World Cup Economics 2018

May 2018
A fun but expensive party

Russia and FIFA will host the biggest party on earth this summer and we are all invited. But it comes at a quite a cost.

It may be an over simplification to say that Russia pays and FIFA makes all the money but there is some degree of truth to it. It is hard to find concrete evidence of benefits for the hosts of major sporting competitions beyond the sky high costs, which in Russia are way beyond the entire budget of the Icelandic government this year.

Some interesting facts are among those found in this little report of ours. Including:

• Around 95% of FIFA’s entire revenue in 2015-2018 might be because of the World Cup.

• Despite being run as a non profit organization FIFA has amassed reserves beyond $1.6bn.

• A World Cup in the USA, Mexico and Canada in 2026, might yield profits to FIFA close to the equivalent of what they have made in the last four competitions.

• Investigations because of widespread corruption and financial misconduct has cost FIFA $80m in legal cost alone.

• Adjusting to the fall of the Russian rouble, stadiums are 150% over budget.

• The Russian government will allocate $200m to keeping stadiums operational after the World Cup.

The costs are eye-watering and the party will most likely not pay off economically. So it will better be fun!

Björn Berg Gunnarsson
Director of financial education
The world looks towards Russia this summer

The 21st World Cup will be among the largest to date

Russians beat England, who spent around $30m on their bid, in their effort to host the 2026 World Cup. Joint bids by Belgium and the Netherlands and on the Iberian peninsula were also rejected.

Considerable amounts will be spent on the competition, the second most expensive in history.

Two participating nations have history on their side. Brazil (5) and Germany (4) have won 9 of the 20 cups, 8 times have their representatives won the golden boot and 8 times they have had the best players of the competition.

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**3**
World Cup finals played by Brazil’s Cañú

**5**
World Cups including Lothar Matthäus and Antonio Carbajal

**8**
Times Scotland did not progress from the group stage

**42**
Oldest goalscorer Roger Milla

**17**
Youngest goalscorer Pele

**8**
Number of nations that have won the World Cup

**1bn**
TV viewers during the 2014 finals

**5**
High scorers from Brazil

**7**
Brazilians named the best player of the World Cup

**16**
World Cup goal record Miroslav Klose

**10**
Most goals scored by a current participant Thomas Müller
<table>
<thead>
<tr>
<th>Champions</th>
<th>Best player</th>
<th>Top scorer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil 2014</td>
<td>Lionel Messi</td>
<td>James Rodriguez</td>
</tr>
<tr>
<td>South Africa 2010</td>
<td>Diego Forlan</td>
<td>Thomas Muller</td>
</tr>
<tr>
<td>Germany 2006</td>
<td>Zinedine Zidane</td>
<td>Miroslav Klose</td>
</tr>
<tr>
<td>Japan 2002</td>
<td>Oliver Kahn</td>
<td>Ronaldo</td>
</tr>
<tr>
<td>France 1998</td>
<td>Ronaldo</td>
<td>Davor Suker</td>
</tr>
<tr>
<td>USA 1994</td>
<td>Romario</td>
<td>Stoichkov, Salenko</td>
</tr>
<tr>
<td>Italy 1990</td>
<td>Salvatore Schillaci</td>
<td>Salvatore Schillaci</td>
</tr>
<tr>
<td>Mexico 1986</td>
<td>Diego Maradona</td>
<td>Gary Lineker</td>
</tr>
<tr>
<td>Spain 1982</td>
<td>Paolo Rossi</td>
<td>Paolo Rossi</td>
</tr>
<tr>
<td>Argentina 1978</td>
<td>Mario Kempes</td>
<td>Mario Kempes</td>
</tr>
<tr>
<td>Germany 1974</td>
<td>Johan Cruyff</td>
<td>Grzegorz Lato</td>
</tr>
<tr>
<td>Mexico 1970</td>
<td>Pele</td>
<td>Gerd Muller</td>
</tr>
<tr>
<td>England 1966</td>
<td>Bobby Charlton</td>
<td>Eusebio</td>
</tr>
<tr>
<td>Chile 1962</td>
<td>Garrincha</td>
<td>6 players</td>
</tr>
<tr>
<td>Sweden 1958</td>
<td>Didi</td>
<td>Just Fontaine</td>
</tr>
<tr>
<td>Switzerland 1954</td>
<td>Ferenc Puskas</td>
<td>Sandor Koscis</td>
</tr>
<tr>
<td>Brazil 1950</td>
<td>Zizinho</td>
<td>Ademir</td>
</tr>
<tr>
<td>France 1938</td>
<td>Leonidas</td>
<td>Leonidas</td>
</tr>
<tr>
<td>Italy 1934</td>
<td>Giuseppe Meazza</td>
<td>Oldrich Nejedly</td>
</tr>
<tr>
<td>Uruguay 1930</td>
<td>Jose Nasazzi</td>
<td>Guillermo Stabile</td>
</tr>
</tbody>
</table>
FIFA makes money, Russia pays

FIFA stands to make a USD 3.4bn profit

The overall size of the World Cup has grown considerably over the past decades. As revenue has increased so has cost. Since FIFA takes almost all direct revenue and the hosts cover most of the expenses, this has greatly increased the profits made by FIFA.

