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A Friday Thought

SMH Capital Group at Steward Partners



“The truth is the Super Bowl long ago became more than just a football game. It's part of our culture like turkey at Thanksgiving and lights at Christmas, and like those holidays beyond their meaning, a factor in our economy.” - Bob Schieffer

The Super Bowl's Economic Impact: Boosting Local Economies and Shaping the Stock Market

Introduction

The Super Bowl has transcended its status as a mere football game to become a cultural phenomenon with profound effects on the economy and even the stock market. In this *A Friday Thought*, we'll delve into the economic repercussions of the Super Bowl, exploring how this mega-event transforms local economies,

influences businesses, and leaves an indelible mark on various industries across the United States. We'll also explore its potential impact on the stock market, supported by statistical references and research studies conducted over the years.

Direct Economic Impact

The Super Bowl serves as a significant catalyst for direct spending in the host city, resulting in a substantial economic boost. According to the Las Vegas Convention and Visitors Authority, the estimated economic benefit for Super Bowl LVIII (2024) in Las Vegas is projected to exceed a staggering \$850 million. This spending encompasses various expenses, including accommodations, dining, transportation, and ticket sales. The hospitality sector in the host city experiences a surge in revenue, with hotels, restaurants, and bars benefiting the most during the event.

Job Creation

The Super Bowl also sparks a surge in job creation, offering temporary employment opportunities for thousands of individuals. A study conducted by the Miami Super Bowl Host Committee found that Super Bowl LIV generated over 5,000 jobs in the Miami metropolitan area alone, and according to Applied Analysis over 6000 new jobs will be created this year in Las Vegas. These job opportunities span across various sectors, including event management, security, hospitality, and transportation. While these positions are often temporary, they can significantly impact the local workforce by providing valuable experience and income to residents.

Tourism and Hospitality Industry

The tourism and hospitality industry emerge as one of the primary beneficiaries of the Super Bowl. Host cities experience a substantial increase in tourism during the weeks leading up to the game. Hotels are fully booked, and restaurants witness high demand, resulting in increased revenue for these businesses. Data from the American Hotel & Lodging Association reveals that Super Bowl LIII (2019) in Atlanta generated over \$290 million in revenue for the city's hotels, underscoring the event's immense impact on the hospitality sector.

Advertising and Marketing

The Super Bowl is famed for its extravagant commercials, with companies ready to pay top dollar for coveted advertising slots during the game. Typically, the Super Bowl broadcast offers around 70 to 80 commercial opportunities. According to The Hollywood Reporter, a 30-second ad during this year's Super Bowl cost an estimated \$7 million, a stark contrast to the \$37,502 cost in the 1960s. This translates to a staggering \$525 million. Such a high price tag underscores the immense viewership the Super Bowl garners and the potential return on investment for advertisers. It underscores the game's economic significance, as companies heavily invest in Super Bowl advertising to reach a vast and engaged audience.

The Super Bowl's impact on branded advertising is unparalleled, epitomizing a fusion of sports, entertainment, and marketing. With its colossal viewership, brands seize the opportunity to highlight their creativity, often through high-budget commercials. These ads transcend mere promotion, becoming cultural phenomena, generating buzz, and fostering brand recognition long after the final whistle. The Super Bowl platform provides a rare chance for companies to captivate diverse audiences, aiming to evoke emotions, provoke laughter, or inspire awe in a brief span. Successful campaigns can solidify brand loyalty and influence consumer behavior, making the Super Bowl a pivotal moment in advertising calendars worldwide.

Promotion of Local Businesses

Local businesses, especially those in the host city, often seize the opportunity to promote their products or services during Super Bowl week. Merchants set up pop-up shops, street vendors cater to fans, and various promotional events take place in the vicinity of the stadium. These activities not only boost the local economy but also provide a unique experience for fans and visitors.

Infrastructure Development

Hosting the Super Bowl frequently prompts host cities to invest in infrastructure development projects. These projects can include stadium renovations, improved transportation systems, and upgrades to public spaces. These investments serve the dual purpose of enhancing the city's infrastructure and preparing it to host future events. For example, the construction of the Mercedes-Benz Stadium in Atlanta, which hosted Super Bowl LIII, contributed to the city's ability to attract major events and conventions.

