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# From Vuvuzelas to Trade Balances: Economic Legacies of the 2010 FIFA World Cup in South Africa

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## Abstract

The main objective of this research is to analyze the impact of the FIFA World Cup held in 2010 on the foreign trade structure and key indicators of the macroeconomic state of the Republic of South Africa. To achieve this goal, the data provided by the UNCTAD database will be used to conduct an analysis of such indicators as foreign trade, trade in services, financial services, travel and transportation services, exchange rate, GDP per capita, and CPI during the period from 2005 to 2015. According to the results of the analysis, it should be noted that there was a revival in the development of the South African economy in 2010, when the tournament took place. An increase in the level of exports and imports, the dynamic growth of the services trade, travel and transportation sectors can be noted. In ad-

dition, during this period, per capita income increased, the national currency, the South African Rand, appreciated temporarily, and the country's foreign trade balance improved. Nevertheless, in 2012, the dynamics of changes were reversed, as a decrease in the volume of foreign trade, per capita income, and depreciation of the national currency could be noted. Thus, it should be noted that despite positive impacts on the South African economy in the short-term perspective, there are no sustainability factors in the long-term period, since for providing additional effects on the country's development, industrialization, export diversification, and infrastructure planning are needed.

**Keywords:** 2010 FIFA World Cup, South Africa, International Trade, Macroeconomic Indicators, Sports Economics.

## 1. INTRODUCTION

2010 was no regular year in the international sports calendar. This year signified something much more significant for a continent and its nations – the time when the universal spirit of football turned into an experiment with economy. When for the very first time FIFA whistle blew in South Africa, the liberated by Nelson Mandela, this event was more than just ninety minutes of playing. This was the best message South Africa, having struggled out of the dark times of apartheid twenty years ago and trying to establish its self-image of the "Rainbow Nation," could give to the world. In this way, football was more than just another sport; it was positioned as a tool of legitimizing a state internationally, its weapon of "soft power," and, most of all, a mechanism of becoming an integral part of the trillion dollar global economy. Therefore, the analysis of the legacy of the World Cup should be done not only with a view to the goals scored and victories achieved, but also in terms of the billions of Rand invested and massive infrastructure constructed as the result of this gigantic event.

Prior to the start of the tournament, the atmosphere was dominated by enthusiasm and optimism among both the government and the organizing committee. Official announcements claimed that this "mega-event" could have brought numerous economic benefits that would help the country enter a new era of development with the use of huge sums of money. Thus, billions of dollars worth of investment packages were realized in the process of preparation, with the iconic constructions of Soccer City Stadium in Johannesburg and the magnificent stadium at the coast of the Atlantic Ocean in Cape Town rising as cathedrals of football. However, investments did not stop at stadiums: major transport projects, such as building a fast train connecting Johannesburg with Pretoria, constructing King Shaka International Airport in Durban and reconstruction of the roads, were intended to become the lasting legacies of the event. Such infrastructure investments should increase the efficiency, decrease logistics expenses, and make South Africa an attractive place for investments and tourism not only during the World Cup, but after it as well [1]. By this optimistic plan, hundreds of thousands of jobs would appear in the construction sector, a wave of tourism would hit the country, and finally the South African brand value in the international arena would increase and attract FDI.

However, as the sports economics literature suggests, the proclaimed economic effects of a mega-event are mostly exaggerated, while the costs are seriously underestimated. Critical voices, especially those of sports economists Robert Baade and Victor Matheson, suggest that the effects of these events are usually deceptive, and the main winners are transnational corporations such as FIFA, as well as local construction monopolies and service companies [2]. The 2010 World Cup provided ample evidence for this viewpoint. Once the tournament was over and the sounds of vuvuzelas disappeared, the other face of the shining coin showed itself: stadiums costing much higher than initially estimated, increased national debt, and, most importantly, the problem of sustainability of these expensive constructions emerged as one of the most debated issues. Indeed, stadiums built in cities with weaker football culture, such as Polokwane and Nelspruit, pose the threat to becoming a burden for local governments due to high expenses on maintaining them, as they are practically unused after the World Cup.

At this point, the interplay of sports, football and economy becomes even more complicated. Football is the sport that brings together billions of people all over the world – this is a passion and cultural phenomenon. At the same time, football is a vast business industry, with the World Cup becoming its top event. On the one hand, FIFA earns millions of dollars through TV broadcasting, sponsorships and tickets sales. On the other hand, the economic price of hosting the tournament is paid by the host country, and the success is highly questionable. One of the controversial points is that of "opportunity cost": couldn't South Africa spend the same billions on solving its serious social problems such as lack of affordable housing, poor healthcare system, and insufficient educational system? In this vein, one can raise the question of who gets the biggest part of economic advantages generated by the tournament: critics say that the economic growth mainly benefited already privileged urban population and big corporations, while millions of people living in poor districts remained untouched. The issue of income inequality is relevant for the "Rainbow Nation."

Yet, focusing on pure financial aspect and economic data about the World Cup is not enough. Intangible effects generated by the organization are equally significant, although difficult to measure. The tournament could help the country reshape its international image. Years of violence, crime, and political unrest came to an end with South Africa successfully organizing one of the most complex events. This phenomenon is described by scholars such as Scarlett Cornelissen in the context of "sports diplomacy" and "nation branding" [3]. Shakira's song "Waka Waka" and vuvuzela as the iconic symbols of the event made African continent an indispensable element of global popular culture. The cultural capital gained can positively affect the future tourism potential. Finally, national pride and unity that can emerge among people of different ethnicities united by their national football team is an extremely valuable asset in terms of social capital.

Overall, the objective of the current paper is not to discuss the complicated issue of the legacy of the 2010 FIFA World Cup in South Africa either as the event's unequivocal success or failure but taking into account the entire set of contradictions. Hence, from the economic point of view, it is necessary to compare short-term benefits for the country's economy related to economic activity and the infrastructure development with the subsequent financial burdens the event has entailed. On the other hand, it is also important to consider more abstract issues like how the World Cup has influenced

the image of the country internationally, the development of tourism in South Africa, and the social situation in the country. It should allow answering the question of whether the "African Cup" has turned out to be the economic victory or an overly costly event.

## 2. THEORETICAL BACKGROUND

1. *Concept of international trade.* The international economic activities, forming the essence of international trade, are characterized by purchase and sale processes of goods and services. International trade in goods, being one of the most ancient forms of economic relations between countries, has achieved great success due to the elimination of barriers and opportunities created by new technologies. In parallel with these innovations, trade in services has also emerged as another important direction of international economic relations [4].

