



Justin A. Urquhart Stewart

Justin is one of the most recognisable and trusted market commentators on television, radio, and in the press. Originally trained as a lawyer, he has observed the retail market industry for 20 years whilst at Barclays Stockbrokers and developed a unique understanding of the market's roles and benefits for the private investor.

Football – It's all about sport – No it's the economy stupid

Love it or hate it, everyone will get some benefit from the World Cup. The South Africans hopefully will enjoy their role as host and despite the huge cost of the infrastructure, they will at least be able to showcase that beautiful country to the rest of the world.

However, what happens elsewhere? The media back in Britain divides themselves into those writing paragraphs of assured glory that England is already the rightful holder of the cup, and that everyone else has just been borrowing it, as opposed to the others who write in the absolute confidence that England will be knocked out soon after the first kick is taken. So time to hum that 1956 popular (and quite infuriating) football associated tune written by the song writing team Jay Livingston and Ray Evans "Que sera sera!" Time for me to leave the room screaming.

Of course the usual clichés will be coming out about the amount of tasteless lager and cardboard pizzas being purchased south of Hadrian's Wall, but in the retail area the economic impact is really quite significant.

A report from the Centre for Retail Research which looks at the spending for the 19th FIFA World Cup reveals that the tournament could provide a much needed cash injection of potentially £987 million for the UK retail industry, but only if England can survive the second round of the competition. In addition to this we could also possibly see a further £110 million spent in all the pubs, bars and cafés that are covering the event. All of this could prove very helpful for the new government in the run up to the emergency Budget.

However, let me take this good news even further on the assumption that the talented Wembley Wanderers 'go all the way' (wrong phrase I think), then consumer spending could rise by as much as £2.01 billion. This would apparently boost total retail sales by 4% for June and July from £50.14bn to £52.15bn. Someone has even been able to establish, although I have no idea how, that every goal could be worth a £126.3m for UK retailers.

So what are we buying?

- Obviously the largest area of retail spending for consumers will be food and drink with £250m being spent on drink (including non alcoholic ones – that'll be just the one Coke then) and £209m on food by the end of round two – and this gorging could rise £874m if England does get to the final.
- Television and audio sales are the next area of spending with many apparently using this as an excuse to upgrade to HD or 3D sets. Sales are predicted to account for 25% (£250m) of World Cup spending by the end of round two and also rising to a possible 30% (£620m) if they reach the final.

- Other areas will of course include those ever popular and attractive ranges of memorabilia and souvenirs (£50m) such as those delightfully crafted plastic hats, also the sportswear and official kit (£200m), presumably in XXXXL sizes for the more relaxed and expansive armchair sportsman. We should also add in the extra barbecue and garden furniture that will be purchased (£28m) just in case we didn't already have enough. Oh yes and these figures rise to £95m, £360m and £62m across those sectors respectively again if England reaches the final.
- Online spending is likely to increase with estimated sales of £116m (again rising at the final to £205m) and this will likely be the highest level of online participation for a major international sporting event. Not surprising really as the dedicated fan does not actually want to get up during the entire event (except to answer the door for the pizza delivery).
- Pubs, clubs and cafés would benefit and a place in the final would generate £305m. Apparently 20% of World Cup viewers will watch at a pub.
- Betting companies are expecting an increase of revenues of £1.2bn.

As for the business impact? Well, the usual assumption is negative as it is assumed that everyone bunks off to watch the matches, and in fact a 'YouGov' survey found that of those full time workers aged 18-45, some 38% are planning to be out of the office for their matches. Sensible employers will look at this from the right end of the telescope and allow and even encourage supporters to watch. There is in fact a very sensible business reason from this in that we know from previous experience that if the national team wins, the error rate has dropped by some 10% and in an earlier business we could calculate that this made a difference of up to £15,000 per day!

Some companies have even mentioned the event in their business statements as having a material impact. These include 8 bookmakers, 7 media companies (including ITV and WPP), some retailers like JJB Sports and DSG (PC World & Currys) and a couple of pub groups. So the World Cup is not just a game – it's an industry which has a material effect on the economy, and further than this the ability of the team to win will impact directly on economic spending, our behaviour and our efficiency. Sport is not just an amusing pastime, it is a vital part of economic value and morale – and boy do we need it now!

Other side effects?

Increase in A&E attendance as a result of over excitement with the television controls, barbecue food poisoning from under-cooked chicken, along with sundry cooking tong burns and attempts at accidental lager drowning.

Also for some this could be an excellent few weeks for the quiet viewing of favourite films at the cinema to catch up on some blockbusters without having to sit next to the popcorn chewing chimp I normally end up next to.

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Certain restaurants may well be offering encouragement for non fans, and booking at certain eateries may well become easier. So whether you like the game or not you cannot ignore it – and in fact we should all encourage it.

So on the assumption that it is all plain sailing from here on, we can look forward to a very useful fillip to the economy (although truth be told most of the expenditure is probably just being pulled forward from later in the year and we may well see a significant pull back after the event) just at the time that we are having a thoroughly miserable budget.

Add to this Mr Murray's impending victory at Wimbledon and the nation will be united under a haze of champagne topped lager and fresh strawberry pizzas. This of course will be followed the next week by our celebration of the first international pig flying championship.

If for any reason things don't go according to plan then we must prepare for the worst and manage the fact that there are going to be unsold rotting pizza mountains to recycle back into cardboard and lager lakes forming in central England.

I also wonder how many of the North Koreans will actually go home? Depending on how far they go in the competition, they may not wish to. Mind you if it is just the mother-in-law that is being held as some surety for their return then the beaches of Natal may just have a greater appeal than another few years north of the 38th Parallel.

This week - some more key data to pore over:

- On Tuesday 15th we get the UK Consumer Price Index and the Retail Price Index to see if the inflation trends are rising.
- On Wednesday 16th UK jobless (which fell last month by 27k) and the claimant (4.7% last month) counts.
- However, also on Wednesday but more importantly, the US Housing start figures will show if the confidence is continuing in this so sensitive area.
- We finish the week with the US Inflation Data.

Have a good week and good luck to whomsoever you support.

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