

The Economics of Racing: The Macroeconomic Impacts of the changes to the 2026 Formula 1 Calendar

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Abstract

Formula 1 (F1), often described as the “pinnacle of motorsport”, extends far beyond the racetrack in its economic and political significance. Starting from its first ever race in 1950 held at the Silverstone Circuit in the UK, F1 now has a home across 20 countries over the course of its calendar, each generating millions in revenue and global attention. This sport, a blend of athleticism, engineering, and global commerce, also serves as an intersection of tourism, infrastructure investment, media rights, and geopolitical strategy. In recent years, however, the F1 calendar has become increasingly volatile. Events such as the COVID-19 shutdown, geopolitical uncertainties in the Middle East, and the replacement of legacy circuits such as Autodromo Enzo e Dino Ferrari, more commonly referred to as the Imola Circuit, have introduced a new dimension of economic risk. This essay aims to explore how cancellations and restructuring of the F1 calendar affect host economics, global stakeholders, and broader macroeconomic stability. In examination of these disruptions through macro and global economic frameworks, this analysis serves to highlight how Formula 1 reflects broader patterns of change and instability in an increasingly interconnected world.

Macroeconomic Foundations

F1 races generate economic activity through multiple channels consistent with the circular flow of income. Tourist spending increases household consumption (C), governments invest in infrastructure and event hosting (G), firms expand capacity and sponsorship (I), and international visitors contribute to exports (X).

In this sense, one ascertains that each race is operates as a short-term stimulus to aggregate demand. Naturally, when races are removed these injections are also removed – that too, abruptly.

