

Interview with BBC Arabia on Dubai Expo, Oct 2021

In an interview with BBC Arabia, aired early Oct 2021, Dr. Nasser Saidi offered his insights on the Dubai Expo. Dr. Saidi touched upon sectors that would likely benefit from the Expo, as well as investments and benefits for Dubai.

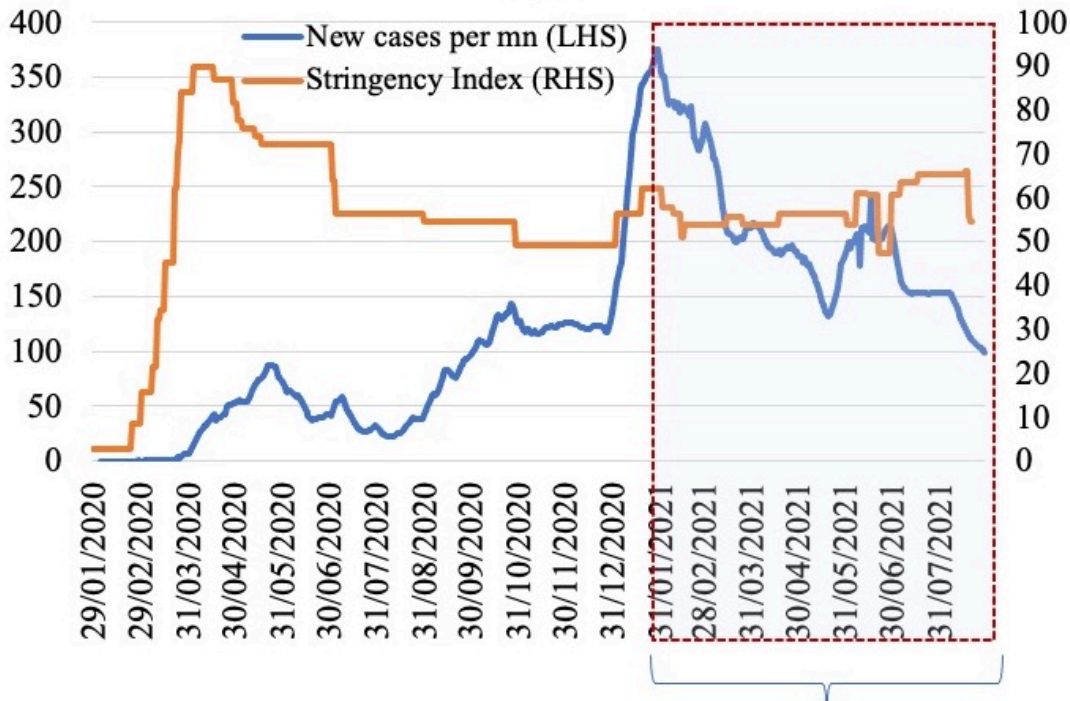
Watch the interview:

Weekly Insights 1 Sep 2021: Thinking beyond the Expo 2020 Dubai

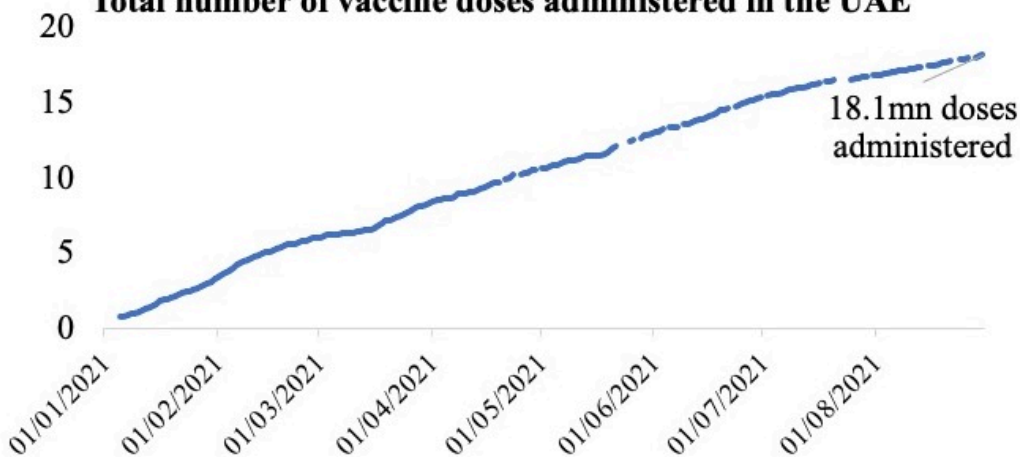
Weekly Insights 1 Sep 2021: Thinking beyond the Expo 2020 Dubai

Dubai is gearing up for the Expo extravaganza, scheduled to start in just over a month's time on October 1st. Plans and preparations have been underway since the Emirate won the rights to hold the mega-event in Nov 2013.