International trade may be described as exchange of goods and services through importing and exporting them between countries. More precisely, international trade may be understood as a process, during which the country purchases goods and services that it can't produce or purchase more expensive in another country and selling own goods and services abroad in response to high demand [5].

2. *Trade in goods.* The term "trade in goods" represents economic activities, which are conducted via purchasing and selling of raw material products, semi-products, and finished products of a physical nature. This type of trade is carried out via import and export and is one of the oldest and most fundamental types of international trade [6].
3. *Trade in services.* The concept of "trade in services" may be considered the exchange of services (which doesn't have a physical nature) between producers and consumers beyond national borders. This type of trade includes the simultaneous or separate production and consumption of services within such sectors as transportation, financial, tourism, communication, education, and consultative [7].

As the concept of services is characterized by its abstract nature, some features differ from the concept of goods, which is characterized by tangible nature. In this context, the definition of services may be regarded as a rather complicated process [8].

4. *Financial services.* The concept of "financial services" covers the provision of financial intermediation and ancillary services, excluding insurance and pension fund services. Financial services generally cover bank and other financial institutions' activities [9].
5. *Travel services.* The term "travel services" may be understood as the provision of goods and services by residents to non-residents of an economy during their visiting of this economy. In this way, travel services can be used for the personal needs of tourists or as gifts [9].
6. *Transportation services.* This kind of services involves all activities associated with the transfer of objects and passengers between two points along with auxiliary activities, including postal and courier transport services [9].
7. *Macroeconomic indicators.* Macroeconomic indicators represent key analytical instruments in evaluating national economies in terms of their performance, stability, and external economic position. Within the studies dedicated to international trade, the following economic indicators should be distinguished: foreign trade balance, exchange rate, gross domestic product, and consumer price index.
8. *Foreign trade balance.* The foreign trade balance represents an economic indicator, which reflects the monetary difference between imports and exports of goods and services within the specified period. Foreign trade balance may be regarded as one of the main macroeconomic indicators, illustrating the sustainability of external economic relationships and competitive power of the country within the international trade system. The positive foreign trade balance represents the excess of export over import, whereas negative foreign trade balance represents the inverse situation [6].
9. *Exchange rate.* Exchange rate illustrates the value of one currency relative to another currency. Exchange rate depends on the ratio between supply and demand for foreign currency on the international market and is one of the key macroeconomic factors affecting the relationship between countries in the sphere of trade, investments, and capital flows [10].
10. *Gross domestic product.* Gross domestic product (GDP) is a primary macroeconomic indicator representing total market value of all the products and services produced during a particular period within the country. It is commonly used for estimating economic power of the country and its productivity [11].

11. *Consumer price index.* Consumer price index (CPI) is an important statistical indicator, which allows identifying inflation via measuring of changes in the prices of goods and services purchased by consumers within a particular period. CPI reflects changes in prices for goods consumed by households and allows assessing the growth or decrease in the cost of living [12].

### 3. THE AIM, DATA SET, AND METHODOLOGY OF THE STUDY

This paper analyzes the effect of big sporting events on the national economies of countries. Therefore, the 2010 World Cup in South Africa and its effect on the foreign trade and macroeconomic indices of the state were selected as the sample. The dataset was obtained from the official website of UNCTAD. Since the current research investigates the effects of the 2010 World Cup in South Africa, the obtained data covers the period from 2005 till 2015 (<https://unctadstat.unctad.org/datacentre/>). Therefore, the short-term and mid-term effects of the 2010 World Cup on the foreign trade of South Africa and its macroeconomic indicators have been analyzed. To this end, the collected data has been organized into the tables and illustrated in graphs to provide quantitative data on the proportions. Moreover, the interpretation of the data helps see the dynamics of the processes under discussion. In general, the research aimed at evaluating the economic consequences of the studied events, but it is also supposed to present useful information concerning economic gains for developing nations in hosting megaprojects.

### 4. FINDINGS

The findings concerning the foreign trade and macroeconomic data of the Republic of South Africa for the years 2005-2015 have been presented in the following section in table form.

#### 4.1. FOREIGN TRADE FINDINGS

To analyze the foreign trade of the Republic of South Africa, the data has been provided in tables and graphs below.

##### 4.1.1 Total Foreign Trade Findings

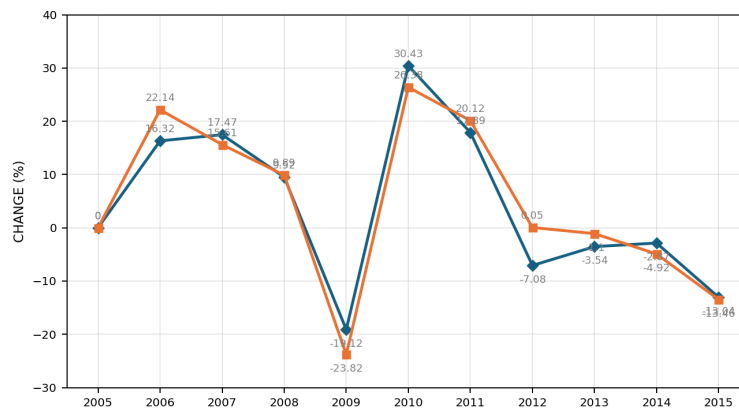
The table 1 presents total foreign trade of the Republic of South Africa for the years 2005-2015.

**Table 1.** Total Foreign Trade (Million dollars)

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports	68.181	79.305	93.161	102.029	82.517	107.625	126.881	117.896	113.726	110.458	96.053
Imports	68.818	84.053	97.172	106.785	81.353	102.810	123.493	123.554	122.196	116.181	100.547
Total	136.999	163.358	190.333	208.814	163.870	210.435	250.374	241.450	235.922	226.639	196.600

According to Table 1, the hosting of the 2010 FIFA World Cup in South Africa significantly affected the country's foreign trade. First, the export volume, which equaled \$82.5 billion in 2009, grew by nearly 30% in the next year and reached \$107.6 billion. At the same time, imports also demonstrated similar dynamics and grew from \$81.4 billion to \$102.8 billion. It confirms the possibility of stimulating the economy through sporting events due to their effect on infrastructure development, increasing tourism activities, and consumer spending [13, 14]. Moreover, the total foreign trade dynamics demonstrate a considerable boost as well. The value, which was equal to \$163.9 billion in 2009, grew to \$210.4 billion in 2010, showing a significant increase. Both exports and imports of the country continued growing in 2011, which demonstrates the medium-term economic effects of the sporting event. However, a decline in foreign trade dynamics started in 2012, which proves the fact that the positive effects of sporting events are usually short-term, yet noticeable. Therefore, hosting of the 2010 FIFA World Cup brought positive economic consequences to South Africa, which can be viewed as an evidence of the effectiveness of such events [15, 16]. The proportion of foreign trade dynamics is illustrated in the Figure 1.

