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THE SOCIO-ECONOMIC IMPACT OF FOOTBALL

G20 ARGENTINA

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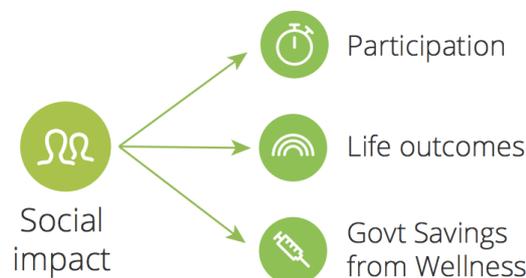
THE SOCIAL IMPACT OF FOOTBALL

Football should be regarded as a world cultural heritage. Over the last 150 years, it has truly become the ultimate global sport. Football crosses origins, social classes and, more and more, even gender. Such heritage should be protected, nurtured and developed. This is the very reason of FIFA's existence.

To varying degrees, football exists in all countries of the world. By stimulating participation and social interactions, it plays a crucial role in human welfare. Today, about 40 million people play football as part of an official team at global level, with G20 Buenos Aires summit's participants accounting for 82% of the total. Germany, the US and France are the countries that contribute with the highest number of registered players. However, Australia, Brazil and Japan makes it four confederations (or five continents) represented in the top 10, reaffirming football as a unique global phenomenon. Every year around 15 million official matches are organized worldwide, nearly 300,000 per weekend, with numbers including informal practice being at least five times higher than that.

As such, governments around the world should promote sport and football alongside national associations. Figures suggest that there is still extraordinary potential for growth. If participation rates across all regions of the world were to be the same of those recorded in Europe, the total number of registered players would reach 250 million people. Football's population would be comparable to that of the fifth biggest nation in the world.

Figure 1: Social impact outcomes. Source: Deloitte



Nevertheless, the social value and benefits of football in all its versions go beyond simple participation rates. The social exchanges and interactions stimulated by the game are incredibly rich and widespread. During the 2018 World Cup, FIFA digital channels attracted a record 13 billion views. The number of followers on FIFA official social media grew by 146% since 2014 to reach a total of 133 million, a number which is close to the populations of Russia or Japan.

Based on a recent study, the FIFA World Cup is the most popular sporting event at global level, as 91% of the respondents of the survey declared to be familiar with it. Awareness and appeal scores above 95% were recorded in Argentina, Brazil, Indonesia, Russia and Spain, whereas China and India also delivered impressive numbers, certifying the outstanding potential for substantial development in grassroots participation. Furthermore, current numbers are likely to significantly improve in countries such as the US and Canada, as the joint organization of the 2026 FIFA World Cup with Mexico will provide a unique opportunity to develop the sport.

As football enjoys remarkable participation rates, data on TV and media audiences are equally impressive. An estimate of slightly more than half of the global potential audience watched at least 20 consecutive minutes of the 2018 FIFA World Cup, the highest percentage ever registered. The tournament recorded more than 4 billion viewers. Average live audiences grew by 10% compared with the previous edition of the event.

An independent study conducted in 18 major markets has identified football as the sport with the highest number of fans, with numbers clearly on the rise. In Chile, Mexico, South Africa, Spain and Turkey the percentage of population interested in football is above 70%. Moreover, between 2013 and 2017, significant increases were reported in India, where the portion of population following football went up from 30% to 45%, in China and in the US.

Finally, shares of population interested in football are particularly high in the range between 16 and 24 years of age, confirming that the increase in popularity is far from reaching its tipping point. More than half of the people surveyed within this age range in India, Mexico, Russia and the US declared to be either 'interested' or 'very interested' in football, whereas this percentage sits at 42% in the case of China.

As nowadays the social value and implications of football across the world are certainly huge, even greater is the potential yet to be developed. By working alongside sporting authorities, political forces may provide the essential support required to fully take advantage of these unexplored opportunities. This joint effort would pay dividends not only from a social point of view but also from an economic standpoint.

THE ECONOMIC IMPACT OF FOOTBALL

In addition to its vast social implications, football has developed over recent decades into a truly multinational industry operating across every continent and in at least 211 countries in the world. With a total gross output estimated at around 200 billion USD - of which one-third is generated outside of Europe - the industry of football has continuously grown in size over the past decade. Such a phenomenon is even more remarkable considering the serious difficulties the global economy faced during those same years, most notably with the financial crisis originating in 2007. By growing at an impressive pace even when most of the other sectors of the economy were struggling, football has proved itself as an independent and self-sufficient industry that is able to connect with and tap into the passion of millions of fans and practitioners around the world.

Nowadays, federation, clubs, leagues, and other football stakeholders are seeking financial resources to attract supporters, enhance their competitiveness and sustain their success. Those resources are generated by a wide spectrum of activities, from the sale of broadcasting rights and merchandising to the construction of new stadiums to increase revenues streams. While supporting and developing the sport, these activities also involve other industries such as hospitality, transport or construction. Eventually, football as a whole is highly important economically on a global scale, thus substantially adding to the gross world product (GWP).