Daily new confirmed cases & stringency levels in the UAE



Total number of vaccine doses administered in the UAE



Source: Our World in Data; Charts created by Nasser Saidi & Associates

Little did anyone envisage the scenario within which the Expo would eventually take place. **Expo 2020 will be the first global mega-event to be held permitting physical entry of visitors**, after the Tokyo Olympics and Paralympics went ahead sans spectators (given the spiraling Covid19 crisis in the country). Holding a mega event during a global pandemic will be no mean feat. Nevertheless, Dubai has been open for tourists since July 2020 and has managed to control the epidemic amid a highly effective vaccination campaign. Restrictions were tightened when cases surged and eased later.

Vaccination rates are among the highest globally: over 18 million doses have been administered to a population of 10 million.

From Oct 2020, the Emirate opened to host multiple global conferences and sports events – albeit at a smaller scale compared to the Expo – and have other major events on the horizon like the Indian T20 IPL championship matches (mid-Sep), T20 Cricket World Cup (mid-Oct) and Formula 1 (Dec 3-5) among others. These will be testing grounds for the control of crowds ahead of the Expo. Of course, having a well-connected airport will be critical in this regard: some 2/3rd of the world's population lives within 8 hours flight from Dubai and 1/3rd lives within 4 hours. Expo 2020 will be the first expo with the vast majority of visitors using international travel.

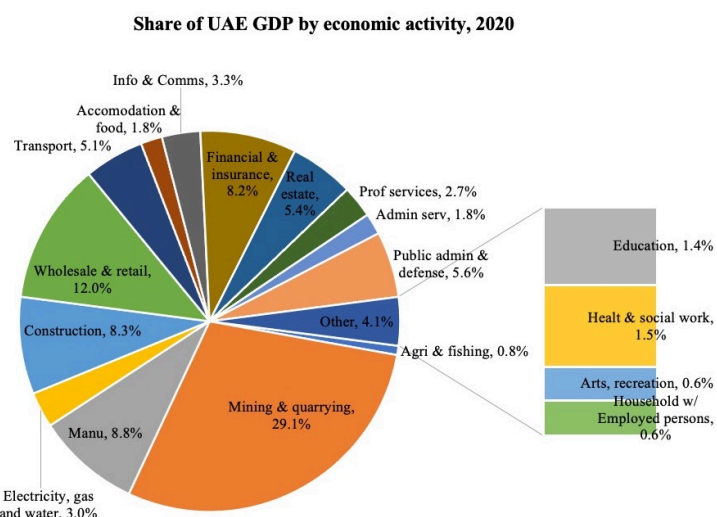
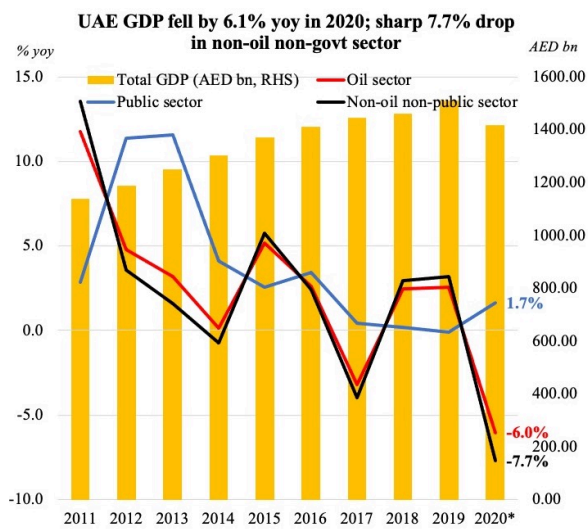
Even though passenger traffic at Dubai's international airport plummeted to 25.9mn in Covid19-affected 2020 (from 86.4mn in 2019), it was ranked the world's busiest airport for international passengers, and passengers are expected to rise to 28mn this year. Anecdotal evidence suggests a surge in tourist visa applications and ticket demand following the **recent announcement of entry for all WHO-approved vaccinated persons into the UAE:** while the 25mn Expo visitors may be a tad too optimistic during an ongoing pandemic, the WHO approval will increase the likelihood and perception of health safety and encourage visitors.

