



# Tokyo Olympics 2020

On course, but with no overseas spectators

- ▶ **The Tokyo Olympics look set to be hosted as planned this summer, but overseas spectators will not be allowed to enter Japan**
- ▶ **The situation remains fluid as Japanese organizers are reportedly considering whether to cap spectators at 50% of the venue capacity**
- ▶ **With little prospects of a rebound in tourism, domestic consumption holds key to the economic outlook and households have large spending power**

## Facts

**On course to be held this year.** After the postponement on 24 March 2020, the Tokyo 2020 Olympics is currently scheduled to be held during 23 July - 8 August 2021. While the COVID-19 pandemic persists across the globe, both the Japanese government and the International Olympic Committee (IOC) remain fully committed to holding the events as planned. To ensure the Olympic games can happen as scheduled and considering safety aspects, the organizing bodies have started to formally alter the specifics of the events.

**No overseas spectators.** The organizing bodies of the Tokyo Olympics formally decided not to allow overseas spectators into Japan on 20 March, due to the prevailing COVID-19 pandemic world-wide. The announcement should have been no surprise to financial market participants, as some type of restrictions in international travel are in place for most countries. Olympic and Paralympic Games tickets purchased by overseas residents will be refunded, with the mechanism to be announced at a later date.

**No substantial cost to refund.** According to the latest Tokyo Olympics budget released in December 2020, the estimated total cost of the event is USD15.4bn, up from USD12.6bn in December 2019, suggesting an estimated cost of the delay at USD2.8bn. According to the latest plan, USD6.7bn (44% of total) will be borne by the Organizing Committee of Tokyo Olympic Games (OCOG), USD6.6bn (43%) by the Tokyo Metropolitan Government (TMG) and USD2.1bn (14%) by the Japanese government. The OCOG runs a balanced budget using proceeds from the Olympic games and ticket sales are estimated to contribute only USD0.8bn. As such, the immediate impact of the reduced spectator size is unlikely to be substantial but who will pay for the shortfall remain unclear at present.

**Situation remains fluid.** Despite a second state of emergency in remaining Tokyo and surrounding three prefectures being lifted on 21 March, the Japanese organizers are reportedly considering a cap on spectators to 50 percent of the venue capacity, in addition to banning overseas spectators, and the decision is likely to be made in April (e.g. Kyodo News on 20 March). Japan has started to inoculate its population against COVID-19 from 17 February and the pace of administration has been accelerating. That said, only 579k doses (0.2% of population for full vaccination) have been administered as of 19 March.

*This is an abridged version of a report by the same title published on 22-Mar-21. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information.*

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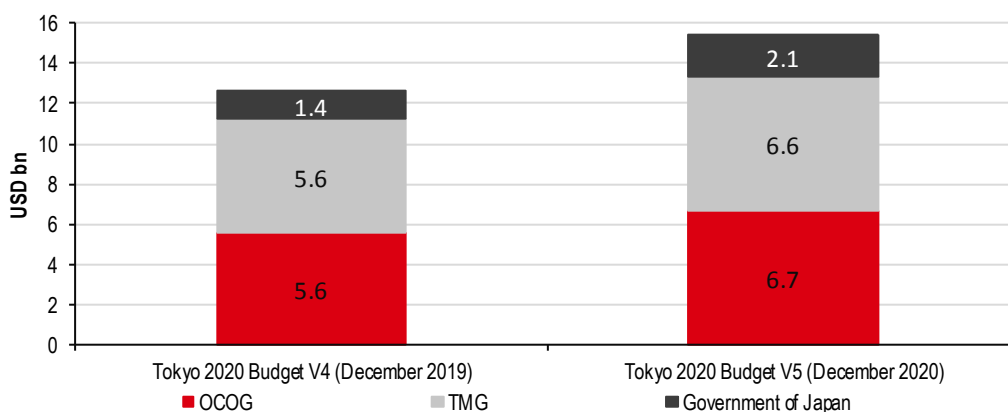
## Implications

Although no overseas spectator will be allowed, the hosting of the Tokyo Olympics this year as planned will certainly be a positive development in Japan. That said, the size of the boost from the Olympic games now looks smaller than previously expected. Indeed, PM Suga vowed to vaccinate the entire population in 1H21 at the beginning of the year. Despite no formal pledge on vaccination ahead of the Tokyo Olympics, this has raised some hope of a rebound in tourism in lieu with the 2020 Olympic Games. The government now looks in no hurry to relax border quarantine measures and the suspension of visa exemptions. On another note, we have previously noted that most of the economic boost from the Olympics related construction projects has been already realised even before the postponement last year and little upside was expected in construction activity this year.

All this means the economic outlook will be heavily dependent on local consumption prospects. Relaxed social distancing measures are certainly a plus, but we believe herd immunity is needed for domestic consumption to meaningfully recover, especially in services. Here, the timing remains uncertain in Japan. Apart from PM Suga's pledge, little details are given on the specific timeline. Also, the inoculation rate remains low. However, the pace of vaccine administration has been accelerating, thus it is too early to determine whether Mr. Suga's pledge will be realised or not.

