



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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Expo 2020: A new economic impact assessment

Ernst & Young (EY) have released an economic impact assessment (EIA) indicating that Expo 2020 would generate AED 122.6bn in gross value added (GVA) for the UAE, or around 0.5% of estimated national GDP per year from 2013 to 2031. The three phases of the project are expected to support 49,700 full time jobs per annum.

The study looks at three distinct phases for the project: the preparation phase (November 2013 to October 2020), the actual event (October 2020 to April 2021) and the legacy phase (April 2021 to December 2031).

The economic impact assessment published in 2013 for the bid (using a different methodology and produced by Oxford Economics) had estimated AED 88bn would be added to Dubai's economy from 2014-2021. The new EY report estimates a smaller GVA of AED 60.4bn from 2013 through 2021. This includes direct spending, the indirect impact through the supply chain and induced benefits (increased spending by employees).

The initial EIA that was put together for the bid in 2013 also indicated that 277,000 jobs could be created by hosting Expo. This figure likely referred to "job years" over the 2014-2021 period, or around 34,600 jobs per annum – fewer than the latest report by EY indicates.

Phase 1 highlights: Pre-Expo (2013-2020)

- The GVA is estimated at AED 37.7bn, coming from site preparation and infrastructure as well as off-site investments that have been made for Expo or brought forward due to Expo (including roads, airports, public transport, utilities and communications infrastructure).
- The construction sector is the main beneficiary in terms of value-added and employment. An estimated 27,600 construction jobs per annum are supported by Expo preparations. This is consistent with our expectations and borne out by official Dubai GDP data which shows the construction sector growing at the fastest rate since the financial crisis in 2017-18.
- Other sectors to benefit in this phase include events organisation & business services and transport, storage & communication.

Phase 2 highlights: During Expo (2020-2021)

- 25 million visitors are expected to visit Expo 2020; it is believed that the majority of them will be residents of the UAE.
- The GVA is estimated at AED 22.7bn in this phase, coming from visitor spending and operational spending. Visitor spending includes entry tickets, F&B and other merchandise spending on-site; and off-site spending on transport (including aviation), hotels, restaurants, retail that relate to visiting Expo. Operational spending includes staff employed on-site as well as off-site employment that would not have occurred in the absence of Expo (eg extra taxi and bus services, maintenance of infrastructure etc).

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- The sectors most likely to drive GVA in this phase are restaurants and hotels, events organisation and business services and transport, storage & communication.
- Expo is expected to support 94,400 jobs per annum during this phase, more than half of which are expected to be in the hospitality sector.
- **We estimate that during this phase, Expo 2020 will account for around 2-2.5% of Dubai's GDP**, assuming that all businesses in the supply chains, and all employees, are in Dubai. In reality, at least a portion of the economic benefits will be spread across the other emirates.

Phase 3 highlights: Legacy (2021-2031)

This is the most interesting part of the report from our perspective, as it outlines the plans for the post-event use of the Expo site and expected legacy contribution to the economy.

The Expo site will transition into a mixed-use development called District 2020, with a focus on sustainability and innovation to support growth in key industries including transport & logistics, tourism and education. Anchor tenants include Siemens and Accenture, and the new Dubai Exhibition Centre will be based here as well.

- The GVA is estimated at AED 62.2bn in this phase, coming from the construction of new buildings, maintenance and expansion of infrastructure and further site development.
- 87% of the GVA is expected to be generated by the events organisation & business services sector. Retail and hospitality sectors are likely to benefit as well.
- 53,800 jobs per annum are expected to be supported in this legacy phase of the Expo.

In addition, EY highlight a number of non-quantifiable legacy benefits for Dubai and wider UAE, including improved trade relations with participant countries, improved business relationships at a firm-to-firm level and a higher international profile for Dubai and the UAE as a place to do business, visit on holiday and invest.

Concluding thoughts

In our view, the hosting of a mega-event like a world expo can achieve two important things:

- 1) The creation of new infrastructure to drive longer-term economic growth in the host city, or to accelerate the execution of infrastructure projects that might have taken longer to achieve without such an event.
- 2) To boost the image of the host city on the world stage, showcasing what the host city can offer from a business, tourism and investment perspective and also to highlight the host city's ability to successfully plan, manage and execute a mega-event.

The consequences of hosting previous world expos (and other mega events such as sporting world cups, or the Olympic Games) have been mixed. The Shanghai Expo in 2010 resulted in the creation of a new transport infrastructure including a new airport terminal, new roads, a new cruise ship terminal, new subway lines and the renovation of existing historic buildings. New entertainment

venues, parks, and residential real estate development have all helped to put Shanghai on the map as a global city and a place to do business.

However, hosting mega-events have also resulted in higher than expected costs, increased debt for host cities, white elephants and abandoned buildings. The 1984 Louisiana World Expo in New Orleans was forced to declare bankruptcy and was only able to remain open for the duration of the event with government support.

The key to ensuring a successful legacy following the hosting of a mega event appears to be meticulous and effective planning on what the legacy will be, even while putting the bid together. Certainly, the latest report suggests that Dubai has thought very carefully about what it wants Expo 2020 to deliver for the city and its residents.

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