Hosting such mega-events are usually found to be a drain on country or city budgets: to take an example of the recently concluded spectator-free Tokyo Olympics, the official budget by 2019 stood at USD 12.6bn (vs the estimation of USD 7.5bn in 2013) though the audit board places the amount as at least double. In the Expo's case this year, where visitors are allowed entry, they also have to account for additional spending given the Covid19 countermeasures (i.e. costs of testing, adapting to social distancing policies etc.). However, **the economic case for hosting such events is based on**

the increase in economic activity (infrastructure development, job creation and the multiplier effect, event-related revenues), rise in tourists and spending (supported by enhancement to key tourism infrastructure e.g. extension of the Dubai Metro to the Expo, roads to and hotels near the Expo etc.), building the intangible “Dubai brand” as well as other qualitative and social impacts (strengthening trade and business with global counterparts, the “feel-good” factor – more important during a pandemic when trying to return to “normal”).

Expo 2020 has prioritized health and safety guidelines (including a mask mandate), and plans to dazzle the rest of the world with its AI-assisted queue and crowd controls and roving paramedics. A trial period earlier this year saw these practices being tested as residents previewed the area. While this should put visitors’ minds at ease, we expect that the Expo will benefit from UAE residents’ multiple visits (domestic) in addition to those from its major regional and international source countries (India, Saudi Arabia, UK, Russia etc.). Having hosted 2.5mn overnight visitors in H1 2021, and 5.51mn persons in 2020 (of which 3.27mn were in Jan-Feb), Dubai has already gained sufficient experience to safely secure visitors (& manage events during a pandemic – this is just scaling it up many times over!).

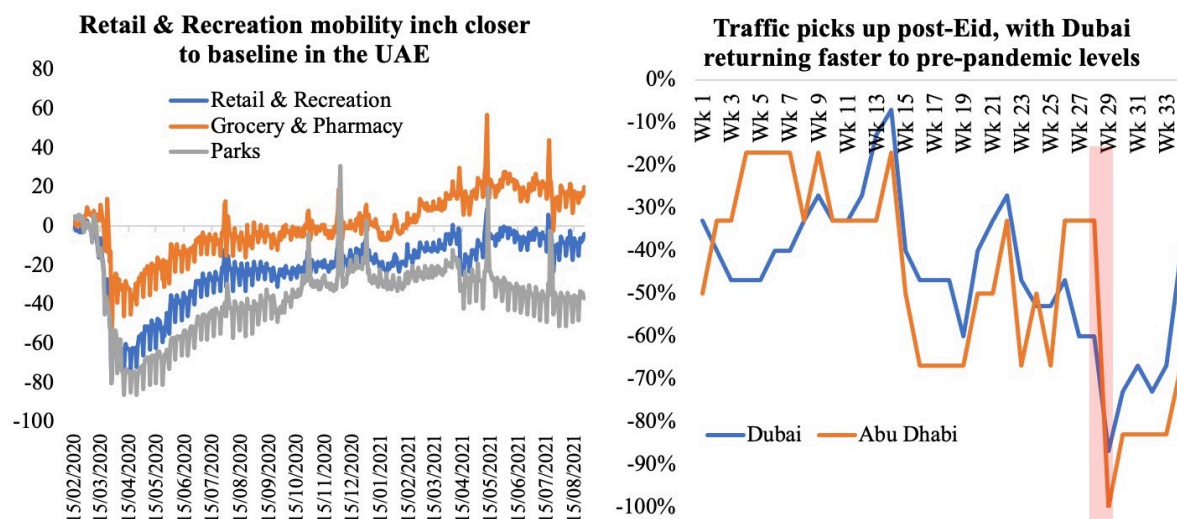
Will the Expo affect UAE’s growth prospects?



In 2020, UAE's growth fell by 6.1% yoy dragged down by a 7.7% plunge in private sector activity. By economic activity, four sectors saw double-digit declines last year: accommodation and food (-23.6%), transport (-15.5%), wholesale and retail (-13.1%), construction (-10.4%). Not surprising considering that these sectors were directly affected by the pandemic. This is in addition to the oil sector which fell by 6%, given compliance with lower production levels agreed by the OPEC+ bloc. However, the UAE's diversification policy measures have meant that the oil sector now accounts for less than 1/3-rd of GDP, thereby lessening the impact of the global slowdown in the demand for oil. However, the sectors it diversified into – including trade, tourism and hospitality – were significantly impacted by Covid19.