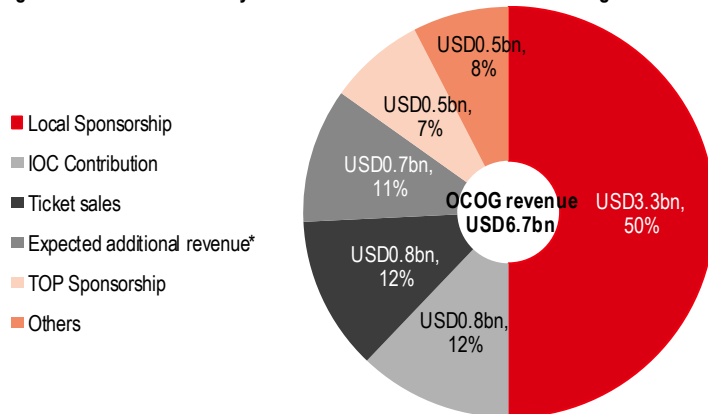
Additionally, we remain cautious on the level of pent-up demand even after herd immunity as Japanese households have a tendency to maintain precautionary savings even after economic downturns. That said, they have additional potential spending power from excess savings last year, according to our estimates. As such, timely vaccination and a successful hosting of the Tokyo Olympic Games this summer, even without overseas spectators, can potentially boost consumer confidence and result in a sizable increase in consumption.

Figure 1: Estimated cost of the Tokyo Olympics by entity



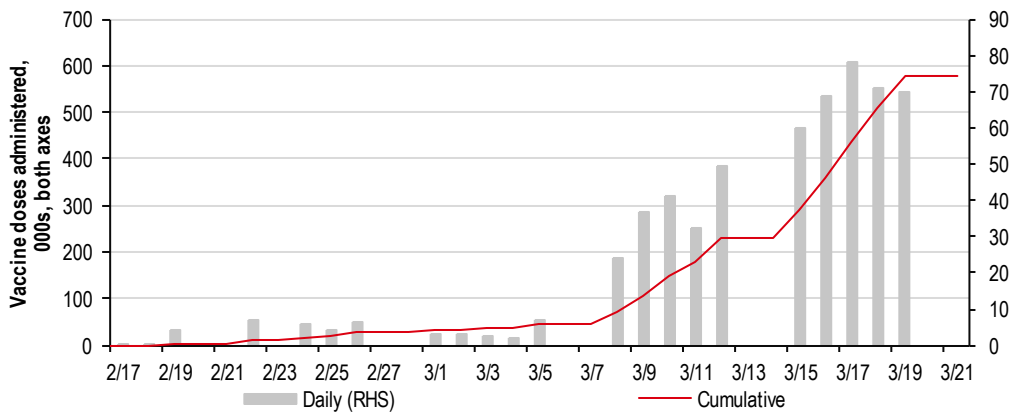
Source: The Tokyo Organising Committee of the Olympics and Paralympic Games, HSBC

Figure 2: Ticket sales are only 12% of OCOG's revenue to cover the designated costs



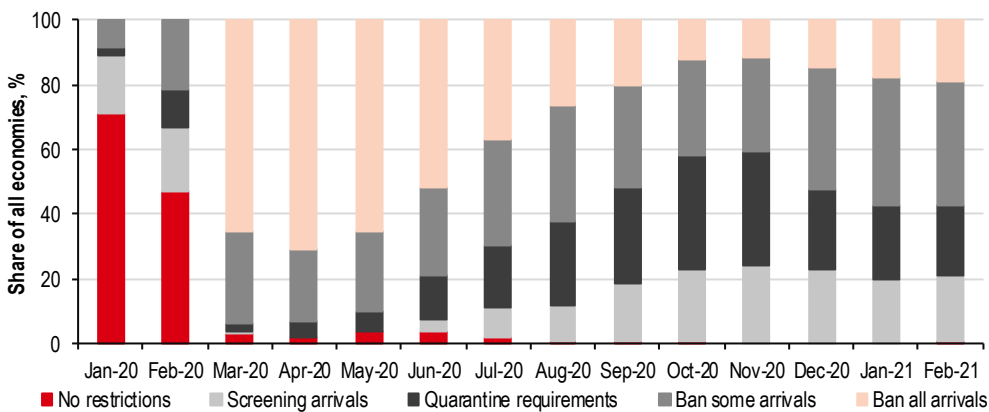
Source: The Tokyo Organising Committee of the Olympics and Paralympic Games, HSBC

Figure 3: The pace of vaccine roll-out has been slow, but it is accelerating



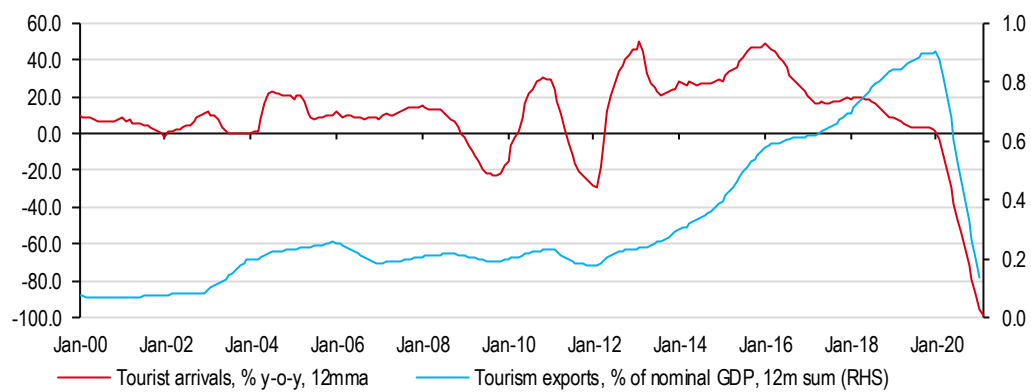
Source: MoHLW, HSBC

Figure 4: Some sort of international travel restrictions are in place in most countries



Source: CEIC, HSBC Note: Data as of the end of each month. Total number of reporting country varies slightly each month.

Figure 5: Tourism is unlikely to rebound anytime soon



Source: CEIC, HSBC

# Disclosure appendix

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