As it follows from the change rates of the exports and imports reflected in Figure 1, there is a sharp fall in 2009 due to the global economic crisis. In this case, the amount of exports fell by 19.12%, and the number of imports dropped by 23.82%. However, in the next year, both parameters started to recover from their drop. In particular, exports increased by 30.43%, and imports increased by 26.38%, which is the highest rate over the past decade. In this case, the 2010 FIFA World Cup made a significant contribution to the economic dynamics of South Africa by creating conditions for infrastructure investments, increasing tourism and attracting foreign capital to the country [14]. It should be noted that exports increased by more than 30%, proving that such sporting event positively influenced both consumption and production. Nevertheless, from 2011, exports and imports started falling, indicating that the effect of the World Cup was relatively weak and short-lived. It is obvious that without further structural adjustments, such positive trends will not continue.



**Figure 1.** *Proportional Change in Total Foreign Trade by Year*

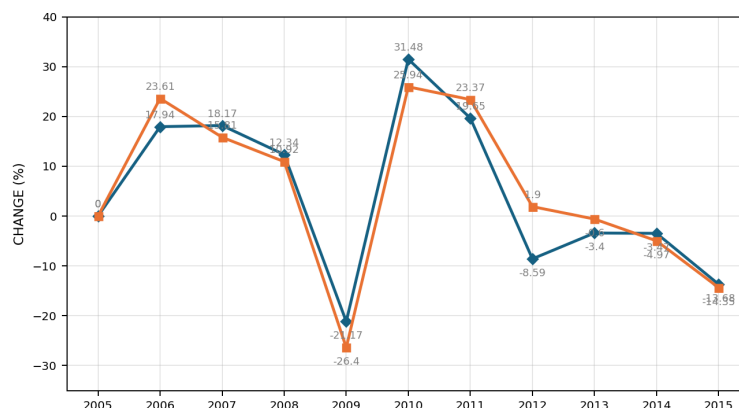
**4.1.2 Total Goods Trade Findings**

The total trade of goods in the Republic of South Africa for the years 2005-2015 is presented in Table 2.

**Table 2.** *Total Merchandise Trade (Million dollars)*

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports	56.352	66.463	78.536	88.220	69.541	91.432	109.400	100.004	96.606	93.259	80.498
Imports	56.667	70.046	81.119	89.978	66.224	83.404	102.893	104.846	104.221	99.038	84.825

In general, according to the results presented in Table 2, the hosting of the 2010 FIFA World Cup greatly influenced the country's foreign trade of goods. In this case, the amount of exports rose from \$69.5 billion to \$91.4 billion, while the value of imports also rose to \$83.4 billion. Such a positive dynamic could be explained by the infrastructure investment, higher production capacities, and external demands, which were created due to the sporting event. The next year, exports increased to \$109.4 billion, while imports increased to \$102.9 billion. From 2012, both parameters began decreasing, and in 2015, the amount of exports fell to \$80.5 billion, while the number of imports dropped to \$84.8 billion. Thus, the hosting of the 2010 FIFA World Cup had a positive, yet short-term influence on South Africa's foreign trade of goods. During this period, the increase in infrastructure investment and the visibility of South Africa caused by the sporting event promoted the development of the trade dynamics [15]. However, it is evident that a further increase would require more efficient economic policy. Proportions of goods trade dynamics are demonstrated in the Figure 2.



**Figure 2.** *Proportional Change in Total Goods Trade by Year*

It follows from Figure 2, reflecting the annual proportion of exports and imports of South Africa, that these two dynamics demonstrate considerable fluctuations. In 2006 and 2007, both dynamics experienced growth, especially imports, which increased by 23.61%. However, in 2008, the growth rate slowed down. In 2009, there was a sharp decline in exports and imports of goods, decreasing by 21.17% and 26.4%, respectively. These dynamics could be explained by the impact of the 2008 economic crisis on the dynamics of the country. However, the next year, these two dynamics started recovering sharply, increasing by 31.48% and 25.94%. Such dynamics could be caused by the effect of the 2010 FIFA World Cup, which helped restore the economy of South Africa. The next year, there was still growth; however, it was smaller compared to the previous year. Finally, from 2012, the growth dynamics of exports and imports started declining, reaching -13.68% and -14.35%, respectively, in 2015. This trend indicates a decrease in the dynamism of foreign trade and a slowdown or decline in the economy in the post-World Cup period.

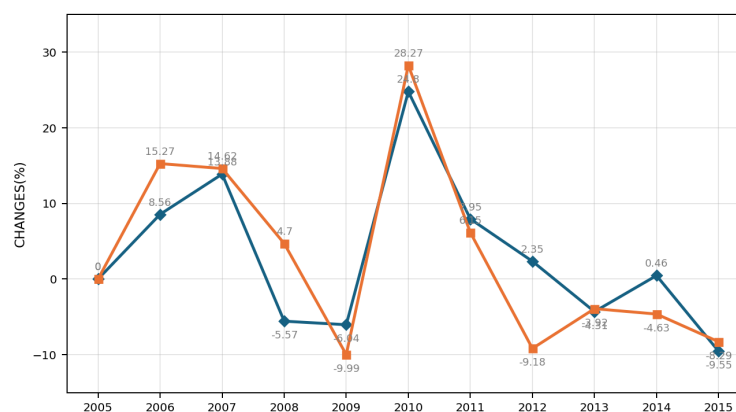
### 4.1.3 Total Services Trade Findings

Table 3 presents the total services trade data for the Republic of South Africa for the years 2005-2015.

**Table 3.** Total Services Trade (Million dollars)

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports	11.829	12.842	14.625	13.810	12.976	16.194	17.481	17.892	17.120	17.198	80.498
Imports	12.151	14.006	16.053	16.808	15.129	19.406	20.600	18.708	17.975	17.143	84.825

Examining the overall figures regarding South Africa's services trade between 2005 and 2015, it is possible to note several changes that occurred during this period. For instance, services exports in 2005 amounted to approximately \$11.8 billion, whereas their value increased to \$16.2 billion in 2010. This can be explained by the economic growth in the country in 2010 caused by the FIFA World Cup held in South Africa. Exports fluctuated between \$17.5 billion and \$17.9 billion in 2011 and 2012, but later decreased and amounted to \$15.5 billion in 2015. As regards imports, the amount in 2005 was \$12.1 billion; however, after the FIFA World Cup, the value increased to \$19.4 billion. Nevertheless, imports fluctuated and decreased to \$15.7 billion in 2015. It is clear that there is an increase in services trade before and during 2010; however, it did not continue later since its effect turned out to be temporary. Though there is a considerable impact of economic activities during the World Cup, which stimulated both exports and imports, there is a tendency to decline later on. Proportional changes in South Africa's total services trade are demonstrated in Figure 3.



