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Transfer market analysis: tracking the money (2010-2017)

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1. Introduction

The study of the transfer market constitutes one of the key areas of research of the CIES Football Observatory. This report analyses the paying fee transfers having taken place since 2010 which involved teams of the five major European championships: the English Premier League, the Spanish Liga, the German Bundesliga, the Italian Serie A and the French Ligue 1.

The first chapter analyses from a historical perspective the sums invested in transfer fees. The second part presents the financial accounts at club level from the latest transfer window, as well as the principle net monetary flows between leagues. Finally, the third section examines the transfer operations from the point of view of the gap between fees paid and values estimated by the algorithm that we have developed[1].

1 About this, see the research note **How to evaluate a player's transfer value?**

2. Amounts spent

Although the official figures for the amounts spent on transfer fees are often confidential, the extensive media coverage of the main football markets allows us to trace operations. It is thus possible to have a quite clear idea of what actually occurs. The data published in this report includes the fixed transfer indemnities, conditional payments (add-ons), as well as the fees paid for the case of players on loan.

Since 2010, transfer fees paid by big-5 league clubs have strongly increased. For the fifth consecutive year, a record was set in 2017: €5.9 billion (+41% in comparison with the previous year)[2]. IIf we only take into account the summer transfers, the increase compared to 2016 was 38%: from €3.7 to €5.1 billion.

Over the summer of 2017, similar to preceding years, the Premier League clubs have spent the most: about €1.55 billion in fixed transfer fees and €220 million in conditional payments. On average, an English top division club invested €89 million to sign new players. In the other championships studied, this figure varies between €55 million (Italian Serie A) and €34 million (Spanish Liga).

The proportion of expenses of the Premier League clubs in comparison to the transfer fees paid by all of the big-5 league teams was over 30% throughout the period analysed. The decrease observed for 2017 is notably related to the great investments made by Paris St-Germain (€418 million) and Milan (€250 million).

2 The transfer fees negotiated in the case of loans with an obligation to buy are also included in this figure.

Figure 1: transfer fees invested by big-5 league clubs, € billion (2010-2017)

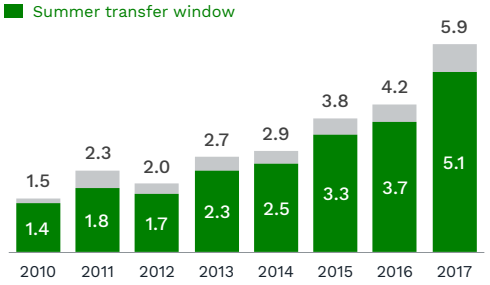


Figure 2: transfer fees invested by clubs in the big-5, by league (summer 2017)

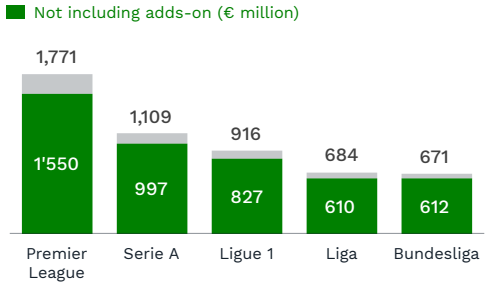
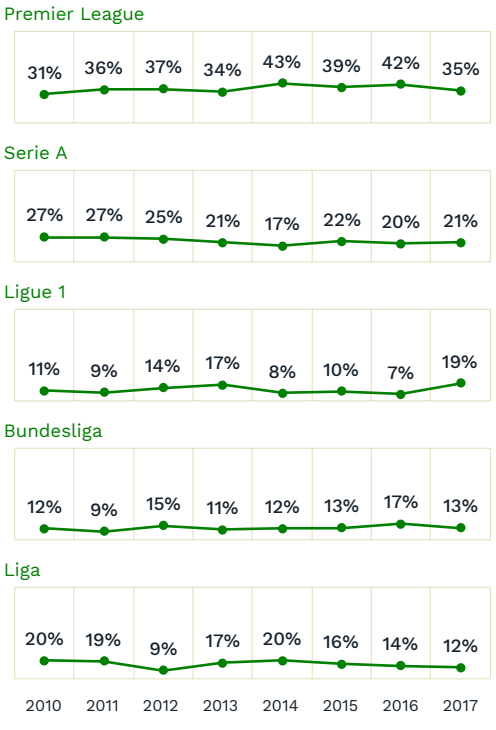


