

Assessing the Economic Impact of Hosting the CWC 2007 in Antigua and Barbuda



ANTIGUA AND BARBUDA

Ministry of Finance and the Economy

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Outline of Presentation

- General Trends
- Theoretical Issues
- Impact on the economy
- Conclusion

General Trends

- What motivates countries to compete for the opportunity to host sporting events?
- What is the economic impact on an economy from hosting Mega Sporting Events?

General Trends

- Evidence suggest that these mega sporting events have had little no impact on growth of GDP in large host countries. Szymanski (2002)
- This conclusion may not hold for small open economies

Theoretical Issues

- Is short-run analysis using multipliers to calculate the overall effect on the economy sufficient?

Factors that may affect the multiplier:

- Degree of openness of the economy
- Substitution effect

Opportunity cost to public Investments

Theoretical Issues

- Sturges and Brady (2006)

Short-run analysis is insufficient to assess the overall impact since they overlook significant long term benefits

Impact on the Economy of Antigua and Barbuda

Real GDP grew by 12.2 per cent in 2006

- Central Government capital expenditure approximately \$223.0m
- Private sector investment exceeded \$700.0m

Impact on the Economy of Antigua and Barbuda

Infrastructure development continued in 2007

- Roads and Drains
- Upgrading of the V C Bird International Airport.

Impact on the Economy of Antigua and Barbuda

Tourism Industry:

- Room capacity in the hotel industry is expected to increase by 1/3 to 4000 rooms by the end of 2007
- Additional rooms will be added over the medium term

Impact on the Economy of Antigua and Barbuda

What of the opportunity cost of the capital expenditure?

- Roads
- Airport
- Stadium

Impact on the Economy of Antigua and Barbuda

- Infrastructure development along with other initiatives supports the structural transformation of the economy
- The expansion of the economy increases the tax base and hence the growth in tax revenue

Conclusion

The overall impact of hosting the CWC 2007 seems to be positive.

- Contributed to the construction boom in the short run
- Infrastructure development as well as the increased hotel capacity will have a long run impact of growth.