**Figure 3.** Proportional Change in Total Services Trade Year-on-Year

Analyzing South Africa's annual growth rate in total services trade between 2005 and 2015, one can state that there is a certain turning point in 2010. Export growth rates in 2006 and 2007 were equal to 8.56% and 13.88%, respectively. Nevertheless, a declining tendency was observed in exports in 2008 (-5.57%) and 2009 (-6.04%). It should also be noted that the same tendency was observed in imports, with the decrease being 4.7% in 2008 and 9.99% in 2009. These changes are associated with the economic crisis which started that year. In 2010, exports increased by 24.8% while imports increased by 28.27%, thus showing quite impressive results. Such a change is explained by the high level of economic activity in the country due to the FIFA World Cup held in 2010. This event positively affected the economic performance in such industries as tourism and transportation, increasing the demand for services. Growth rates in services trade continued to be positive in 2011 and 2012; however, it is possible to observe a decrease too. There were changes in the growth rate of exports (7.95% and 2.35%), while in imports the growth was 6.15% and -9.18%, respectively (imports' growth was negative in 2012). Since 2013, the growth rate in exports and imports has either been negative or close to 0. In 2015, the growth rate decreased by 9.55% and 8.29%, correspondingly. The analysis reveals a decreasing tendency in services trade because of the temporary boost. In general, there is a fluctuating tendency in years other than 2010 when there is an increase in growth rate.

#### 4.1.3.1. Financial Services Trade Findings

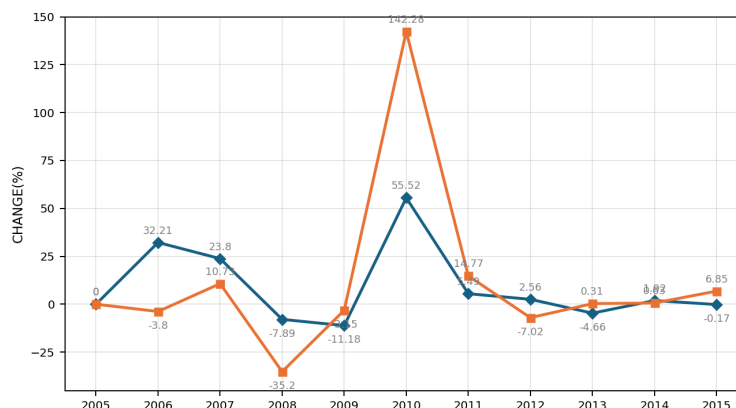
Table 4 shows the financial services trade data for the Republic of South Africa for the years 2005-2015.

**Table 4.** Financial Services Trade (Million dollars)

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports	534	706	874	805	715	1.112	1.173	1.203	1.147	1.169	1.167
Imports	184	177	196	127	123	298	342	318	319	321	343

The financial services exports of South Africa amounted to \$534 million in 2005 and reached \$1.112 billion by 2010.

Such development indicates an important recovery in 2010, considering the fact that the industry had shown a steady increase during the period 2006-2007. Then the value of export declined in 2008 and 2009. No considerable changes occurred between 2011 and 2015 when the value of export stabilized at about \$1.167 billion in 2015. Regarding the imports, the number rose from \$184 million in 2005 to \$298 million in 2010. Later, with several fluctuations, the value of import amounted to \$343 million in 2015. The imports showed an important fall in 2008 and 2009 but had a strong recovery in 2010. Generally, 2010 FIFA World Cup resulted in substantial growth in exports and imports in the financial services industry, whereas growth rates have been relatively moderate in recent years. Figure 4 illustrates the percentage changes in the total services trade of South Africa.



**Figure 4.** Year-on-Year Proportional Change in Financial Services Trade

There is evidence of large growth rates for the exports of financial services in 2006 and 2007; in particular, they amounted to 32.21% and 23.80%. In turn, the exports fell in 2008 and 2009 because of the global economic crisis. They amounted to -7.89% and -11.18% in these years. There was an extremely important increase in exports (by 55.52%) in 2010. In 2011 and 2012, however, the growth rates became quite low (5.49% and 2.56%). In addition, there was a decrease in exports (-3.48% and -4.11%) in 2013 and 2015. With regard to imports, after a decrease by 3.80% in 2006, the increase of 10.73% took place in 2007. After that, the number had dropped sharply by 35.20% in 2008 and had a slight fall (-3.15%) in 2009. 2010 marked the exceptional growth (by 142.28%). The imports grew again in 2011 (14.77%) but fell by 7.02% in 2012. The growth rates have become smaller in the further periods and amounted to 6.85% in 2015. The figures show that the financial services industry underwent an enormous increase in 2010 after coming out of the crisis; however, during the years thereafter, it went through a period of stability and moderate growth.

#### 4.1.3.2. Findings on the Trade in Travel Services

Table 5 presents the travel services trade data for the Republic of South Africa for the years 2005-2015.

**Table 5.** Travel Services Trade (Million dollars)

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports	7.516	8.120	8.779	7.956	7.624	9.085	9.515	9.996	9.245	9.338	8.259
Imports	3.374	3.384	3.927	4.404	4.152	5.595	5.283	4.069	3.429	3.169	2.998

The exports of the travel services rose sharply from \$7.516 billion in 2005 to \$9.085 billion in 2010. The increase in the export of the travel services mainly stems from the positive influence of 2010 FIFA World Cup on the tourism industry. The exports were \$9.515 billion and \$9.996 billion in 2011 and 2012 correspondingly. From 2013, however, the exports dropped to \$8.259 billion in 2015. As far as the import of the travel and tourism services is concerned, it has been raised from \$3.374 billion in 2005 to \$5.595 billion in 2010. The increase in the import value of travel and tourism services demonstrates an increasing demand for the services from foreign countries. Nevertheless, the import rate decreased since 2011, reaching \$2.998 billion in 2015. Therefore, 2010 can be viewed as the best year for South Africa in its travel services' exports and imports. Thereafter, the exports faced some slight reductions; as for the imports, they underwent a considerable decrease. Thus, the data obtained reveal that the hosting of major events resulted in a temporary growth in the tourism industry; nevertheless, the effect did not last long. The annual percentage change in the Republic of South Africa's travel services' trade are presented in Figure 5.