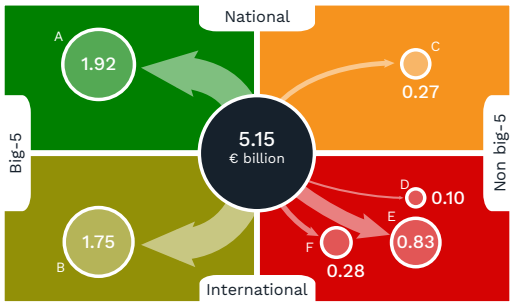
Figure 3: distribution of transfer fees invested by clubs in the big-5, by league (2010-2017)



The spatial analysis of the sums invested by big-5 league teams during the summer of 2017 shows that most of the money remains within these championships: €3.7 billion (71% of the total). However, only 52% of paid transfers carried out by big-5 league teams involved players under contract with clubs from these competitions. This imbalance is due to the fact that the most expensive transfers occur between big-5 league teams. The cases of Neymar, Mbappé and Dembélé are perfect examples of this situation.

Rather than call into question the usefulness of the transfer system, as argued by FIFPro notably, our analysis makes a case for the reinforcement of redistribution mechanisms. An increase in indemnities paid to training clubs, as well as an augmentation and generalisation of solidarity contributions such as those planned by FIFA for international transfers, would constitute concrete measures for improving the system.

Figure 4: recipients of transfer fees invested by big-5 league clubs (summer 2017)



A	Clubs in the same league	37%
B	Clubs in other big-5 leagues	34%
C	Lower division clubs in the same country	5%
D	Lower division clubs in other big-5 league countries	2%
E	Clubs in other UEFA associations	16%
F	Non-UEFA clubs	5%

3. Financial assessments

Apart from funds spent, it is interesting to study the net balance sheet for transfer operations. In total, 41 big-5 league clubs out of 98 have made a profit on player transfers carried out in the 2017 summer window. The biggest net profit was recorded for Monaco: +€289 million (€394 million received and €105 million paid out). At the opposite end of the spectrum is Paris St-Germain: -€343 million.

The analysis by league brings to light the Premier League's specificity, which has a clear deficit (-€835 million). Only five English top division teams registered a positive transfer fee balance. Contrary to England, the Spanish Liga has a credit balance (+€9 million). This result is mainly related to Real Madrid's transfer policy (+€47 million).

Figure 5: net balance of transfers, big-5 league clubs (summer 2017), € million

Top 10 - positive balance

	Spending	Income	Balance
1. Monaco (FRA)	105	394	+289
2. Dortmund (GER)	89	199	+110
3. Lyon (FRA)	57	129	+72
4. Real Madrid (ESP)	92	139	+47
5. Fiorentina (ITA)	73	115	+42
. Sampdoria (ITA)	63	105	+42
7. Lazio (ITA)	46	77	+31
8. Swansea City (ENG)	54	81	+27
9. Leverkusen (GER)	63	89	+26
. Arsenal (ENG)	60	86	+26