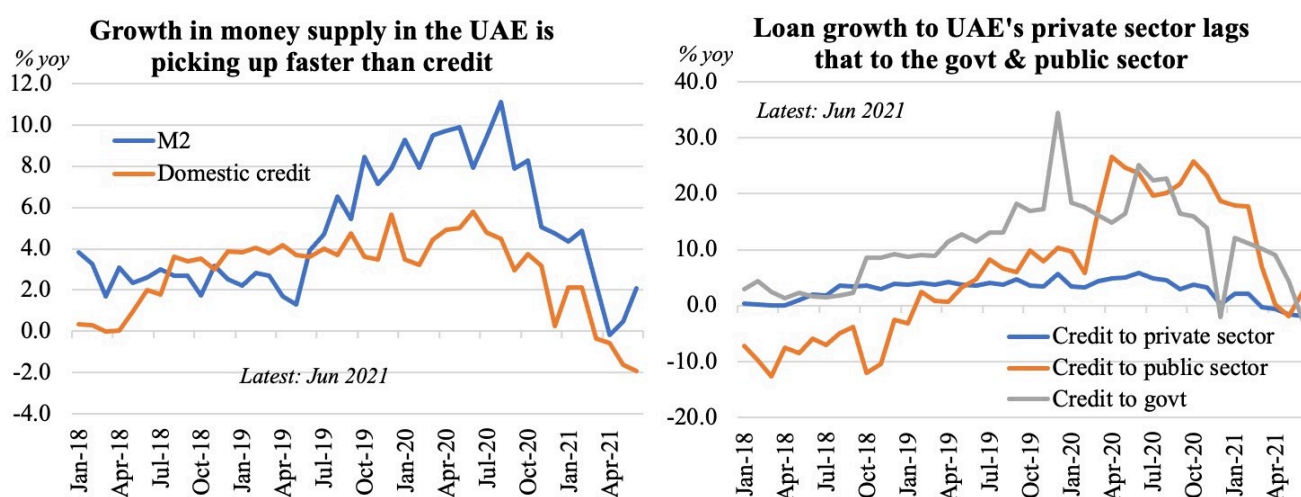
How soon these sectors recover is a critical question. **High immunization rates and the easing of restrictions allowing for tourists' entry, along with the ability to host global conferences, entertainment and sporting events have already boosted the confidence of consumers and businesses.** Consider the UAE's non-oil sector PMI: at 54 in Jul, this was the highest reading since Jul 2019; it has already improved to an average reading of 52.2 in H1 this year vs 50.2 in H2 2021, thanks to the pace of vaccination, improvements in domestic demand and recovery in employment. Tourism numbers and hotel occupancy rates have been picking up, despite having

restricted entry from India (during its Covid19 wave), the UK (since UAE was placed on UK's Red and Amber lists requiring mandatory "quarantine on return") and direct travel from Saudi Arabia still suspended. Higher frequency indicators like mobility, traffic and money supply growth also indicate a broad-based improvement.



Source: Google Mobility Report, TomTom traffic congestion data. Charts by Nasser Saidi & Associates

Notes: Google Mobility baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020
TomTom data shows the relative difference of average congestion levels in 2021 from standard congestion levels in 2019.



Source: UAE Central Bank; Charts by Nasser Saidi & Associates

Some **pain points need to be tackled**, key among them being the dip in loans to the private sector. **Private sector loans**, which accounted for roughly 70% of overall loans in H1 2021, **witnessed a marginal 0.4% growth year-to-date** (till Jun) vis-à-vis the 1.7% uptick in loans to GREs. Furthermore, **funding to SMEs remains trivial**, with the Jun reading at 12.2% of

overall business and industrial sector credit and just 5.9% of overall domestic credit.

Standing at the 1-month countdown to the start of the Expo, the 192 pavilions, around 50k employees (so far) and the related infrastructure are ready to receive the world: a successfully run event will boost Dubai's/ UAE's image as a global frontrunner in safely hosting large-scale events during the pandemic era. **The Expo will act as a stepping stone for potential investors to buy into "Brand Dubai" and move businesses and families into the country.** A long list of recent reforms including visa changes (long-term golden visas, retirement visas, remote visas) and ownership rules (allowing 100% foreign ownership outside the free zones) make Dubai/ UAE an attractive global hub to live, work and play. A successfully managed Expo will only further accentuate this message to the world.

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Does it pay to host the World Cup? Article in The National, 14 July 2018

The article titled “Does it pay to host the World Cup?” appeared in The National’s print edition on 15th July, 2018 and is posted below. Click [here](#) to access the original article.

Does it pay to host the World Cup?

Holding global mega-events – which often have a limited duration – can involve large capital outlays for the host nation

The 2018 World Cup is steaming to a close, with a global build-up of excitement and anticipation. Over a 1.5 billion people are expected to watch the final. World Cup frenzy takes over homes, businesses (with a consequent drop of productivity) and even trading rooms, where volumes decline and sick leave shoots up. Even conservative economists get excited. But economists can also be spoilsports. Despite the euphoria, they ask: does it make sense to host mega events like the World Cup, Olympics or World Expos? Do host countries benefit and do they recoup the investments made?