The exports of the travel services increased by 8.04% and 8.12% in 2006 and 2007 correspondingly. In 2008 and 2009, a downward trend was observed when the exports dropped by 9.37% and 4.17%. However, in 2010, the exports grew substantially, increasing by 19.16%. This sharp rise in the exports of travel services resulted from hosting of the World Cup in 2010. In 2011 and 2012, the rates of growth were 4.73% and 5.06%. The exports dropped by 7.51% in 2013. The

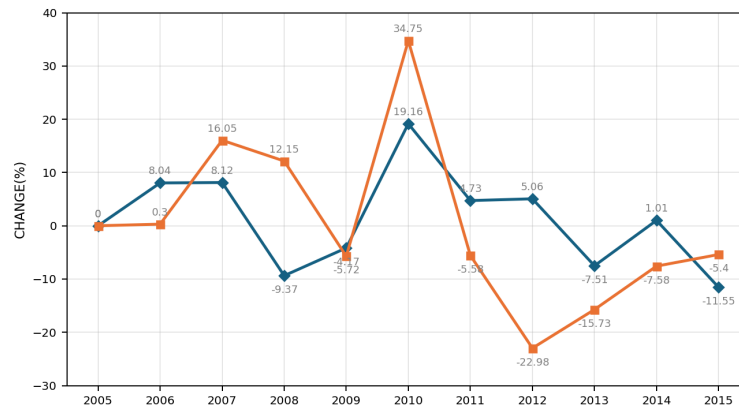


Figure 5. Year-on-year percentage change in travel services trade

next year, in 2014, there was a slight recovery in the export growth (1.01%). However, the export rate of growth faced a drop of 11.55% in 2015. As far as the import rate of growth is concerned, it slightly changed in 2006 (0.30%). However, in 2007 and 2008, the growth rate increased considerably, making up 16.05% and 12.15%. After a slight decline in 2009 (5.72%), the imports increased sharply by 34.75% in 2010. Starting with 2011, the import rates have shown a considerable decline, dropping by 22.98%, 15.73%, 7.58%, and 5.40% in 2012, 2013, 2014, and 2015 correspondingly. However, it can be seen that there has been an increase in both exports and imports during 2010; however, after that, there has been a declining trend in terms of imports especially. It shows that there is stagnancy and declining trend in travel services due to short-term economic activities.

4.1.3.3. Findings in the Trade of Transportation Services

Table 6 shows the transportation services trade data for the Republic of South Africa for the years 2005-2015.

Table 6. Transportation Services Trade (Million dollars)

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports	2.021	2.235	2.741	2.637	2.369	3.117	3.360	3.153	3.132	3.046	2.494
Imports	5.328	6.630	7.540	7.594	5.911	7.194	8.314	8.014	7.643	7.365	6.258

The level of exports of South Africa's transportation services increased from \$2.021 billion in 2005 to \$3.117 billion in 2010. The exports during this period increased rapidly with significant growth recorded in 2006 and 2007 and a decline in 2008 and 2009. There was a notable growth of exports in 2010 which continued at least partly in the following years. Nevertheless, starting from 2013 the value of exports of transportation services in South Africa decreased to \$2.494 billion in 2015. As for imports, their value increased from \$5.328 billion in 2005 to \$7.194 billion in 2010. The growth of imports was significant in 2006 and 2007 and a significant decline was recorded in 2009. Following the growth of 2010, the imports grew in 2011 and 2012 and then started to decline, recording a value of \$6.258 billion in 2015. Thus, a noticeable increase in exports and imports of transportation services can be observed because of the impact of the FIFA World Cup held in 2010. However, there is a declining tendency in exports and imports in subsequent years because of the beginning of a normalization process after a temporary boost provided by major events. Figure 6 represents a proportional change in the trade of South Africa's transportation services.

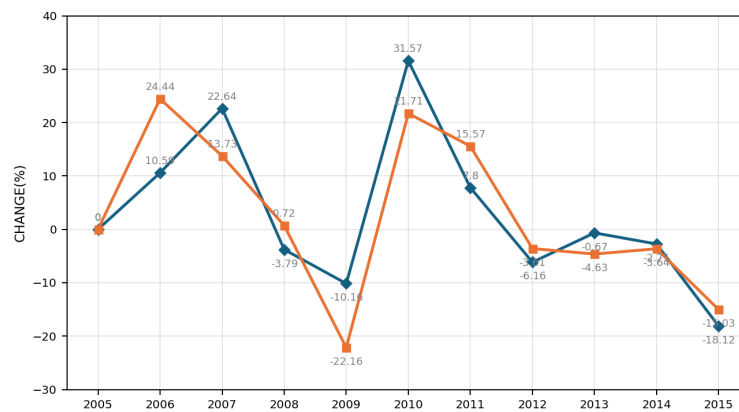


Figure 6. Proportional change in transportation services trade by year

There was a considerable rise in exports of transportation services by 10.59% in 2006 and 22.64% in 2007. However, a drop in the value was recorded in 2008 (-3.79%) and 2009 (-10.16%). The most significant growth of exports happened in 2010 (31.57%) under the influence of the 2010 FIFA World Cup. While in 2011 the growth rate was 7.80%, a considerable fall took place in subsequent years, especially in 2015 when it was 18.12%. Imports in transportation services increased considerably in 2006 (24.44%) and 2007 (13.73%). Though, a small growth was registered in 2008 (0.72%), there was a significant decrease in 2009 (-22.16%). The value of imports increased significantly in 2010 (21.71%). The growth continued in 2011 (15.57%) while a decrease became noticeable from 2012 and reached 15.03% in 2015. Overall, a rapid growth can be noted in exports and imports in 2010, and a decline afterwards, especially from 2012. This situation demonstrates the temporary impact of major events on the sector.

#### 4.1.4 Overall Trade Balance Findings

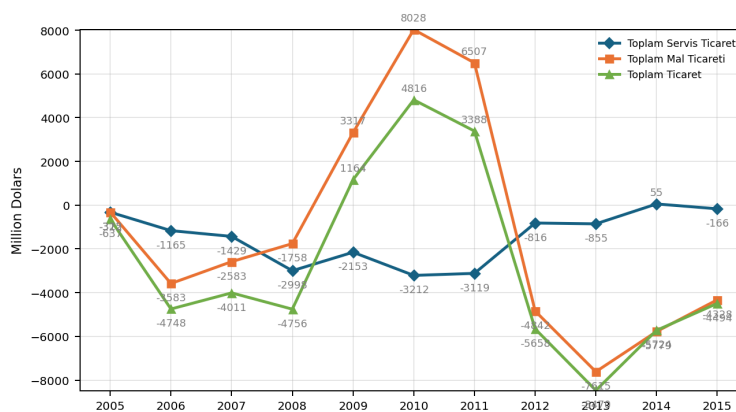
Table 7 presents the total trade balance data for the Republic of South Africa for the years 2005-2015.