Aggregate Demand Shock and Local Economic Impact

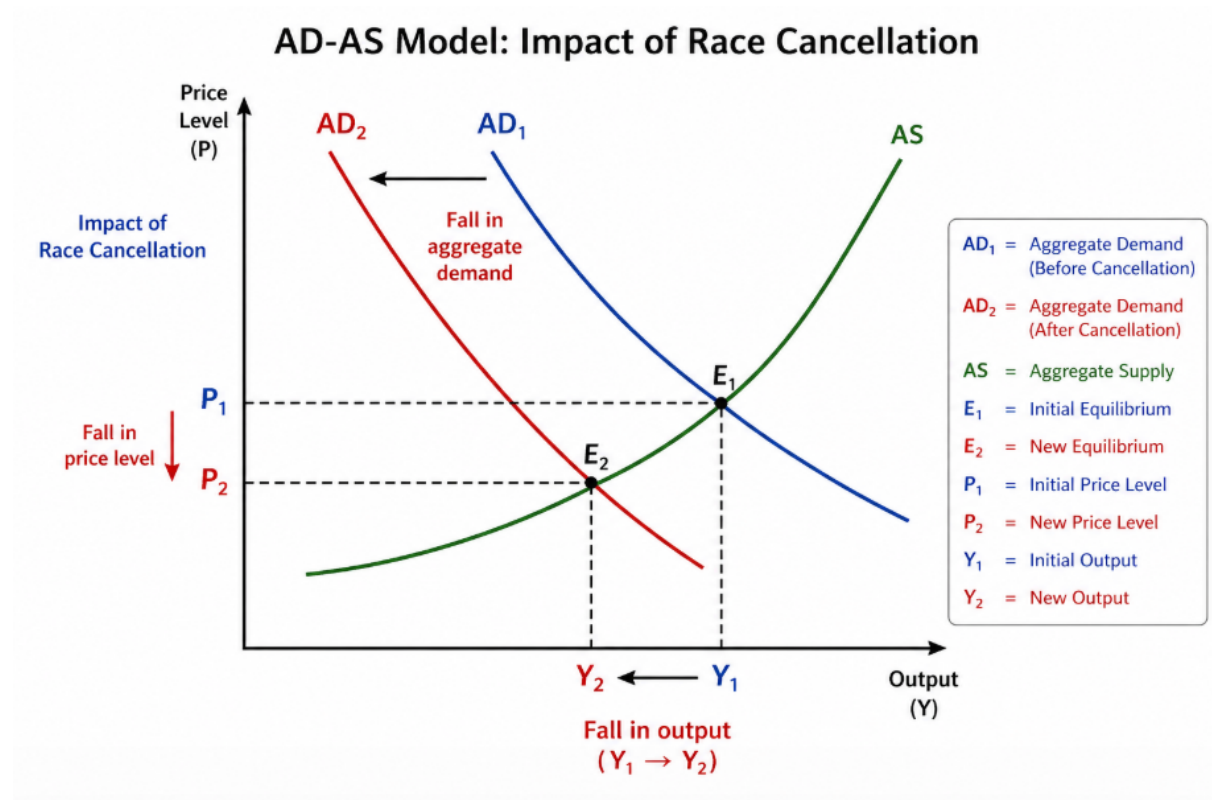


Figure 1 AD-AS Diagram

From the figure above, we can observe that a cancelled Formula 1 race shifts aggregate demand leftward ($AD_1 \rightarrow AD_2$), reducing output ($Y_1 \rightarrow Y_2$) and price level ($P_1 \rightarrow P_2$), illustrating the contractionary impact on the host economy.

These cancelled races are, therefore, negative demand shocks. We can utilise the COVID-19 pandemic illustrates this, as the suspension of the 2020 season eliminated tourism inflows across host cities simultaneously. The impact was especially severe in regions where F1 events constituted a significant share of annual tourism revenue, such as Mexico.

Local employment, particularly among smaller vendors, is highly sensitive to such disruptions. Race weekends often give rise to temporary jobs across sectors such as hospitality, event management, and transport. The disappearance of these opportunities disproportionately affects informal and seasonal workers lacking financial buffers. This results in localized increase in unemployment, and a decline in household incomes.

Circular Flow and Fiscal Implications

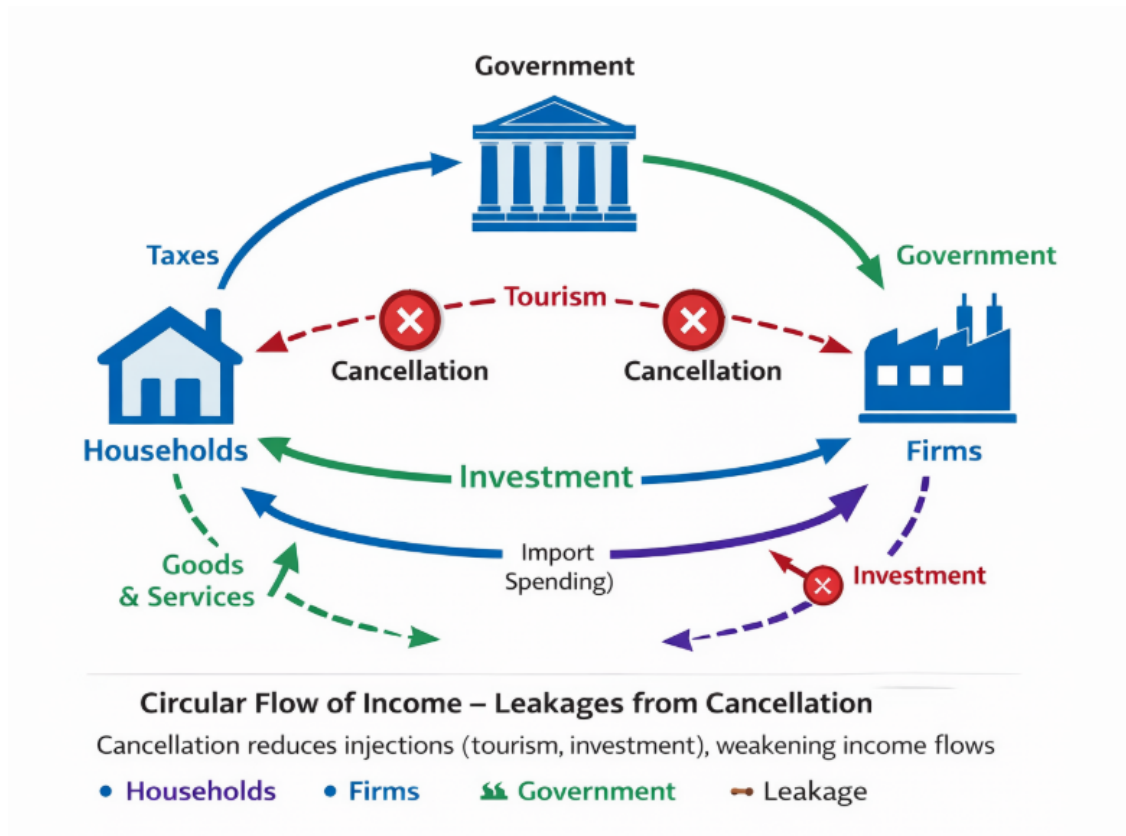


Figure 2 Circular Flow of Income with Leakages

The aforementioned circular flow that normally exists is directly disrupted by race cancellations. Cancellations directly remove key injections such as tourism and investment whereas leakages like savings, taxations and imports continue withdrawing income from the economy. This amplifies the contractionary impact on aggregate demand.

