WILL WE SEE AN OLYMPIC BOOST IN KOREAN AIR PASSENGER TRAFFIC?

The past two Winter Olympics both saw significant spikes in passenger traffic during the months of the games, with 165 and 225 thousand more passengers arriving in Vancouver and Sochi respectively than they did in the previous month. In Sochi’s case this represented an almost doubling in traffic volumes, while the impact in Vancouver, where passenger volumes are much higher, was correspondingly smaller. Notably, the spike in Vancouver just lifted traffic back to the levels seen two years earlier during the peak-period of oil prices, whereas the increase in traffic in Sochi was part of a broader upward-sloping trend related to the development of the city as a year-round resort.

So what do the previous games suggest about the impact of this year’s Olympics, which begin today in PyeongChang? Perhaps not much. The net impact of sporting events on economic and tourism activity is not always clear: any boost can be offset by others either delaying their visits or staying away altogether. Korean policymakers have relaxed visa requirements in an effort to boost visitors to the games. In any case, given the scale of passenger traffic through Seoul’s airports, a similar-sized boost to that seen in the past two Olympics would be much less visible in the data this time around.

More generally, any impact is also likely to be small in comparison to the scale of other traffic shocks seen in recent years, such as from the Middle East Respiratory Syndrome outbreak in mid-2015, ongoing geopolitical tensions, and the recent cooling in diplomatic relations with China, which saw Chinese visitors to Korea halve during 2017. Encouragingly, there were signs of improvement at the end of 2017, helped by a thawing in relations with China, strong growth in domestic traffic as well as on the markets to/from Japan and Vietnam. The key point is that it is these underlying issues, as well as economic developments, that will set the tone for traffic in 2018, rather than any short-lived boost from the Olympics.