**Table 7.** Total Trade Balance (Million dollars)

Transportation Services Trade (Million dollars)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports	2.021	2.235	2.741	2.637	2.369	3.117	3.360	3.153	3.132	3.046	2.494
Imports	5.328	6.630	7.540	7.594	5.911	7.194	8.314	8.014	7.643	7.365	6.258

Table 7 illustrates South Africa's services trade balance, goods trade balance, and total trade balance data in millions of dollars. The data indicates the net foreign trade balance in South Africa in every year. South Africa had annual net deficits in its total services trade balance of \$322 million in 2005. Deficits increased to \$1.165 billion and \$1.429 billion in 2006 and 2007 respectively. In 2008, the deficit was noted as \$2.998 billion, reducing to \$2.153 billion in 2009. In 2010, South Africa's total services trade balance deficit stood at \$3.212 billion. Thereafter, the deficit levels varied every year; in 2014, South Africa almost balanced out its trade deficit with \$55 million only, but a trade deficit of \$166 million was observed in 2015.

In the total goods trade balance, South Africa recorded a deficit of \$315 million in 2005. From 2006 to 2007, there were deficits in goods trade of \$3.583 billion and \$2.583 billion respectively. However, in 2008, South Africa had a deficit of \$1.758 billion. Surplus trade balance was noted in 2009 and 2010; a trade surplus of \$3.317 billion was reported in 2009 and then rising to \$4.816 billion in 2010. The net trade surplus peaked at \$3.388 billion in 2011, after which the trade deficit rose from 2012 onwards. Trade deficit in 2012, 2013, 2014, and 2015 amounted to \$5.658 billion, \$8.470 billion, \$5.724 billion, and finally \$4.494 billion respectively. Year-on-year changes in South Africa's total trade balance data is illustrated in Figure 7.



**Figure 7.** Year-on-year change in total trade balance

Observing the data on South Africa's total trade balance, we note that there was a deficit of \$637 million in 2005. The deficits went up to \$4.748 billion and \$4.011 billion in 2006 and 2007 respectively. South Africa experienced a deficit of \$4.756 billion in 2008. South Africa registered trade surplus in 2009 and 2010; the surplus stood at \$1.164 billion in 2009 and then rising to \$4.816 billion in 2010. The net trade surplus peaked at \$3.388 billion in 2011, after which the trade deficit rose from 2012 onwards. Trade deficit in 2012, 2013, 2014, and 2015 amounted to \$5.658 billion, \$8.470 billion, \$5.724 billion, and finally \$4.494 billion respectively. Generally speaking, it can be said that although South Africa managed to improve its foreign trade, experiencing a surplus in trade balance in 2009 and 2010, trade deficits still prevailed in other years, especially around and after the period of the crisis years.

## 4.2. FINDINGS ON MACROECONOMIC INDICATORS

Interpretations of the macroeconomic indicators of the Republic of South Africa investigated under the present research are provided below in tabular and graphic form.

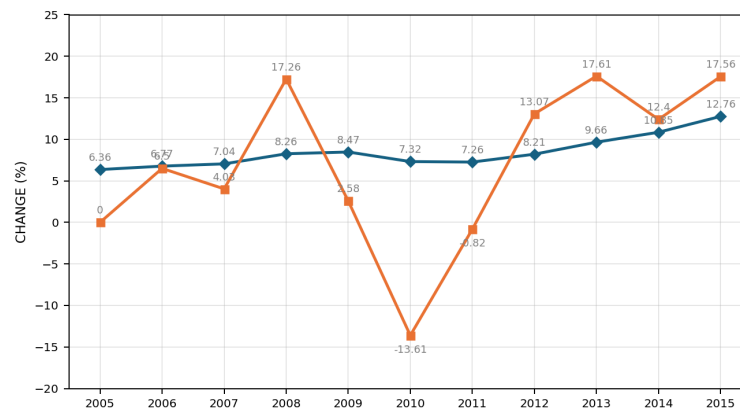
### 4.2.1 Value of the South African National Currency (ZAR) in International Markets

Information on the value of the South African national currency in international markets in comparison to one dollar between 2005 and 2015 are given in Table 8.

**Table 8.** Value of the South African national currency (ZAR) against one dollar

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ZAR	6,359	6,772	7,045	8,261	8,474	7,321	7,261	8,210	9,656	10,853	12,759

The table 8 presents the price of 1 US dollar in South African Rand (ZAR) during the period from 2005 to 2015. It should be stated that in 2005 1 dollar was valued approximately at 6.36 ZAR, however, during the years mentioned above, the South African currency weakened against the dollar. Thus, between 2005 and 2008, the South African Rand became more valuable than previously – during this period 1 dollar reached 8.26 ZAR; accordingly, the Rand depreciated against the dollar. In 2009, the rate of appreciation became slightly lower; thus, 1 dollar was estimated at 8.47 ZAR. Then, in 2010, there was a period of appreciation; consequently, the value of the Rand decreased and reached 7.32 ZAR per 1 dollar. That is why one may state that from 2011, there was a period of weakening, since in 2015 the Rand was valued at 12.76 per 1 dollar. One may conclude that the South African Rand demonstrated rather volatile movement against the dollar; nevertheless, the long-term tendency to weaken was traced. The figure 8 depicts the value of the South African national currency (ZAR) against the dollar and annual percentage change between 2005 and 2015.



**Figure 8.** Value of the South African National currency against the US dollar and its annual percentage change

The figure 8 represents the price of the South African Rand (ZAR) against the US dollar and annual change rates in the period from 2005 to 2015. It should be stated that in 2006 the Rand weakened against the dollar and lost 6.50 percent of its value comparing to the previous year. In 2007, the depreciation continued and amounted 4.03 percent. In 2008, there occurred rapid increase of the value of the Rand against the dollar; it was 17.26 percent depreciation. The depreciation in 2009 was slower and accounted for 2.58 percent. In 2010, there was a period of appreciation which amounted 13.61 percent. The value of the Rand stayed relatively stable in 2011 and lost only approximately 0.82 percent. However, in 2012 there was another period of depreciation against the dollar at 13.07 percent rate. In 2013, 2014, and 2015, there was further depreciation, which amounted 17.61, 12.40, and 17.56 percent respectively. One may conclude that the value of the South African Rand against the dollar was quite fluctuating between 2005 and 2015; however, there appeared a rather strong tendency to weaken. One may state that there were especially strong depreciation rates in 2008, 2012, and 2013-2015, and they prove the impact of various economic and political factors on the currency.