There is usually considerable competition among those seeking to host the World Cup. FIFA’s bargaining power is therefore very strong. The association can and does demand tax exemption as well as nearly all revenue from marketing, broadcasting and tickets.

The host nation needs to trust unforeseeable future revenue from tourism and increased economic activity pays off in the long run.

Figure 2. FIFA’s estimated profit from the World Cup
$bn, nominal prices and 2018 prices
FIFA’s accounts are relatively open and accessible, but Russia unfortunately does not seem to be as World Cup accounting is not easily obtainable. Additionally one can debate what should be included in competition related costs.

Russian authorities have stated their total costs well be around $12bn. The Russian treasury will take care of around 60%, municipalities and regions 14% and the rest by private and public companies.

Stadiums costs will amount to around $5.4bn and $5bn should cover transport infrastructure projects. The usual approach among hosts is to consider such construction as investments that will be profitable in the long run. It should therefore not be considered as costs but investments.

This is understandable. It is perhaps unfair to group together the cost of providing security to fans and facilities for referees on the one hand and the final touches on a ring road around Yekaterinburg on the other.

Investing in infrastructure can of course make economic sense but whether or not we should consider it as part of the cost of hosting should at least in part depend on whether we believe those investments would be made non the less.

Are major sporting events needed for politicians to realize the benefits of investing in profitable infrastructure projects? And if they are so profitable, why wait until now?
FIFA demands great stadiums

Stadium construction is a large part of the cost

The demands made by FIFA regarding sporting facilities do not seem to take into account the local need. Highly strict conditions have even resulted in perfectly fine stadiums being reconstructed and changed at tremendous costs. A good example of such changes is the Central stadium in Yekaterinburg.

In 2011 improvements were made, costing close to $90m. In order for the stadium to qualify as a hosting venue at the World Cup, an additional $220m had to be added. Before the changes and the addition of a number of seats, the stadium was on average half empty (or half full). The local club FC Ural has no need for the expansion so 20,000 seats will be removed this fall.

All this cost for four games.

Figure 3. Stadium construction 1990-2022
The stadiums are too large

FIFA’s requirements do not suit Russian football

The minimum capacity of 35,000 seats is well beyond the need of Russian football fans. In the past season 13,000 people have attended top division games on average.

No clubs will play at the Luzhniki stadium in Moscow nor in Sochi. The stadiums in Kazan, Samara, Saransk and Volgograd will furthermore be used in the second or third tier.

The seating capacity in Yekaterinburg (from 35,696 to 23,000), Saransk (from 44,442 to 25,000) and Kaliningrad (from 35,212 to 25,000) will be reduced at the end of the tournament.

To counter the negative effect of excessive stadium size, the Russian government will allocate $200m to keeping them open and in use. This should help them avoid the same fate as Brazilian football after 2014.

**Figure 4.** Average attendance at clubs playing at stadiums, compared to capacity after the World Cup

Reduced capacity at Central, Mordovia and Kaliningrad stadiums is taken into account

<table>
<thead>
<tr>
<th>Stadium</th>
<th>Reduced Capacity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nizhny Novgorod Stadion</td>
<td>4%</td>
</tr>
<tr>
<td>Volgograd Arena</td>
<td>6%</td>
</tr>
<tr>
<td>Mordovia Arena</td>
<td>10%</td>
</tr>
<tr>
<td>Cosmos Arena</td>
<td>11%</td>
</tr>
<tr>
<td>Kazan Arena</td>
<td>19%</td>
</tr>
<tr>
<td>Rostov Arena</td>
<td>22%</td>
</tr>
<tr>
<td>Kaliningrad Stadion</td>
<td>25%</td>
</tr>
<tr>
<td>Central Stadion</td>
<td>31%</td>
</tr>
<tr>
<td>Spartak Stadion</td>
<td>64%</td>
</tr>
<tr>
<td>Saint-Petersburg Stadion</td>
<td>67%</td>
</tr>
</tbody>
</table>
**Figure 5.** World Cup stadiums and the clubs using them after the tournament

