

Economics behind FIFA World Cup

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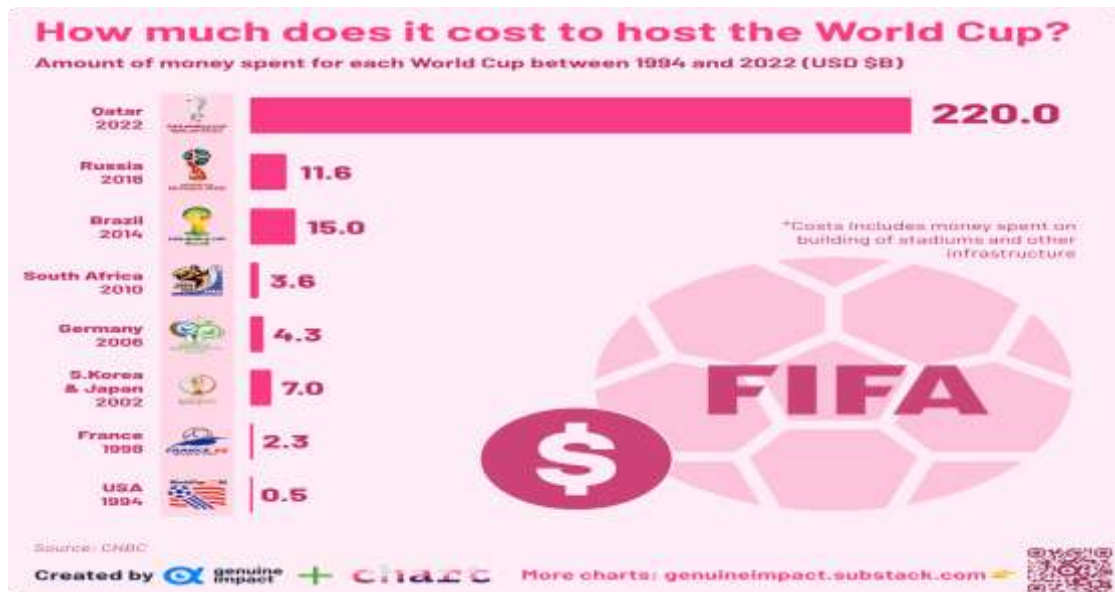
Introduction: -

FIFA World Cup, one of the most prestigious tournaments is hosted once in every four years. The 2022 FIFA World Cup was the 22nd edition of the World Cup which was held in Qatar, and it was the first time ever the tournament was being hosted in a middle east country.

Costs of Hosting the World Cup: -

The host country has to allocate a sky-high budget for the world cup. The host country has to spend the money to build stadiums, hotels for players and fans, restaurants, the overall city development etc.

The following image shows the amount spent by the host nations of the world cup (1994-2022) in US Billion Dollars



Source:

https://www.google.co.in/url?sa=i&url=https%3A%2F%2Fwww.reddit.com%2Fr%2Fdataisbeautiful%2Fcomments%2Fydv163%2Foc_cost_of_hosting_the_world_cup%2F&psig=AOvVaw0J-VLUhCObbnCXushJDhz&ust=1672048753949000&source=images&cd=vfe&ved=0CBEQjhxqFwoTCLiLrZLBIPwCFQAAAAAdAAAAABAE

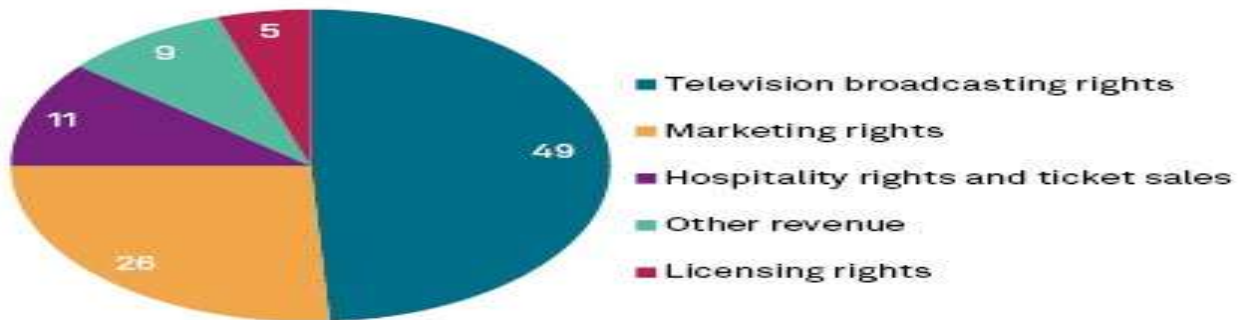
Revenue Streams

The revenue streams of the tournament are primarily through three sources- ticket sales, advertising rights, and broadcasting rights. All the three sources of earning go directly to FIFA. FIFA provides a small sum of money to the host nation.

The host nation earns primarily through tourism. The hotel prices go up during the world cup season due to high demand.

The following image shows the revenue stream of FIFA

FIFA revenue mix, 2015-2018 (%)



Data compiled October 2022.
Sources: Industry data; Kagan estimates.
Kagan, a media research group within the TMT offering of S&P Global Market Intelligence.
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Source:

https://www.google.co.in/url?sa=i&url=https%3A%2F%2Fasianmail.in%2F2022%2F11%2F21%2Fdata-r-fifa-world-cup-revenue-expected-to-surpass-all-previous-records%2F&psig=AOvVaw1m5-CskHpyIDmu15UIQr_2&ust=1672050565536000&source=images&cd=vfe&ved=0CBAQjhxqFwoTCNDRt_HHIPwCFQAAAAAdAAAAABAJ

Opinions and Recommendations

- Countries that are willing to host the world cup generally expect the long-term benefits of hosting. They expect that the audience would visit in future too and hence they leave no stone unturned for organizing the world cup.
- The countries that do not have a strong football infrastructure has to spend huge amount to construct stadiums. The recent edition of the world cup was the most expensive FIFA world cup. The host nations generally do not benefit from the tournament. Hosting a world cup has a major economic impact of the host nation.
- The duration of the world cup is usually one month; post which the stadiums that were built are not of much use. FIFA should host small tournaments in those nations over a span of few years to ensure the revenue source flowing for the nations.
- FIFA should go with multiple nations hosting the tournament. This would ensure that a single nation is not spending too much for the tournament and the infrastructure burden of hosting the world cup is divided among nations. The 2026 FIFA World Cup will jointly be hosted by three nations- USA, Mexico, and Canada. FIFA should ensure that such a practice is followed in future too.
- FIFA must increase the profit-sharing ratio with the host nations. This will benefit the host nation and encourage more nations to participate in bidding to host the world cup.
- If some developing nation is willing to host the world cup and FIFA grants them the hosting rights and they do not co-host the world cup, it can lead to the nation acquiring huge debts. FIFA should

ensure that the countries that are in a race to host the tournament follow a proper funding model for the world cup.

Socio-Economic issues of hosting the world cup

It can often happen that if a small nation is hosting the world cup, they might have to create a huge infrastructure in a limited area of land and resources available. This can cause congestion problems in the cities and at times can lead to deforestation.

Solution: -

As previously stated, FIFA should follow the multiple hosting nations theory.

Conclusion: -

Overall, the cost of hosting the world cup is far high for the nations than the revenue it earns and hence the economic impact of the world cup is not in favour of the host nation.

References:

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