The Road to Rio 2016

Fung Global Retail & Technology is counting down the weeks until the 2016 Summer Olympic Games in Rio de Janeiro, Brazil. The Olympic Games have evolved into one of the best-managed global brand-marketing outlets in the world due to their global reach, and they are one of the largest-scale and most profitable of all media events. We will be tracking developments and news related to business, the economy, politics, retail and technology in the run-up to the Games in August.

CONTEXT

The Summer Olympic Games, taking place August 5–21 in Rio, constitute one of the most highly anticipated global sporting events and are expected to generate record-breaking viewership numbers. According to Nielsen, the Beijing Olympics attracted 4.7 billion viewers over 17 days in 2008. In 2012, NBC’s London Summer Olympics broadcasts were the most-watched television event in US TV history. Thus, all eyes are on Brazil as it prepares to host more than 10,000 athletes and hundreds of thousands of tourists.

Brazil is the first-ever South American country to host the Olympics, and it has faced both challenges and triumphs as it has undertaken rapid and expansive development in order to succeed in its role as host. In this, our first installment in a series of reports on the countdown to the 2016 Summer Games, we take a quick look at the macroeconomic conditions in Brazil and the country’s Olympic budget, then discuss the Zika virus threat, ticket sales and Rio’s preparations in terms of infrastructure.

MACROECONOMIC CONDITIONS IN BRAZIL

According to the Instituto Brasileiro de Geografia e Estatística, Brazil is currently facing:

- Unemployment of 11.2%
- Inflation of 9.3% (April 2016 versus April 2015)
- An exchange rate of US$1 = R$3.58
- A 7.0% decline in retail sales volume in 2016

RIO OLYMPICS BUDGET FIGURES

According to the International Olympic Committee (IOC):

- The 2007 proposed balanced Olympic budget from the Organising Committees for the Olympic Games (OCOG) was US$2.82 billion.
- The 2007 proposed non-OCOG capital investment budget was US$11.1 billion.
- The current operating Olympic budget is R$7.4 billion (US$1.85 billion).
- Total private and public Olympic-associated expenditures have totaled US$10 billion.
THE WORLD HEALTH ORGANIZATION (WHO) REJECTS RIO OLYMPICS POSTPONEMENT

Global publicity regarding the ongoing threat of the Zika virus—a mosquito-borne virus that causes severe birth defects and rare neurological problems—is taking a toll on Olympic ticket sales.

In late May, 150 health experts issued an open letter to the United Nations’ World Health Organization, calling on the agency to delay or relocate the Rio Games due to the “public health threat” posed by Zika. WHO officials replied by stating that there is “no public health justification” for taking such a drastic measure.

Source: Reuters

However, concerns persist. One Olympic athlete, Spanish basketball player Pau Gasol, has announced that he may pass up the opportunity to play in Rio this summer due to the Zika threat. Reigning Olympic tennis champion Andy Murray publicly stated that he would be seeking multiple medical opinions regarding Zika, and said that, if he did go to the Games, he would not stay in the Olympic Village, but in an off-site apartment.

IOC: 67% OF RIO OLYMPICS TICKETS HAVE BEEN SOLD

The IOC confirmed late last week that 67% of available tickets for the Rio Olympics have been sold, and that 2 million tickets remain, with the games two and a half months away. Years ago, it was announced that 7.5 million tickets would be available, but that number has dropped to 6.6–6.7 million tickets, with the exact number depending on the remaining construction to be done and the reduction of venue capacities for swimming, rowing and canoeing. Unexpectedly, of the 2 million unsold tickets, nearly 800,000 are for soccer—Brazil’s favorite sport. Organizers have cited Brazilians’ cultural tendency to “do everything last-minute” as one reason for the lagging ticket sales. For perspective, 11 million out of 11.3 million available tickets were sold for the 2012 London Olympic Games.

Source: Rio2016.com
RIO’S INTERNATIONAL AIRPORT DOUBLES ITS CAPACITY IN PREPARATION FOR THE GAMES

In order to deal with the hundreds of thousands of people flooding into Rio for the Olympics, the city’s international airport, known as Galeão, has nearly doubled its passenger capacity, from 17 million passengers per year to 30 million passengers per year. The airport added a kilometer-long terminal with new x-ray scanners, elevators, check-in desks, parking garages and improved electrical networks. The rest of the airport was revamped as well, in order to make room for 100 new shops and restaurants. The new terminal opened to the public on May 23.

Source: Rio2016.com

RIO DEBUTS METRO LINE 4, CONNECTING THE CITY CENTER AND OLYMPIC PARK

A new metro line, Line 4, linking Rio’s city center, tourist neighborhoods and beach areas to the Olympic Park, embarked on its first trip on May 22. Upon full operation, which begins August 1 (four days before the start of the Olympics), the line will transport up to 300,000 passengers daily, according to the IOC. During the Games, the line will be open only to event ticket holders, athletes and media.

Source: Twitter @metrolinha4rj

According to State Transportation Secretary Rodrigo Vieira, due to delays in construction and budget shortfalls, the train will run less frequently than expected. The line was initially forecast to cost R$5 billion (US$1.4 billion), but is now estimated to have cost about R$9.7 billion (US$2.8 billion).
Deborah Weinswig, CPA
Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Rachael Dimit
Research Associate

HONG KONG:
10th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 2470

LONDON:
242-246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:
1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

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