<table>
<thead>
<tr>
<th>Stadium</th>
<th>City</th>
<th>Club</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luzhniki Stadion</td>
<td>Moscow</td>
<td></td>
</tr>
<tr>
<td>St.-Petersburg Stadion</td>
<td>St. Petersburg</td>
<td>Zenit 43.222</td>
</tr>
<tr>
<td>Fisht Stadion</td>
<td>Sochi</td>
<td></td>
</tr>
<tr>
<td>Volgograd Arena</td>
<td>Volgograd</td>
<td>Rotor Volgograd 2.537</td>
</tr>
<tr>
<td>Kazan Arena</td>
<td>Kazan</td>
<td>Rubin Kazan 8.582</td>
</tr>
<tr>
<td>Spartak Stadion</td>
<td>Moscow</td>
<td>Spartak 28.839</td>
</tr>
<tr>
<td>Rostov Arena</td>
<td>Rostov</td>
<td>FC Rostov 10.078</td>
</tr>
<tr>
<td>Nizhny Novgorod Stadion</td>
<td>Nizhny Novgorod</td>
<td>Olimpiyets Nizhny Novgorod 1.753</td>
</tr>
<tr>
<td>Cosmos Arena</td>
<td>Samara</td>
<td>Krulia Sovietov Samara 5.123</td>
</tr>
<tr>
<td>Mordovia Arena</td>
<td>Saransk</td>
<td>Mordovia Saransk 2.406*</td>
</tr>
<tr>
<td>Central Stadion</td>
<td>Yekaterinburg</td>
<td>FC Ural 7.209</td>
</tr>
<tr>
<td>Kaliningrad Stadion</td>
<td>Kaliningrad</td>
<td>Baltika Kaliningrad 6.235</td>
</tr>
</tbody>
</table>

**Source:** FIFA, The Guardian, Transfermarkt, AFP 2016-2017

<table>
<thead>
<tr>
<th>Club league attendance 2017-2018</th>
<th>World Cup capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>80.000</td>
<td>47.659</td>
</tr>
<tr>
<td>45.568</td>
<td>45.379</td>
</tr>
<tr>
<td>45.360</td>
<td>45.145</td>
</tr>
<tr>
<td>44.899</td>
<td>44.807</td>
</tr>
<tr>
<td>44.442</td>
<td>44.287</td>
</tr>
<tr>
<td>35.696</td>
<td>35.212</td>
</tr>
<tr>
<td>43.222</td>
<td>64.287</td>
</tr>
<tr>
<td>2.537</td>
<td>45.145</td>
</tr>
</tbody>
</table>
Figure 6. World Cup 2018 stadiums

Red shaded areas roughly represent average league attendance by the teams playing at stadiums after the World Cup.

- **Luzhniki Stadion**
  - Capacity: 80,000
  - Moscow

- **St.-Petersburg Stadion**
  - Capacity: 64,287
  - St. Petersburg
  - Zenit

- **Fisht Stadion**
  - Capacity: 47,659
  - Sochi

- **Volgograd Stadion**
  - Capacity: 45,568
  - Volgograd
  - Rotor Volgograd

- **Kazan Arena**
  - Capacity: 45,379
  - Kazan
  - Rubin Kazan

- **Spartak Stadion**
  - Capacity: 45,360
  - Moscow
  - Spartak Moskva
Figure 7. World Cup 2018 stadiums
Red shaded areas roughly represent average league attendance by the teams playing at stadiums after the World Cup

- Rostov Arena
  Capacity: 45,145
  Rostov FC Rostov

- Nizhny Novgorod Stadion
  Capacity: 44,899
  Nizhny Novgorod Olimpiyets Nizhny Novgorod

- Cosmos Arena
  Capacity: 44,807
  Samara Krulia Sovetov Samara

- Mordovia Arena
  Capacity: 44,442 *
  Saransk Mordovia Saransk

- Central Stadion
  Capacity: 35,696 *
  Yekaterinburg FC Ural

- Kaliningrad Stadion
  Capacity: 35,212 *
  Kaliningrad Baltika Kaliningrad

* After the tournament capacity will be reduced to 25,000 in Saransk and Kaliningrad and 23,000 in Yekaterinburg
White elephants in Brazil

Too large stadiums are nothing new

The 12 World Cup stadiums in Brazil were widely criticized. Why was the club National supposed to take over the 44,000 capacity Amazon stadium when only 400 people attended their games? The stadiums were and are a liability for municipalities and clubs. The largest stadiums, in Brasilia and Rio, were in danger of disrepair and the Word Cup legacy is one of white elephants, constructions without use and too expensive to maintain.

The historic Maracana stadium in Rio was barely maintained after the Rio Olympics. 7,000 seats went missing and an adult movie was filmed in the stands in bright daylight. Clubs have preferred playing at smaller grounds and large structures such as the $200m Pantanal stadium in Cuiaba has mostly hosted squatters recently.