Impact on Legalized Gambling

The Super Bowl exerts a major influence on legalized gambling within the United States. With millions of viewers tuning in, it creates a perfect storm of excitement and opportunity for the gambling industry. The Super Bowl acts as a massive catalyst for sports betting, with an estimated annual wagering volume reaching billions of dollars. The American Gaming Association (AGA) reported that a record-breaking 50.4 million people in the United States placed bets on the previous year's Super Bowl. Anticipations are high that the number of bettors for the upcoming game between the 49ers and Chiefs will see a substantial increase. Legal Sports Report predicts that Super Bowl LVIII will witness a historic \$1.5 billion in wagers, surpassing the previous record by 20 percent.

This underscores the continuous growth in the popularity of sports betting in the U.S., especially during high-profile events like the Super Bowl. These projections reflect the considerable expansion in both the number of participants in sports betting and the total amount of money wagered on this premier sporting event. It is essential to note that these figures are forecasts and may vary depending on a range of factors, including the competing teams, gambling regulations, and the overall economic climate at the time.

The influx of bettors generates substantial revenues for sportsbooks and online betting platforms, providing support to both the gaming industry and state budgets through tax revenues.

Furthermore, the Super Bowl ignites interest in other forms of legalized gambling, such as daily fantasy sports (DFS) contests. DFS platforms offer special contests centered around the Super Bowl, attracting fans looking to engage with the game on a more interactive level and potentially win substantial cash prizes. Informal betting pools, known as "Super Bowl squares" or "prop bets," also thrive during

Super Bowl parties and gatherings, illustrating the event's influence on gambling activities among a broader audience.

It is crucial to acknowledge that the surge in betting activity during the Super Bowl can give rise to issues related to problem gambling and addiction. Therefore, promoting responsible gambling practices and providing resources for those in need is essential for both individuals and the gambling industry.

Impact on the Stock Market

The Super Bowl's influence on the stock market has generated interest and speculation. Historically, there hasn't been a clear correlation between the Super Bowl's outcome and stock market performance. Some financial analysts have devised tongue-in-cheek theories like the "Super Bowl Indicator," which was introduced, by Leonard Koppett, a renowned sportswriter for The New York Times, in 1978. The indicator suggests that the stock market's performance is linked to the winning team's league (NFL or AFL). However, this indicator is based on historical data and lacks reliable predictive power. The concept underlying this indicator suggests that when the team from the American Football Conference (AFC) secures a Super Bowl victory, it anticipates a forthcoming downturn in the stock market, commonly referred to as a bear market. Conversely, when a team from the National Football Conference (NFC) emerges victorious, it is seen as an omen for a rise in the market, often described as a bull run in the upcoming year. As of 2023, it has maintained an impressive accuracy rate of 72%, correctly predicting market outcomes in 41 out of 57 instances. However, over the last two decades, spanning from 2004 to 2023, it has only proven accurate on six occasions, resulting in a reduced accuracy rate of 30%.

While the Super Bowl itself may not directly impact the stock market, it can influence specific industries and companies. For instance, companies that advertise during the Super Bowl may experience short-term fluctuations in their stock prices based on the success of their commercials and brand exposure. Additionally, businesses within the hospitality, food, and beverage sectors may observe increased stock performance during the event if they are in or around the host city.

Conclusion

The Super Bowl transcends its status as a football game, becoming a colossal economic event that injects millions of dollars into local economies, creates jobs, and offers opportunities for businesses to thrive. From direct spending to job creation, the tourism and hospitality industry, advertising and marketing, and infrastructure development, the Super Bowl exerts a profound economic impact on the host city and the broader region. While its influence on the stock market remains anecdotal, the game's far-reaching economic consequences make it a game-changer for the fortunate local economies that host it.

Additionally, our team extends beyond traditional financial advisory roles, offering support to family members, friends, or colleagues as a trusted sounding board. Even if they are not our clients, they can benefit from our services. We also provide the opportunity for our clients to share *A Friday Thought* with interested individuals. If you know someone who would appreciate receiving our *A Friday Thought*, kindly provide us with their email address, and we will gladly add them to our distribution list. This is our way of reaching out and providing valuable insights to a wider audience.

This week's trivia: On February 9th 1964, at 8:12pm eastern standard time, who did America "meet" on the Ed Sullivan show?

Last week's trivia: What half of the American pastime was founded on February 2nd, 1876. The National Baseball League

Have a great weekend!

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