

With the 19th FIFA World Cup final taking place in Sunday, Lloyds TSB has looked back at the last five World Cups since 1990 to see whether the 'feelgood factor' generated by a successful World Cup campaign is translated into improved economic performance. The analysis compares the change in consumer spending and real GDP growth in the year before and after a World Cup among those countries that reached the semi finals. Please note that in addition to any 'feelgood' factor there are a number of important drivers of consumer spending which are not assessed in this research (see editors' notes for details).

## WORLD CUP AND THE ECONOMIC 'FEELGOOD FACTOR'

**New research by Lloyds TSB suggests that countries that enjoy a successful World Cup campaign could see their economy reap the benefits of an economic 'feelgood' factor.** The research, which compares the change in consumer spending growth in the year before and after a World Cup among those nations that have reached the semi-final stage in recent tournaments, shows that **consumer spending has tended to be higher in the period following a successful World Cup.**

- Brazil, beaten finalists in 1998 saw consumer spending rise by 8.5% - almost three times the growth rate pre-World Cup (3.3%) – in post-World Cup year. The 5.2 percentage point improvement in Brazilian consumer spending growth was significantly higher than for any other country reaching the last four of the tournament over the period.
- Amongst past winners, Germany (West Germany in 1990) saw consumer spending growth almost treble in the year after their victory in 1990 (1.3% to 3.6%).
- However, England's only appearance amongst the final four of a World Cup over the period coincided with a sharp contraction in consumer spending; from 2.5% to just 0.3% in the year that followed the Italia '90 as the UK economy entered recession.

**Since 1990, consumer spending has grown by an average of 5.3% among semi-finalists in the year following a World Cup;** an improvement of 1.1 percentage points on the average rise in the year leading up to the World Cup (4.2%), as the 'feelgood' effect of World Cup success possibly encourages buoyant consumers to spend more.

**Sadly, the apparent consumer spending boost from the World Cup is not reflected in the performance of the wider economy.** Real economic growth in the countries that have made it to the last four of the World Cup has, on average, been weaker in the year following the World Cup (2.8%) compared to the average pre-World Cup year growth rate (3.3%).

**Suren Thiru, Lloyds TSB economist, commented:**

"Consumer spending growth tends to increase in countries that have had an outstanding World Cup campaign. While a sizeable proportion of this rise will be due to other important drivers of consumer spending, the extent of the improvement in

the period after a successful World Cup suggests some of the increase may be due to the 'feelgood' factor associated with national sporting success."

"History suggests that even if England had made it all the way to the final, there would probably have been no discernible impact on the performance of the wider economy."

## ADDITIONAL KEY FINDINGS

### Consumer spending boost after a successful World Cup...

- **Four out of the last five World Cups have been followed with an improvement in the rate of growth in consumer spending in those countries that reached the semi-finals.** There was no improvement in consumer spending growth after Italia '90.

### ...but World Cup effect not reflected in the wider economy

- The only improvement in GDP among countries reaching at least the semi-finals since 1990 was after the 1998 World Cup when hosts France beat Brazil to become the first host winners since 1978.

**Table 1: Average annual consumer spending and GDP growth, World Cup semi finalists**

|                | Annual consumer spending growth |                | Annual GDP growth |                |
|----------------|---------------------------------|----------------|-------------------|----------------|
|                | Pre-World Cup                   | Post-World Cup | Pre-World Cup     | Post-World Cup |
| 1990           | 1.9%                            | 1.9%           | 1.1%              | 0.1%           |
| 1994           | 8.6%                            | 10.7%          | 2.4%              | 1.4%           |
| 1998           | 3.7%                            | 5.4%           | 3.6%              | 4.8%           |
| 2002           | 5.4%                            | 6.4%           | 7.1%              | 5.4%           |
| 2006           | 1.6%                            | 2.0%           | 2.4%              | 2.2%           |
| <b>Average</b> | <b>4.2%</b>                     | <b>5.3%</b>    | <b>3.3%</b>       | <b>2.8%</b>    |

Source: Datastream

## EDITORS' NOTES:

### **World Cup Semi Finalists 1990-2006:**

1990 FIFA World Cup Italy:

Winner: West Germany, Runners-Up: Argentina, Third: Italy, Fourth: England.

1994 FIFA World Cup USA:

Winner: Brazil, Runners-Up: Italy, Third: Sweden, Fourth: Bulgaria.

1998 FIFA World Cup France:

Winner: France, Runners-Up: Brazil, Third: Croatia, Fourth: Holland.

2002 FIFA World Cup Korea/Japan:

Winner: Brazil, Runners-Up: Germany, Third: Turkey, Fourth: South Korea.

2006 FIFA World Cup Germany:

Winner: Italy, Runners-Up: France, Third: Germany, Fourth: Portugal.

**Data Sources & definitions:**

Historic World Cup results – Official FIFA website: <http://www.fifa.com/index.html>

Gross domestic product (GDP) and consumer spending (1989-2010, quarterly data). Source: Datastream. The average annual growth rate (1990-2010, where available).

**Methodology:**

The analysis compares the change in consumer spending and GDP growth in the year before and after a World Cup among those countries that reached the semi-finals. To maximize data availability, GDP and consumer spending data has been sourced on a quarterly basis and with the semi final and finals of a World Cup taking place in July (with the exception of World Cup 2002), the analysis compares performance in the year pre and post the third quarter of World Cup year.

The countries included in the research are Brazil, England (UK), France, Germany, Holland, Italy, South Korea, Sweden and Turkey. Semi finalists Argentina, Bulgaria and Croatia have been excluded from the analysis due to the unavailability of data at the time of their appearance in the last four of the World Cup. Also, some of the countries that have been in more than one semi final over the period (e.g. Brazil) have been excluded in some instances due to the unavailability of data.

**In addition to any 'feelgood' factor there are likely to have been a number of other factors driving changes in consumer spending growth.** For example, much of the lack of improvement in consumer spending growth after the 1990 World Cup will have been due to a number of countries, including the UK, entering recession. Also, much of the rise in Brazilian consumer spending growth in the year following the 1998 World Cup will have been to generally strong economic conditions in many countries, including Brazil which recorded a 6.3% increase in GDP.

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