Top 10 - negative balance

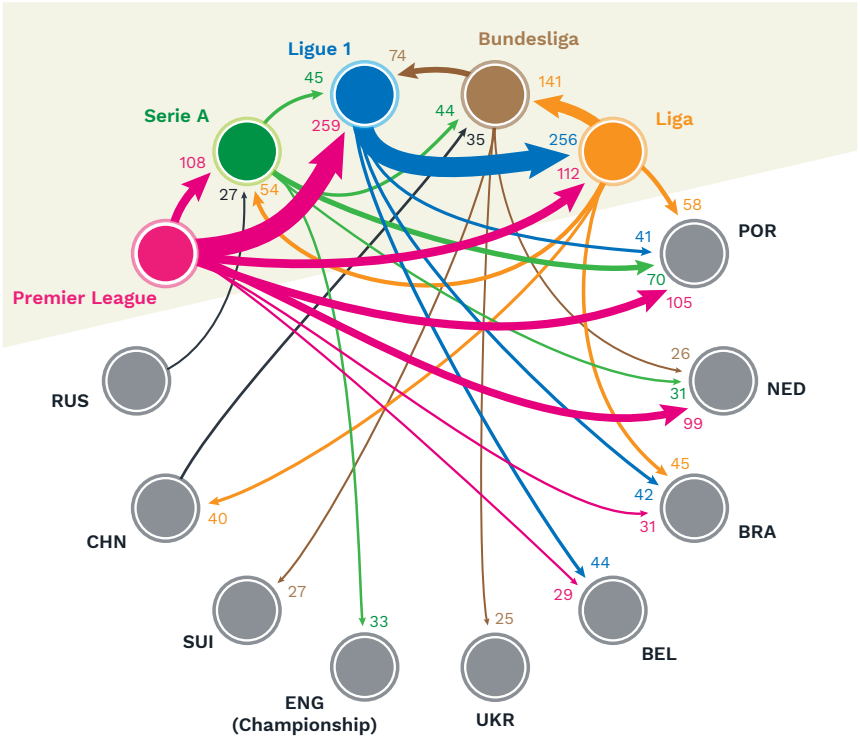
	Spending	Income	Balance
1. PSG (FRA)	418	75	-343
2. Milan (ITA)	250	61	-189
3. Manchester Utd (ENG)	197	11	-186
4. Manchester City (ENG)	282	109	-173
5. Chelsea (ENG)	236	130	-106
6. Bayern München (GER)	102	34	-68
7. Marseille (FRA)	66	4	-62
8. Brighton & Hove (ENG)	54	0	-54
9. Liverpool (ENG)	105	54	-51
10. Huddersfield (ENG)	55	7	-48

Figure 6: net balance of transfers, big-5 leagues (summer 2017)

	Spending	Income	Balance
Liga	684	693	+9
Ligue 1	916	861	-55
Bundesliga	671	590	-81
Serie A	1,109	970	-139
Premier League	1,771	936	-835
Total	5,151	4,050	-1,101

The spatial analysis of the balance sheets for international transfers having involved big-5 league teams confirms the key role played by the top English division in the market structure. Five of the seven international relations with the greatest net monetary flows involve the Premier League: -€259 million with France, -€112 million with Spain, -€108 million with Italy, -€105 million with Portugal and -€99 million with the Netherlands.

Figure 7: main net monetary flows for international transfers having involved clubs in the big-5, by league (summer 2017, balance ≥ 25 € million)



By only taking into account the teams with a credit balance for transfers which involved big-5 league clubs during the summer 2017, it appears that the main beneficiaries are situated within these championships. The 41 big-5 league teams with a positive balance account for €989 million of profits. The record high was observed for French Ligue 1: +€436 million (two thirds of which to Monaco).

The clubs outside the big-5 with a credit balance for transfers having involved teams from the five major European championships are mainly located in other UEFA countries (notably Portugal, the Netherlands and Belgium), in the English second division (principally thanks to the transfer of players to Premier League teams), as well as in Brazil.

Figure 8: net beneficiaries of transfers having involved clubs in the big-5, by league category (summer 2017), € million

	Clubs	Balance
Big-5	**41**	**+989**
Ligue 1	10	+436
Serie A	10	+200
Bundesliga	7	+166
Liga	9	+110
Premier League	5	+77
Lower division of big-5 countries	**50**	**+286**
ENG	10	+138
ITA	14	+48
FRA	9	+39
GER	9	+32
ESP	8	+30
Other UEFA countries	**68**	**+731**
POR	8	+259
NED	9	+169
BEL	8	+93
UKR	1	+25
SUI	2	+25
TUR	4	+24
POL	5	+21
GRE	3	+21
DEN	4	+17
BUL	2	+13
AUT	2	+13
RUS	2	+11
CRO	1	+10
SRB	2	+9
Others	15	+22
Non-UEFA countries	**27**	**+261**
BRA	9	+134
ARG	4	+42
CHN	1	+40
URU	4	+31
Others	9	+15
Total	**186**	**+2,267**

4. Transfer operations

The CIES Football Observatory is notably renowned for its ability to estimate scientifically the transfer values of professional footballers. This section compares the amounts invested for the transfer of players present in the big-5 at the end of the 2016/17 season with the "fair" values calculated thanks to our algorithm. The strong correlation between amounts paid and values estimated confirms the solidity of our approach, as well as its strong predictive power.

As usual, a negative gap was measured between amounts paid and values estimated. On average, the former were 30% lower than the latter. It is the biggest difference observed since the implementation of the transfer value algorithm. This finding reflects an acceleration of the inflation occurring in the transfer market.