Figure 8. Average attendance 2016-2017 compared to capacity after the World Cup
League games by teams playing at stadiums regularly
### Figure 9. 2014 World Cup stadiums and their clubs

<table>
<thead>
<tr>
<th>Stadium</th>
<th>City</th>
<th>Club</th>
<th>Club league attendance 2017-2018</th>
<th>World Cup capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maracanã</td>
<td>Rio</td>
<td>Brasília FC*</td>
<td>28764</td>
<td>74738</td>
</tr>
<tr>
<td>Estádio Nacional</td>
<td>Brasília</td>
<td>Corinthians</td>
<td>69432</td>
<td>68727</td>
</tr>
<tr>
<td>Arena de São Paulo</td>
<td>São Paulo</td>
<td>Fortaleza / Ceará</td>
<td>14232</td>
<td>60348</td>
</tr>
<tr>
<td>Estádio Castelão</td>
<td>Fortaleza</td>
<td>Cruzeiro</td>
<td>20475</td>
<td>58259</td>
</tr>
<tr>
<td>Estádio Mineirão</td>
<td>Belo Horizonte</td>
<td>Cruzeiro</td>
<td>17201</td>
<td>51708</td>
</tr>
<tr>
<td>Arena Fonte Nova</td>
<td>Salvador</td>
<td>EC Bahia</td>
<td>25422</td>
<td>43349</td>
</tr>
<tr>
<td>Estádio Beira-Rio</td>
<td>Porto Alegre</td>
<td>Internacional</td>
<td>6745</td>
<td>42583</td>
</tr>
<tr>
<td>Arena Pernambuco</td>
<td>Recife</td>
<td>Náutico</td>
<td>381</td>
<td>41112</td>
</tr>
<tr>
<td>Arena Pantanal</td>
<td>Cuiabá</td>
<td>Cuiabá</td>
<td>221</td>
<td>40549</td>
</tr>
<tr>
<td>Arena da Amazônia</td>
<td>Manaus</td>
<td>Nacional</td>
<td>14232</td>
<td>39971</td>
</tr>
<tr>
<td>Arena das Dunas</td>
<td>Natal</td>
<td>América</td>
<td>18510</td>
<td>39631</td>
</tr>
</tbody>
</table>

Source: FIFA, Transfermarkt, Worldfootball, ESPN

* no data available
The sad story of the national stadium

The Mane Garrincha stadium in Brasilia is a good example of unnecessary construction

The wonderful national stadium in Brasilia cost a lot of money. Total costs are estimated around $900m which makes it among the worlds most expensive.

The problem however is the lack of a serious football club in the city. Although it seemed completely normal for the nation’s capital to host games at the World Cup, there was obviously no need for such facilities in the city.

Local real estate authorities have admitted the building of the stadium was a mistake and estimate around 12% of the construction costs to be repaid over the next century. State auditors have made serious allegations regarding the construction.

The stadium has now been leased to an international company tempting to utilize it for non-football related events.

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200%  
Estimated budget overrun

$28m  
Estimated cost due to waste of steel

3/4  
Proportion of Brazilians in 2014 believing there was corruption related to World Cup construction

$300m  
Estimated overpaid costs according to Brazilian audit authorities

$2.3m  
Estimated cost due to paying for the same thing multiple times

$1.4m  
Rent of the stadium plus all maintenance costs

“It is an elephant. But it is colorful, not white.”

- Jaime Recena, chief of tourism in Brasilia
For some reason the budget of major sporting events never seems to go according to plan. In Brazil 2014 the overrun was an estimated 200% and for half a century not a single Olympic Games has been held within budget. The average Olympic overrun has been 150% during that time.

The Russian World Cup in 2018 seems to be heading towards a quite typical conclusion.

It was apparent early on the estimates were overly optimistic. The design of the Central stadium in Yekaterinburg was changed due to local pressure and the state has had to allocate considerable additional funds for the tournament.

Since Russia was handed the World Cup the ruble has fallen by half. Adjusting for that the stadium construction is currently around 150% over budget.
### Figure 11. Average attendance during World Cups

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia 2018*</td>
<td>50028</td>
</tr>
<tr>
<td>Brazil 2014</td>
<td>53592</td>
</tr>
<tr>
<td>South Africa 2010</td>
<td>49499</td>
</tr>
<tr>
<td>Germany 2006</td>
<td>52609</td>
</tr>
<tr>
<td>Japan 2002</td>
<td>42571</td>
</tr>
<tr>
<td>France 1998</td>
<td>44676</td>
</tr>
<tr>
<td>USA 1994</td>
<td>68626</td>
</tr>
<tr>
<td>Italy 1990</td>
<td>48411</td>
</tr>
<tr>
<td>Mexico 1986</td>
<td>46297</td>
</tr>
<tr>
<td>Spain 1982</td>
<td>35698</td>
</tr>
<tr>
<td>Argentina 1978</td>
<td>42374</td>
</tr>
<tr>
<td>Germany 1974</td>
<td>46685</td>
</tr>
<tr>
<td>Mexico 1970</td>
<td>52312</td>
</tr>
<tr>
<td>England 1966</td>
<td>50459</td>
</tr>
<tr>
<td>Chile 1962</td>
<td>24250</td>
</tr>
<tr>
<td>Sweden 1958</td>
<td>24800</td>
</tr>
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<td>Switzerland 1954</td>
<td>36269</td>
</tr>
<tr>
<td>Brazil 1950</td>
<td>60773</td>
</tr>
<tr>
<td>France 1938</td>
<td>26833</td>
</tr>
<tr>
<td>Italy 1934</td>
<td>23235</td>
</tr>
<tr>
<td>Uruguay 1930</td>
<td>24139</td>
</tr>
</tbody>
</table>

