economic slack that once existed has been largely soaked up, tilting the risks more to overheating, which warrants a cautious approach to planning.

Higher commodity prices have changed the landscape for B.C.'s mining industry, prompting higher coal mine output and the reopening of older mines where production has become economical again. Renewed activity in mining and the development of natural gas fields in the Greater Sierra and Cutbank Ridge regions have provided an economic boost in areas outside of Vancouver and Victoria. Within the Lower Mainland, a vibrant software and gaming industry has more than recovered from the dot-com challenges at the start of the decade. The province has also diversified some of its trading activity away from areas of weakness and is moving toward acting as Canada's, and perhaps North America's, gateway to broader Pacific Rim trading opportunities, resulting in investments in port capacity.

British Columbia has created 280,000 net new jobs in the past four years and its unemployment rate has been cut roughly in half to about 4% today, especially remarkable since now 204,000 more people count themselves in the work force — so jobs abound even for recent job seekers. This expanding work force came about partly because more people have been attracted to the province. Until four years ago, more people were leaving B.C. for other provinces than vice versa. The annual number of people arriving in the province has doubled compared to when the Games were awarded as a result of strong interprovincial and international in-migration.

Among the concerns are the shortages of skilled labour that exist across much of western Canada, heightened competition for raw and intermediate materials and stresses in housing affordability. Also worth mentioning are the risks facing the forestry sector, given the combination of an elevated currency, the slowdown in U.S. housing markets, pine beetles and last year's unfavourable Canada-U.S. softwood lumber agreement. A tight economy, therefore, leaves little, if any, slack to absorb the full impact of the Games without stoking near-term inflationary pressures and, thereby, increasing the downside risks facing the B.C. economy in the next decade. To its credit, the Vancouver Organizing Committee has successfully overseen planning to date, but risks to overall cost pressures remain, given that much of the spending and hiring lie ahead.

With three years to go before the Olympic flame reaches Vancouver, the key will be to ensure that long-range planning is rooted in fiscal prudence and tilted toward productive investments that sow the seeds of sustainable long-run growth well into the next decade, instead of allowing costly imbalances to propagate.

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<sup>1</sup> "Estimating the economic impact of the Vancouver Olympics," RBC Economics Research, July 2003. A subsequent update, "Reassessing the economic impact of the Vancouver Olympic and Paralympic Games," was published in November 2005. The current update appeared in *The Globe & Mail*, Saturday, May 26, 2007.