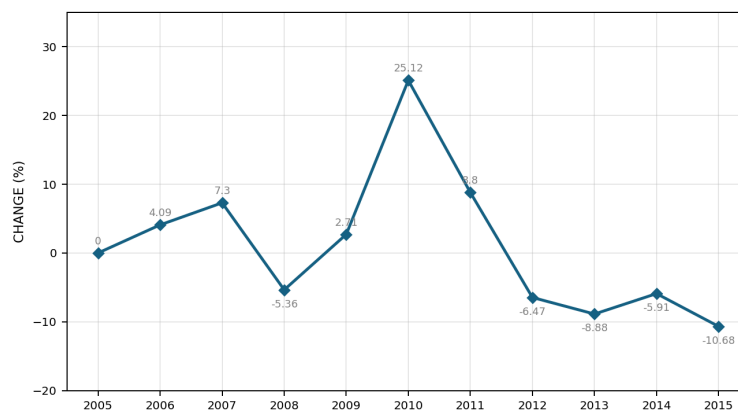
### 4.2.2 GDP Per Capita

Table 9 presents the GDP per capita values for the Republic of South Africa between 2005 and 2015.

**Table 9.** GDP Per Capita Values of South Africa (Dollars)

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP Value	5.280	5.496	5.897	5.581	5.732	7.172	7.803	7.298	6.650	6.257	5.589

In 2005, GDP per capita stood at \$5,280, increasing to \$5,496 and \$5,897 in 2006 and 2007, respectively. But income was noted to drop significantly in 2008, resulting in per capita GDP dropping to \$5,581. There was however a slight rise in per capita income, rising to \$5,732 in 2009. 2010 is one year when there were notable rises in income, resulting in GDP per capita rising to \$7,172. Growth also rose even more in 2011, with per capita GDP rising to \$7,803. Economic growth started falling in 2012, and per capita income fell from \$7,298 in 2012 to \$6,650 in 2013, and further to \$6,257 and \$5,589 in 2014 and 2015, respectively. In summary, there have been noticeable fluctuations in the per capita income of South Africa over the 2005-2015 periods. Though South Africa experienced high growths in per capita income in 2010 and 2011, there was a sharp fall in income thereafter. The annual percentage changes for South Africa's GDP per capita data between 2005 and 2015 are provided in figure 9.



**Figure 9.** *Proportional Change in GDP Per Capita Values by Year*

Income that had been growing annually since 2005 took a downturn in 2008. However, there was an indication of a recovery for the economy in 2009 when income grew by 2.71%. This year recorded the highest increase in income, recording a rise in income of 25.12%. There was also another rise in per capita income in 2011, rising by 8.80%. But the trend shifted in 2012 when income dropped by 6.47% and further dropped to -8.88%, -5.91%, and -10.68% in 2013, 2014, and 2015, respectively. The continuous fall over four consecutive years could be associated with economic recessions and possibly unfavorable exchange rates. Generally, there were high growths in per capita income for the years 2005-2011, while per capita income had been experiencing a steady decline since 2012. The proportional changes are a definite signal showing when South Africa experiences growth or recession.

#### 4.2.3 CPI Change Rates

Table 10 presents the proportional changes in consumer price indices in the Republic of South Africa between 2005 and 2015.

**Table 10.** *Annual CPI Change Rates of South Africa*

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Rate of Increase	3,37	4,66	7,14	11,02	7,18	4,21	4,99	5,65	5,74	6,1	4,59

The inflation rate was as low as 3.37% in 2005, while it slightly increased in 2006 reaching 4.66%. An increase in inflation was especially evident in 2007 – it amounted to 7.14%. In 2008, the CPI rate was the highest (it reached 11.02%). This high indicator was explained by the financial crisis impact and increasing costs of food and energy worldwide. Inflation in 2009 was lower reaching 7.18%. In 2010 and 2011, the inflation rate did not significantly exceed 5% (the rate was 4.21% and 4.99% accordingly). This period might be characterized by the tightness of monetary policy and reduced demand. However, from 2012 to 2014, inflation continued increasing. It is known that the CPI increase was equal to 5.65% in 2012, 5.74% in 2013, and 6.1% in 2014. The possible reasons for these trends might be a demand growth, exchange rate changes, and the dynamics of energy prices. In 2015, the increase rate of the CPI reduced and amounted to 4.59%.

In this way, the analysis of South Africa's inflation data for the period 2005-2015 shows that there were some fluctuations, which might be caused by shocks. Inflation could reach levels of 4%-6%, but it had higher values because of some external factors (mainly in 2008).

It should be stated that considerable increases in business travel exports and imports were registered in 2010, after which the dynamics was negative. Therefore, the influence of 2010 FIFA World Cup on the sector was rather insignificant.

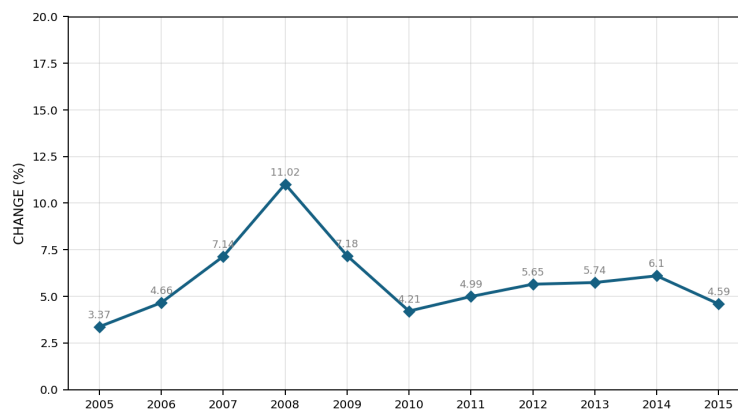


Figure 10. Consumer price index (CPI) change rates over the year

## 5. DISCUSSION

The results obtained during the investigation indicate that the 2010 FIFA World Cup generated some beneficial economic effects for the country but they were mostly limited in scope and duration. The increase in foreign trade volume, service activities, tourism income, transportations services, and GDP per capita during and soon after the event shows that mega-sporting events may have a positive impact on the economic performance of host nations. However, the subsequent decline in the majority of these indices after 2012 demonstrates that no sustainable growth was achieved. Consequently, the case of South Africa provides valuable insight into both advantages and drawbacks of large scale sporting events in developing countries.