*If every seat is occupied during the tournament

Source: DFB

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World Cup Economics 2018
The World Cup and Russia

Why do nations still want to host major sporting competitions?

The financial side of major sporting competitions seems to be capturing the public’s eye for the first time. Over the years scandals have been reported, such as huge budget overruns but lately, following reports of corruption within FIFA and public outrage in Brazil the spotlight has finally reached this fascinating part of the tournaments to any substantial degree.

Promises of financial gains and increased tourism seem to be losing their weight. Before the Montréal Olympics in 1976 the mayor was quoted as stating a budget overrun less likely than a man giving birth. Despite being great fun for the Québécoise people it ended up costing four times the initial budget.

Things have fortunately changed. The reason why Los Angeles and Paris will host the Olympics in 2024 and 2028 is that nobody else wanted to. All other applicant cities withdrew their bids due to public pressure.

In case of a World Cup 2026 in the USA, Mexico and Canada, Vancouver will as an example not host any games due to the unwillingness of city officials to except FIFA’s demand for tax exemption.

Similar financial concerns have resulted in Chicago, Minneapolis and Glendale refusing to be considered.

Despite a fragile economic situation and the fall of the currency the Russian people seem remarkably optimistic when it comes to the effect of the Sochi Olympics and the World Cup.

Football is the second most popular sport on Russian TV, after figure skating and the national side has never been placed lower in the FIFA rankings. Expectations for success on the pitch are therefore modest but locals have high hopes for a spectacle that will benefit the country economically and in terms of their image internationally.
Figure 12. Associated Press survey results among the Russian public in 2014

Perceived impact of the 2014 Sochi Olympics

- Economic impact: Positive effect: 51%, No effect: 29%, Negative effect: 20%
- Russia’s image: Positive effect: 78%, No effect: 20%, Negative effect: 2%

Perceived impact of the 2018 World Cup

- Economic impact: Positive effect: 50%, No effect: 17%, Negative effect: 33%
- Russia’s image: Positive effect: 70%, No effect: 27%, Negative effect: 3%

Economic impact of the 2018 World Cup

- 55 years and older: Positive effect: 43%, No effect: 40%, Negative effect: 17%
- Age 35-54: Positive effect: 52%, No effect: 31%, Negative effect: 17%
- Age 18-34: Positive effect: 54%, No effect: 29%, Negative effect: 17%
- Prefer other sport than football: Positive effect: 46%, No effect: 64%
- Football fans: Positive effect: 64%

Colors:
- Yellow: Positive effect
- Gray: No effect
- Purple: Negative effect
Figure 13. Who is hosting? Human development index of World Cup, Euro’s and Olympic hosts
Compared to the average of all nations at the time of hosting

<table>
<thead>
<tr>
<th>Year</th>
<th>HRD</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>29%</td>
<td>15%</td>
</tr>
<tr>
<td>2016</td>
<td>29%</td>
<td>8%</td>
</tr>
<tr>
<td>2014</td>
<td>30%</td>
<td>16%</td>
</tr>
<tr>
<td>2012</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>2010</td>
<td>33%</td>
<td>-6%</td>
</tr>
<tr>
<td>2008</td>
<td>33%</td>
<td>2%</td>
</tr>
<tr>
<td>2006</td>
<td>36%</td>
<td>31%</td>
</tr>
<tr>
<td>2004</td>
<td>29%</td>
<td>22%</td>
</tr>
<tr>
<td>2002</td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td>2000</td>
<td>43%</td>
<td>39%</td>
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<td>1998</td>
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<td>1994</td>
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<tr>
<td>1992</td>
<td>38%</td>
<td>34%</td>
</tr>
<tr>
<td>1990</td>
<td>34%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: The United Nations
Figure 14. What happened after the tournament? Host nations yearly GDP growth from time of hosting until 2016.

Sources: The United Nations, World Bank.
$38m for the champions

The World Cup winners will bring home 10% of the total prize money

Being successful pays off. Players can expect considerable bonuses based on their progression through the stages but most agreements are confidential. According to various media players representing Spain, Brazil and Australia can expect $1m each in case they loft the trophy, Belgians $740,000, the French $610,000, Germans $430,000 and English $300,000.