In the year 2017, football generated around 130 billion USD of gross value added (GVA) to the global economy. As such, football is effectively the 57th largest economy in the world. To put things into

perspective, these numbers are similar to those estimated for Apple Inc., a company that has recently received extensive media coverage for being worth over 1 trillion USD. Overall, participants to the G20 Buenos Aires summit account for about 91% of the total football GVA. In terms of geographical distribution, Europe takes the lion's share as the ratio compared to the rest of the world is estimated to be around 72-28. However, the potential yet to be explored in major football's growth markets outside of this continent suggests that the economy of the game may be moving towards a more balanced scenario.

Figure 2: Economic impact outcomes. Source: Deloitte

Direct Outcomes

Spend by...

- Spectators
- Participants
- Teams
- Businesses
- Sponsors
- Governments



On...

- Match tickets
- Broadcasting
- Sports retail
- Sponsoring
- Advertisements
- Sports facilities

Indirect Outcomes

- Sports media
- Sports medicine
- Sports F&B
- Transport
- Logistics
- Hotels & Catering

- Retail
- Broadcast
- Sports health
- Sports construction
- Manufacturing
- Professional services

Induced Outcomes

- Spend by consumers back into the economy:
- General goods & services
- Utilities
- ...

Based on current forces, football also plays an important role in the redistribution of wealth between different continents and regions of the world. Significant resources are transferred each year from the richest countries in football to those that are less developed, including in the context of acquisitions of player rights. Over the last two years 1.1 billion USD were spent by European clubs to sign players from outside the continent. By coincidence, during the same period of time South American teams received around 1.1 billion USD from clubs belonging to other confederations, whilst in the case of Africa the total received was of 109m USD. In addition, FIFA distributes each year large part of its revenues, mostly generated through the organization of the World Cup, to the affiliated confederations and 211 member associations. For the years 2016 and 2017 alone, the African region was entitled to 183m USD in development funds as part of the FIFA 'Forward' Programme, whereas 46m USD were earmarked for CONMEBOL and its member associations.

Although impressive, all the figures above only partially represent the economic potential of the football industry. There are reasons to expect further and continuous growth over the next years. First of all, in recent years football has grown at a much more rapid pace than the global economy. Several estimates indicate football's compound annual growth rate for the past eight to ten years being around 6%-7%, a value that is approximately double that observed for the global GWP. If this scenario remains unaltered, football's contribution to the global economy is set to significantly increase.

Perhaps even more interesting in terms of growth potential is the fact that the US and China, by far the two largest economies in the world, are currently underdeveloped in strict football terms. As these two countries together account for nearly 40% of the global GWP, their contribution to football's GWP is less than 10%. The opportunities and the impact that may derive from these two markets are huge, as both nations have already implemented strategies intended to boost their domestic football. With its professional league already experiencing increasing success, football in America will reach new levels in 2026, when the country will co-host the FIFA World Cup together with Canada and Mexico. In China the government has unveiled a strategy, with football at its center, to create an 800-billion-dollar sports industry by 2025.

Whilst the exact impact of such strategies is difficult to determine, it is possible to predict possible outcomes. By only achieving the same percentage of registered players observed in major European countries, the US and China would contribute with additional 10 billion dollars to the football GWP. As this would likely be coupled with an increase in the income streams generated by the national leagues, the total effects could potentially be much higher and result in additional 25 billion dollars compared to the current scenario. Finally, although an ambitious objective, if football's contribution to the domestic GDP in US and China would be the same of countries like Germany, England and Spain, the total GWP of football could be over 300 billion dollars.

The future of the football industry looks bright. Total revenues generated within the industry have more than doubled over the last decade and are expected to continue growing. Moreover, there are segments of the game whose potential is currently almost unexplored. Women's football, for example, has proven in recent years its ability to attract millions of supporters and have a positive impact in host countries in occasion of big international tournaments. As the professionalization process of this version of the game is still at the beginning, both FIFA and UEFA have recently unveiled comprehensive strategies to take it to the next level. As a simple exercise, if women's football were to reach in ten years one third of the value of today's men's game, this would result into additional USD 40 billion in global football's GWP.

Both from a social and an economic perspective football provides unparalleled opportunities to improve the lives and conditions of millions of people around the globe. Within this context, close collaboration between public authorities and football's governing bodies, both at national and international level, is crucial for this potential to be fully achieved.

Definitions

GROSS OUTPUT: Measures the total output generated by the existence of the football industry. It reflects all the revenues generated over the whole supply chain.

GROSS VALUE ADDED (GVA): Measures the value of goods and services produced minus intermediary consumption. This is a better measure of an industry's contribution to GDP.



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