To begin with, the positive change in foreign trade and services sector activities is an interesting and expected finding. Both the amount of exported and imported goods significantly increased in 2010, while tourism and transportation services exhibited an excellent performance. The results obtained support the view expressed by scholars that large sporting events may stimulate short-term growth via their impact on the local and international markets [13, 16]. The increase in foreign trade, service activities, and tourists' interest in the country indicates that the World Cup temporarily increased the number of opportunities for the national economy.

Another point worth considering in the context of sports economics is the critical stance toward the role of such events for developing nations. Despite the positive economic outcomes achieved during the World Cup, a decrease in performance in foreign trade, GDP per capita, and depreciation of the national currency observed by the researcher support the idea stated by Baade and Matheson (2011) that sporting events have only a short-term impact on the economic dynamics of developing nations. This means that, similar to other developing countries, South Africa failed to make full use of its position as the organizer of the World Cup.

There is another interesting question arising when one speaks about the positive impact of the event analyzed. It concerns the structure of South African foreign trade and economic development. The analysis conducted suggests that during the period considered, the country continued relying mostly on raw materials exports and importing industrial technology-intensive products. Therefore, despite the temporary growth in trade volumes, the structural problems characteristic of the economy still prevailed. The conclusion to be made is the inability of hosting prestigious sporting events to address structural problems like poor industrial diversification, technology dependence, high rates of unemployment, and low productivity.

As regards the findings related to the services trade sphere, there is some room to discuss this aspect further. During 2010, there were some increases in finance services, travel services, and transportations services volumes. This tendency could be explained by a number of reasons connected with the event: growing number of tourists arriving to the country, spending money on infrastructure facilities, performing financial transactions and increasing demand for transportation facilities. However, the stagnation and decrease observed soon after the tournament show that it only generated some temporary growth instead of stimulating some structural changes in the country's economy.

The discussion of exchange rates is relevant because the appreciation of the South African Rand recorded in 2010 shows that foreign investment inflow and confidence in the economy increased during the time of the World Cup. But the depreciation observed in the years following it proves that foreign currencies did not flow into the country's economy in the long term. Thus, the economy continued being vulnerable to shocks and fluctuations in the international market as well as being characterized by a volatile exchange rate. Besides, a decrease in per capita income also occurred after 2011.

Finally, one should pay attention to the implications of the event discussed for developing nations as a whole. It became clear that a major sporting tournament can be quite effective for promoting its organizer and boosting some temporary economic growth and attracting investment. Hosting prestigious sports events may help to build up the image of the country

in the global community and improve its international reputation. At the same time, merely holding the event does not guarantee the achievement of sustainable economic development of the country in the future.

Speaking about the methodological limitations, it is possible to say that although the economic changes mentioned occur during the time of World Cup, one cannot conclude that they are caused by the event directly. Apart from its impact on the economy, factors like the global recovery from the 2008 financial crisis, fluctuations in commodity prices, international capital flows, and internal socio-economic processes in South Africa may affect its economic development. Consequently, the results obtained indicate the presence of a correlation between World Cup and economy, but not their causation. Further econometric research is required.

In conclusion, this study contributes to the increasing field of research into sports economics and legacies of sporting mega-events, as the economic effects of mega sporting events are multifaceted, unequal, and ephemeral. From the South African case, it is evident that despite the positive effects brought about by such sporting mega-events, sustainable development can only be achieved through deeper structural transformations rather than transient growth facilitated by sporting events alone.

## 6. CONCLUSION

This study analyzes the influence of the 2010 FIFA World Cup, hosted by South Africa, on the economic results and macroeconomic factors of foreign trade in this country. The analysis of eleven-year data from 2005 to 2015 shows that while major sporting events may affect the host country's economic situation positively in the short run, the effects tend to be insignificant and only last for a short period. An increased revenue from exports and especially from the services' sector became apparent in 2010 and subsequent years; these changes can be explained by the contribution of tourism and investment to the country's economy. However, in the long run, there is no noticeable development momentum created, the fluctuations in foreign trade balance continue to persist, and, in general, the structure remains the same compared to the period before the World Cup. Analyzing the data, one finds out that the structure of foreign trade in South Africa implies a predominance of raw materials' exports, which makes the economy more vulnerable to external influences. In regard to imports, high-tech products and industrial goods show how insufficient internal production is. It becomes apparent that major events such as World Cups do not lead to significant changes to the economic structure of developing countries.

The use of graphic and tabular methods of data analysis based on the data provided by UNCTAD shows that the greatest influence of the organization was manifested in the development of the service sector and creating temporary jobs, but these results did not turn into a transformation in the mid-term. It becomes obvious that economic expectations should rely on realistic principles in such cases. Moreover, in developing countries, it is necessary to introduce industrial, educational, and infrastructural reforms simultaneously in order to increase the foreign trade and economic potential permanently.

To conclude, regarding the influence of major sports' events on the development of the economy, the results obtained show the necessity of structural reforms for the sustained economic growth and improvement of foreign trade structure. The South African case is an illustration of the impressive yet limited results accomplished by the organization; it suggests that more comprehensive measures are required to ensure sustainable progress in international trade and other macroeconomic variables.

## 7. SUGGESTIONS

- First of all, structural reforms should be made to sustain and perpetuate the economic contributions of the organization. While such a step is indispensable for developing countries, diversification of industries, diversification of exports, and adding value to products should be taken into account. In this respect, it is vital that changes should be made to the foreign trade structure to reduce dependence on raw materials, increase the rate of industrialization, and improve technological capability.
- The organization process should be considered not only in terms of economic recovery in the short term, but rather as a strategy for the development process in the long run. Effective cooperation should be created among governmental institutions, private sectors, and non-governmental organizations and comprehensive strategies should be developed concerning tourism, education, technology, and infrastructure.
- Policies and incentive programs should be designed in order to benefit the producers and service suppliers from the economic activities carried out through the organization. Through this, economic profits can be distributed in other sectors of society and social inclusion can be improved.
- Monitoring and evaluating economic impact data of the organization systematically is another important step for making further plans. For this purpose, data should be collected in terms of various economic sectors and evaluated separately in the short, medium, and long-term perspectives.

- Moreover, taking into consideration environmental sustainability and social integration together with economic criteria would allow assessing the contributions of big organizations to development from a multi-dimensional approach.

### ACKNOWLEDGMENT

To ensure the English translation of this article is flawless, the AI application was used in the translation process.

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