With their triumph in the 2014 World Cup German players earned around $370,000 each. The represented football associations also stand to make considerable amounts, as can be seen below.

Figure 15. World Cup winners prize money

Sources: FIFA, Marca, Totalsportek, Goal
Increased contribution to clubs

Associations get the same as before but football clubs will be paid close to $350m

Payments to football associations due to participation and success at the World Cup has remained unchained at real prices since 2010.

New payments have however been added. Teams now get paid a total of $209m due to their players being selected for World Cup squads and $138m has been reserved for compensation in case of injuries.

This means a total of close to $350m will be paid to clubs, more than the entire pool of prize money paid to football associations because of the 2006 World Cup in Germany.

Figure 16. Payments from FIFA to football clubs and associations

$mn – 2018 prices
Progressing pays off

FIFA pays participating associations three times more than during the 2002 World Cup

Increased World Cup revenue partly goes to participating football associations. Winning the World Cup final itself is worth considerably more now than in Germany in 2006 as the composition of prize money depending on progression through the tournament has been changed quite a lot.

Despite increased prize money it does not all end up in the accounts of the football associations as player bonuses are largely based on results.

Players get their share but as previously stated details are for some reason kept secret in most countries.

In case of Germany retaining the cup Die Mannschaft players will pocket a third of the final prize money.

**Figure 17.** Performance related prize money

$\text{m} - 2018$ prices

[Diagram showing performance-related prize money from 1982 to 2018 with different stages of the World Cup highlighted with different colors.]

Source: FIFA
FIFA expenditure changes

More towards football development and less on the World Cup

The governance and running of FIFA has changed somewhat following the departure of Sepp Blatter and related accusations of misconduct. The steady growth of FIFA’s reserves are predicted to stop in the future and funds will to an increased degree be allocated towards the development of international football and other events.

The 2019 women’s World Cup in France will as an example appropriated 60% than in Canada 2015.

In case the budget turns out as projected FIFA’s profit will be a modest $10m in 2019-2022.

Figure 18. FIFA expenditure

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World Cup</td>
<td>2.0</td>
<td>-23%</td>
</tr>
<tr>
<td>Football development</td>
<td>1.8</td>
<td>41%</td>
</tr>
<tr>
<td>Governance</td>
<td>1.0</td>
<td>9%</td>
</tr>
<tr>
<td>Other events</td>
<td>1.0</td>
<td>83%</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: FIFA
Slower revenue growth

Despite FIFA’s revenue multiplying in the past years the growth is slowing down

FIFA’s revenues due to the 2018 World Cup will be an estimated $5.4bn. Broadcasting rights will account for roughly half.

Adjusted for inflation we can see that although the tournament has increased in size over the past two decades the revenue growth has slowed down. 2018 revenue is estimated to be 6% higher than in Brazil 2014.

We will have to wait for the financial results and problems regarding sponsorship might affect the final outcome.

The reason for a large leap in revenue between France 1998 and South-Korea and Japan 2002 is partly due to broadcasting rights for the 1990, 1994 and 1998 World Cups being agreed in advance and in one cheap package.
The World Cup is FIFA's main source of income. A marketable location thus seems to be very important for FIFA at the moment. This helps the joint bid by Canada, USA and Mexico to host the 2026 World Cup as huge amounts of revenue and profit are being promised.

Other revenue hardly matters to FIFA. The infamous FIFA museum in Zurich brings in some revenue but costs twice as much to run as the entire national museum of Iceland. Image rights are also sold to video games but at the end of the day the World Cup is what matters.

This might change in case new $26bn proposals for other tournaments become a reality, but that seems unlikely.

Figure 20. The World Cup as a percentage of FIFA’s total revenue (estimation)
Four year cycles due to World Cups 1998-2018
All marketing rights belong to FIFA

A third of FIFA’s World Cup revenue is a result of marketing efforts

FIFA’s projected revenue from World Cup sponsorship deals is close to $2bn. Closing those deals has however been quite difficult and a source for some concern on the eve of the tournament.

Three kinds of partnerships are on offer. FIFA partners, World Cup sponsors and regional supporters at five defined marketing areas.

As of May 8 one FIFA partner had yet to be signed on in order to reach the maximum. Such partners provide $50m in revenue each. Agreements had been concluded with 5 out of 8 possible World Cup sponsors and only 2 regional supporters were on board, both of them Russian companies.