The arguments for undertaking mega projects and events focus primarily on the direct economic impact. This is the increase in activity and employment in the engineering, procurement and construction sector related to infrastructure spending, along with increased employment and spending in the tourism sector resulting from the inflow of tourists into the country (though this might displace non-event tourism because of congestion costs), as well as an increase in consumer spending during the event.

Research by Vanquis Bank reveals that England fans travelling to Russia for the World Cup and attending all matches would have spent £5,090 (Dh24,643) or 22 per cent of the average UK

annual salary if England had reached the final. FIFA estimates close to 2.6 million fans would have watched the games in Russia by the time it wraps up on Sunday, but this is less than 0.1 per cent of the more than 3.5 billion fans expected to tune in on TV and online streaming.

In addition, there are “intangible benefits”: mega-event hosting nations use the opportunity to demonstrate their ability to undertake complex projects, and build and/or promote their “brand name”. In turn the higher value brand name could attract foreign investment and increased international trade and tourism.

The other immediate benefit in hosting the World Cup is that the host nation automatically qualifies for the tournament (and Russia had a good run reaching the quarter finals), but it also has to include massive tax exemptions for the Fifa association and its corporate partners. Germany, for example, offered Fifa an estimated \$272 million in tax exemptions when it hosted the 2006 World Cup.

Indeed, the biggest winner from the World Cup is not the host country or the winning team (which takes home the 18-carat gold trophy whose current market value is about \$150,000, and \$3m along with prestige and honour), but Fifa. Fifa has become “big business”: broadcasting rights for this year is expected to generate \$3bn in revenue – a 25 per cent uptick compared to 2014’s \$2.4bn. In addition, corporate sponsorships (mostly from Russia itself, China, and Qatar which is hosting the next World Cup) likely brought in a further \$1.6bn in revenue, according to KPMG.

Heavy investment, short duration

Hosting international mega-events like a World Cup or a World Expo, such as the UAE’s Expo 2020, involve large capital outlays: stadiums, sports facilities have to be built, modernised or upgraded along with hotels and lodging for

visitors and participants. Investments have to be made in transport and logistics to move millions of people: roads, trains, stations and airports have to be built or expanded to absorb the high intensity of use due to the influx of millions over short periods.

In addition, there are the increasing and non-recapturable security costs. Russia's World Cup 2018 declared bill of \$14.2bn, is one of the highest spend so far (somewhat lower than Brazil's \$15bn) with most of the money invested in infrastructure (\$6.1bn), stadium construction (\$3.4bn) and transport (\$680m) – and compares to a spending of \$10bn or more by nations that hosted the previous editions of the event.

The Oxford Olympics Study 2016 found that direct sports-related costs for the summer games since 1960 are on average \$5.2bn and for the winter games \$3.1bn. But these costs exclude the wider infrastructure costs like roads, urban rail and airports, which often cost as much or more than the sports-related costs.

The most expensive summer Olympics was Beijing at \$40-44bn and the massively expensive winter games of Sochi 2014 at \$51bn. As of 2016, costs per participating athlete are on average \$599,000 for the summer games and \$1.3m for the winter event, which are higher given the smaller number of events and participating athletes. For London 2012, cost per athlete was \$1.4m; for Sochi 2014, \$7.9m.

Costs and benefits of mega events

The common characteristic of mega international events is that the investments are designed for a specific purpose and for a "limited duration" – running from several weeks for the World Cup or Olympics to six months in the case of World Expos. Historical evidence points towards large budget overruns: over the past 50 plus years, Olympic Games have gone over-budget by

179 per cent on average.

The bottom line is that the short-term benefits from the host country's share of the event, tourism revenues and increased consumption are far outweighed by the heavy costs of event-related investments. In addition, there is an opportunity cost: mega-project investments are likely to crowd out spending towards health, education, social development, and in some cases, basic infrastructure (India's embarrassing experience with the 2010 commonwealth Games comes to mind). Unless the economics change and there is revenue sharing from media and related property rights, it typically does not pay to host a mega-event, despite prestige and the higher value brand name.

Some lessons on hosting mega-events

What are the lessons from experience for countries and cities planning to host a World Cup or other mega-event? One, use and upgrade existing facilities. Two, focus on the legacy: what will become of the new facilities post-event? How will they be used to avoid white camels? Three, focus on and build lasting economic linkages between the event and the domestic economy. Four, sport is increasingly digital. Negotiate a share of the global media (TV and online) and IP rights with the organisers.