

## World Cup Fever – Germany Balances the Books

As 2010 World Cup fever continues to climb, South Africa may be wise to temper its expectations as Germany balances the final books on its own World Cup and discovers the post-match coffers are not quite as full as predicted.

Shortly after the announcement in May 2004 that South Africa would host the 2010 FIFA World Cup, it was predicted that the country could expect R21,3 billion to be pumped into the economy. The latest predictions place that amount at R30 billion, resulting in an estimated 150.000 new jobs created. The impact that this will have on the South African economy is being touted as “enormous”, spurring economic growth to between 5 and 6%, and everyone — from the tourist trade to the property industry — is breathless in anticipation. But are we expecting too much?

One year post the hosting of the last World Cup, Germany is finalising its own balance sheets on the event and finding that — while the event no doubt boosted national pride, PR and patriotism — it has had virtually no impact on the economy as regards short-term growth and employment.

In a report released by the German Institute for Economic Research (DIW), authors Karl Brenke and Gert Wagner called the World Cup’s contribution to economic growth “negligible”, noting that expectations before the event that it would contribute significantly to increased spending were overly optimistic.

Prior to the event, a study conducted by the German Chamber of Commerce and Deutsche Postbank predicted a boost to the German economy of €10 billion (R95 billion), equivalent to 0,5% of the country’s total domestic product, and the creation of between 10.000 and 20.000 new, permanent jobs.

The reality, according to the report released by DIW, shows the economic growth resultant from the event to be 0,25% – half the expected amount.

Another study, conducted by the University of Hamburg, reveals similar results for retail turnover, tourism and jobs. As reported in *Der Spiegel*, retail trade in fact dipped significantly during the two months of the event, owing to what economists Wolfgang Maennig and Florian Hagn termed the 'couch potato' effect, as Germans stayed home to watch matches on television.

As far as tourism is concerned, conflicting reports arise. While there are reports that domestic and foreign tourists who came for the games spent €500 million (R4,8 billion) on goods and services and temporarily boosted hotel and other accommodation rates, this should be offset against the tourists who specifically stayed away during the World Cup and who would normally have boosted the coffers during the popular summer holiday season. Munich and Berlin, for example, reported decreases in tourism figures of between 11 and 14%.

The results come as no surprise to sports economist Markus Kurschiedt of the Ruhr University of Bochum, who — together with the authors of the DIW — had conservative expectations of the World Cup before it even began, as reported in an article published by *Deutsche Welle*.

Drawing on the example of the World Cup held in 2002 in Japan and South Korea, before which economists predicted huge profit figures that were supposed to overhaul the economies of both countries, Kurscheidt notes: "One month of partying can't be a rainmaker for the entire year."

However, continues Kurscheidt, this did not mean that the World Cup had no effect whatsoever: "The most important outcome of a great sports event on the scale of an Olympics or World Cup is its public relations value."

There were, however, some who benefited hugely from the World Cup. The main beneficiary was international soccer federation FIFA and the German Soccer Association DFB, who respectively cashed in €187 million (R1,8 billion) and €21 million (R200 million).

On the property front, it is yet too early to predict precisely what impact the World Cup will have on Germany; however, experts predict that this is one area in which Germany may well benefit in the long term from the exposure it received during the World Cup. A recent report by Merrill Lynch reported that the country had ‘conspicuously failed to join in the global housing boom of the past ten years’ and, according to the 2006 European Housing Review, was the only country where residential property prices had dropped in the previous year. As a result, and in no small part owing to its high international profile during the World Cup, it is being touted by certain investors as the ‘next big thing on the Continent’.

In contrast, Erwin Rode of property valuers and economists Rode & Associates notes that “one of the main reasons for the German property market’s relatively poor performance over the last few years, was its lacklustre economic growth, and that should house-price growth improve, it will be the result of the economic recovery that is currently underway in Germany, rather than a belated impact of the World Cup.”

Rode describes the positive impact of the few new stadiums in South Africa as “a drop in the ocean.” Thus, South Africa is unlikely to experience notable house-price growth as a result of the 2010 World Cup. “What is of greater (and longer-lasting) significance is the magnitude of infrastructure investment currently underway, which will drive economic growth — both immediate and future — which, in turn, could have positive spin-offs for house prices too.” Notwithstanding this, Rode does not expect a major surge in house prices over the next few years, as he adds that affordability will remain a constraint on house-price growth.