Figure 21. Largest sponsorship deals of the World Cup 2018
As of May 8th 2018

<table>
<thead>
<tr>
<th>Partnerships</th>
<th>Slots filled</th>
<th>Vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIFA partners</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>World Cup sponsors</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Regional supporters</td>
<td>2</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: FIFA
Some of FIFA’s major partners have decided to part ways with the association in the past years. In some cases the reason is considered to be high profile scandals and misconduct arising around the year 2015. Among those no longer involved are Sony, Johnson & Johnson, Continental and Castrol. Adidas, McDonalds, Coca Cola and others condemned FIFA’s conduct, but continued the relationship.

The World cup’s estimated profit is big enough to allow some failures on the marketing side. However, it should be noted that some companies seem to keep their distance from FIFA, despite the efforts and changes made in the last few years.

<table>
<thead>
<tr>
<th>FIFA partners</th>
<th>World Cup sponsors</th>
<th>Regional Supporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coca-Cola</td>
<td>Budweiser</td>
<td>Alfa-Bank</td>
</tr>
<tr>
<td>QATAR Airways</td>
<td>vivo</td>
<td>Rostelecom</td>
</tr>
<tr>
<td>HYUNDAI KIA MOTORS</td>
<td>Hisense</td>
<td></td>
</tr>
<tr>
<td>adidas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GAZPROM VISA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>万达WANDA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FIFA has amassed huge reserves

As a non-profit entity FIFA has accumulated remarkably large reserves

FIFA’s reserve funds should reach close to $1.7bn after the World Cup. That is similar to the cost of the Icelandic health care system this year.

The funds are primarily invested in relatively low yielding bonds and deposits and have almost doubled in the last decade due to World Cup profits.

Football fans might ask what the point is of these large reserves. $1.7bn could most certainly be used somewhere in football.

Figure 22. FIFA reserves

Source: FIFA
Corruption comes at a cost

Legal cost related to investigations has cost FIFA an estimated $80m

Authorities in the US estimate that bribery related to FIFA amounts to at least $150m. Swiss authorities furthermore claim that former president Sepp Blatter was not authorized to pay former UEFA president Michel Platini over $2m in severance a well as a $1m contribution towards his pension.

Bonuses by Blatter and more FIFA staff are under investigation as in addition to considerable wages he received tens of millions of dollars in bonuses of which about $40m are being looked at. Similar payments towards former FIFA secretary Jerome Valcke have raised some eyebrows, a man who received a reported $20m severance package.

Figure 23. Legal cost related to investigations
As a proportion of FIFA’s governance cost
Most teams are dressed by Adidas and Nike

As always Nike and Adidas lead the pack when it comes to dressing World Cup players. Germany probably benefits the most from their partnership with Adidas which has a 62 year history.

The Germans receive $57m each year, which is, as far as we know, the largest such contract among participating nations at the World Cup.

Nike pays the French side around $49m per year. Competition between the two large kit makers is fierce. In the World Cup year of 2014 each sold football related products for over $2bn, including 2 billion pairs of shoes specifically made by Adidas for the World Cup.

**Figure 24.** Number of participating sides wearing each company's kit

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2014</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adidas</td>
<td>9</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Nike</td>
<td>4</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>PUMA</td>
<td>4</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>4</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Reuters
A short lived party on the stock exchange

The winners and hosts enjoy a short period of over achievement following the tournaments

Does the World Cup affect stock markets? We should probably be careful not to read too much into it but over the past 11 tournaments (back to 1974) some interesting trends can be found when comparing markets in the host and winning nations to the MSCI world index.

The median movement in the first month following the tournaments show some outperformance but considerable underperformance when looking at a full 12 months after the final whistle.

Take the hosts as an example. They outperform other markets by 1.7% in the first month but underperform by 11.2% in one year. Looking at average yields similar results, a 10% difference between 1 month and 12 months.

Figure 25. Stock market performance following World Cups in 1974 - 2014
USD compared to the MSCI world index

1 month 3 months 12 months

World Cup winners Runners up Hosts
Figure 26. Stock market performance in host nations following World Cups
USD compared to the MSCI world index (Argentina 1978 and Mexico 1986 not available. 2002 only Japan)

- Brazil 2014: -32.13% 0.10%
- South-Africa 2010: 4.1% 2.3%
- Germany 2006: -0.5% 18.4%
- Japan 2002: -13.0% 2.0%
- France 1998: -11.2% 0.7%
- USA 1994: 13.7% 1.2%
- Italy 1990: -25.6% 1.7%
- Spain 1982: -43.3% 9.0%
- Germany 1974: 21.8% 5.0%
A cup full of gold

The World Cup trophy weighs 6.5 kg, including 5 kg of 18 carat gold

In 1970 Brazil won their third World Cup and thereby permanent ownership of the Jules Rimet cup. Unfortunately the cup was stolen in 1983 and has been presumed melted down and sold.

A new cup was designed by the Italian Silvio Gazzaniga and first presented to West-Germany captain Franz Beckenbauer at the end of the 1974 World Cup in Mexico.