According to the algorithm developed, the most over-paid transfer in absolute terms was that of Kylian Mbappé from Monaco to Paris St-Germain: +€87.4 million between the amount reported (add-ons included) and the estimated sum. Conversely, the best bargain from a financial point of view was achieved by Liverpool for the recruitment of Mohammed Salah (-€19.4 million).

Figure 9: correlation between amounts paid and values estimated for big-5 league players (summer transfers 2017)

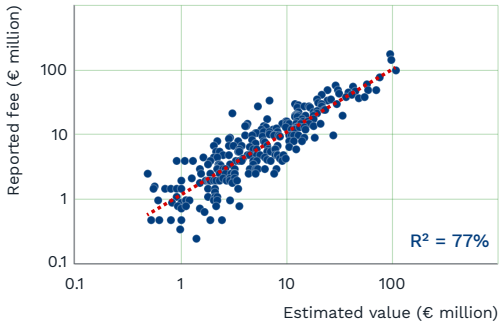


Figure 10: greatest gaps between fees paid and values estimated (summer 2017)

		Estimated	Paid	Gap
1.	Kylian Mbappé Monaco (FRA) -> PSG (FRA)	92.6	180.0	+87.4
2.	Ousmane Dembélé Dortmund (GER) -> FC Barcelona (ESP)	95.8	147.0	+51.2
3.	Benjamin Mendy Monaco (FRA) -> Manchester City (ENG)	28.5	57.5	+29.0
4.	Jordan Pickford Sunderland (ENG) -> Everton (ENG)	6.8	34.3	+27.5
5.	Gylfi Sigurdsson Swansea City (ENG) -> Everton (ENG)	24.1	49.3	+25.2
6.	Mamadou Sakho Liverpool (ENG) -> Crystal Palace (ENG)	5.3	28.2	+22.9
7.	Patrik Schick Sampdoria (ITA) -> Roma (ITA)	21.0	42.0	+21.0
8.	Nemanja Matić Chelsea (ENG) -> Manchester Utd (ENG)	30.2	50.3	+20.1
9.	Mohammed Salah Roma (ITA) -> Liverpool (ENG)	69.4	50.0	-19.4
10.	Harry Maguire Hull (ENG) -> Leicester (ENG)	3.1	21.6	+18.5
11.	Davide Zappacosta Torino (ITA) -> Chelsea (ENG)	11.8	30.0	+18.2
12.	Manuel Nolito Manchester City (ENG) -> Sevilla FC (ESP)	27.4	10.0	-17.4
13.	Dalbert Henrique Nice (FRA) -> Internazionale (ITA)	12.7	29.0	+16.3
14.	Anthony Modeste Köln (GER) -> Tianjin Quanjian (CHN)	19.3	35.0	+15.7
15.	Antonio Rüdiger Roma (ITA) -> Chelsea (ENG)	54.2	39.0	-15.2
16.	Kyle Walker Tottenham (ENG) -> Manchester City (ENG)	41.3	56.0	+14.7
17.	Leandro Paredes Roma (ITA) -> Zenit (RUS)	12.6	27.0	+14.4
18.	Milan Škriniar Sampdoria (ITA) -> Internazionale (ITA)	14.4	28.0	+13.6
19.	Alex Oxlade-Chamberlain Arsenal (ENG) -> Liverpool (ENG)	30.5	43.4	+12.9
20.	Baldé Keita Lazio (ITA) -> Monaco (FRA)	19.5	32.0	+12.5

5. Conclusion

This report highlights the inflation of transfer fees for the recruitment of players from the five major European championships. The average under-estimation of prices with respect to values calculated on the basis of our algorithm and the general increase in amounts invested by big-5 league clubs are clear indicators illustrating the inflation process.

The globalisation of interest in football in general and for the most competitive championships more specifically, would lead one to believe in the continuing trend of inflation of costs on the transfer market. In the short and medium term, the teams from the best leagues should be in a position to increase their turnover. This situation is even more likely to be valid for the most powerful clubs.

In the longer term, in a context where changes in the modes of consumption will reinforce a decrease in television audiences, the main challenge will be for the clubs' and leagues' ability to diversify even further the sources of monetisation of the sporting spectacle. In any case, for the next five years, it is safe bet that new spending records on the transfer market will be progressively established.