Should the cup be melted down and sold today the estimated value of the gold would be roughly $160,000, although it would probably be worth a lot more intact.

The gold would only increase the Icelandic gold reserves by 0.2%. In the unlikely event the Icelandic squad has any ideas the resulting international shame would of course not be worth it.

**Figure 27. Value of the World Cup gold**

Thousand USD in 2018 prices

Source: FIFA
The women’s cup has a long way to go

Increased allocation to the women’s world cup

The hosts of the women’s World Cup will keep a large part of the marketing revenue, unlike the Russians this year. The contribution by FIFA is however much smaller, despite changes implemented in coming tournaments.

FIFA will pay a quarter less towards the Qatar World Cup than this year. The 2019 women’s World Cup in France will however receive 60% more than the Canada tournament in 2015.

FIFA’s contribution towards France 2019 will be 8% of Russia 2018. The 2019 tournament is estimated to cost the French $70-90m, considerable less than 1% of what the Russians are spending on the 2018 World Cup.

The revenue FIFA received from the 2015 Women’s World Cup was about $25m but the total prize money was $15m, compared to the $358m paid the year before.

Figure 28. Total prize money at the 2014 and 2015 World Cups

<table>
<thead>
<tr>
<th></th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil 2014</td>
<td>358</td>
</tr>
<tr>
<td>Canada 2015</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: FIFA, Business Insider
Unequal off the field

Adjusted for purchasing power Swiss GDP is 26 times higher in Senegal

Among participating nations Panama enjoyed the most growth in GDP in 2006-2016, at 117.6%. It was lowest in Portugal, 0.3%.

When looking at the 32 represented countries we saw that among those in the 16 highest places on the FIFA rankings GDP is on average 31% higher.

Could we therefore say that richer countries are better at playing football? Probably not, due to the small sampling size. But the lowest ranked 16 teams have enjoyed more GDP growth over the past decade at 44% compared to 30% at the stronger end.

The lower ranked World Cup nations are therefore not as wealthy but they are growing faster.

Figure 29. GDP per person and GDP growth

Among nations representing regional associations at the 2018 World Cup

Source: World Bank
Figure 30. GDP and FIFA rankings (April 2018)

$ Thousands

16 highest on the FIFA rankings
GDP per person +31% on average
Adjusted for purchasing power +17%

16 lowest on the FIFA rankings

Source: World Bank
Figure 31. GDP in 2016 and GDP growth 2006-2016

- GDP per person (left)
- GDP per person PP adjusted (adjusted)
- GDP growth 2006-2016 (right)
Figure 32. GDP in 2016 and GDP growth 2006-2016
Figure 33. GDP in 2016 and GDP growth 2006–2016

- GDP per person (left)
- GDP per person PP adjusted (adjusted)
- GDP growth 2006–2016 (right)
**Figure 34.** GDP in 2016 and GDP growth 2006-2016
Figure 35. GDP in 2016 and GDP growth 2006-2016
Figure 36. GDP in 2016 and GDP growth 2006-2016
Figure 37. GDP in 2016 and GDP growth 2006-2016

Group G

GDP per person (left)  GDP per person PP adjusted (adjusted)  GDP growth 2006-2016 (right)
Figure 38. GDP in 2016 and GDP growth 2006-2016
What next?

More teams and more money

The World Cup is changing. In 2022 the participating nations might be 48 instead of 32 and it will be hosted in wintertime. On June 13 representatives of all FIFA member associations cast their vote towards Morocco or a joint bid in Canada, the US and Mexico for hosting the 2026 World Cup. The bidding process is supposed to be more professional and transparent than before but despite efforts to that effect the vote is still highly political. Countries will group together. It is assumed that all African nations will support the Moroccan bid but the Americans have tried to appeal to FIFA by promising eye watering profits.

Figure 39. FIFA World Cup profits and projected 2026 profits by the US association

$bn in 2018 prices

<table>
<thead>
<tr>
<th>An American World Cup</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last four cups</td>
<td>2.7 2.6 2.7 3.4</td>
</tr>
</tbody>
</table>

Sources: BBC, FIFA, The Guardian
A part of the restructured bidding process following the scandals of past years is a more structured evaluation system. Transparency, human rights, sustainability and objectiveness are emphasized.

Money is as before extremely important. The valuation seen below, which both bids passed, has 30% of the weight on the financial side, but when it comes to voting who knows?

The hosts will not have an easier job as demands are still very strict. The minimum capacity of stadiums will be 40,000 and the opening games and finals will be at stadiums capable of seating 80,000 people. Only 26 such football stadiums exist in the world today (not counting other stadiums that could be converted). Pretty much all revenue will still go to FIFA and costs will be carried by the host nation and its taxpayers.

Figure 40. A new bid evaluation structure
Financial aspects and infrastructure

Source: FIFA
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