Governments, which often incur significant upfront costs including infrastructure development and licensing fees, face fiscal pressure when expected returns fail to come into existence. Lost tax revenues from tourism and consumption further exacerbate budget deficits.

This raises important questions about opportunity cost. Public funds allocated to hosting F1 could alternatively be invested in long-term development projects such as healthcare, education, or even more radical areas like sustainable infrastructure. When races are cancelled, these trade-offs become more visible, highlighting the risk of relying on mega-events as engines of growth; countries are left bearing sunk costs without corresponding returns.

Global Economy and the Effects of Exchange Rates

F1 is embedded within the global economy as a form of international trade in the services sector. Tourists traveling to host countries represent exports and bring their respective foreign currencies into these varied domestic markets and spaces. This inflow is reduced when races are cancelled, and this can potentially affect balance of payments.

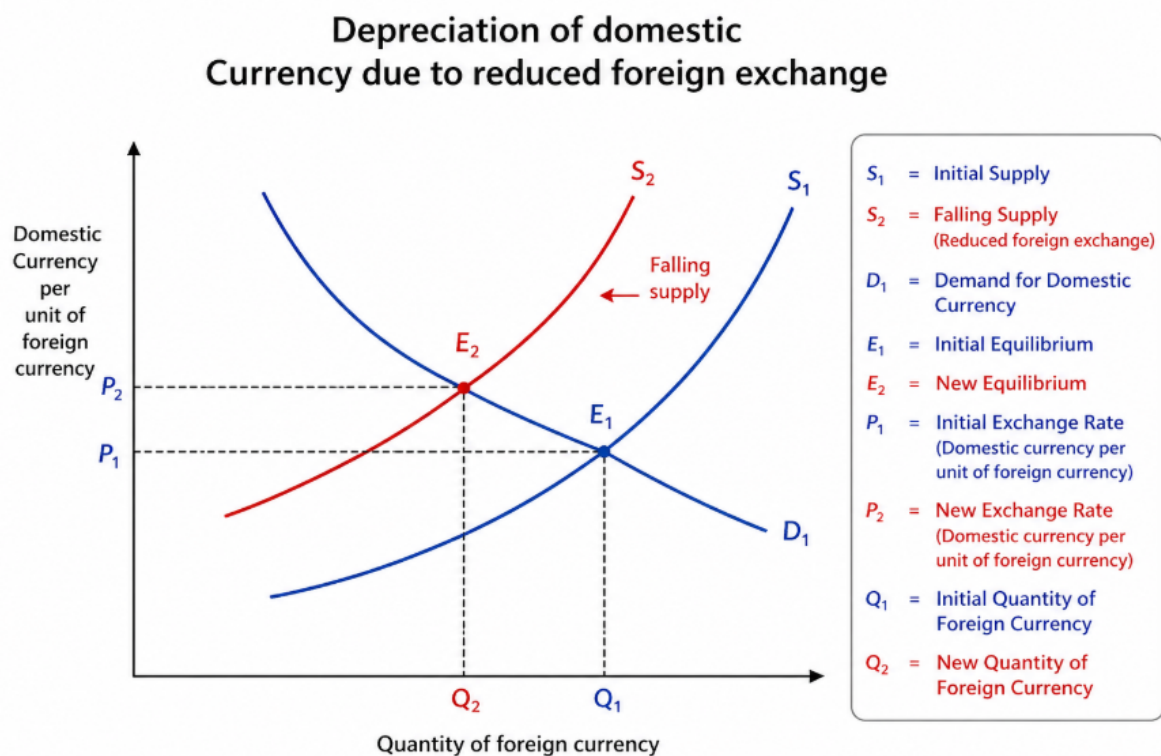


Figure 3 Foreign Exchange Market showing Tourism Reduction Impact

Figure 3 illustrates that a cancellation-induced fall in tourism reduces foreign exchange inflows, shifting supply leftward ($S_1 \rightarrow S_2$) and causing depreciation of the domestic currency ($P_1 \rightarrow P_2$) alongside a contraction in traded currency ($Q_1 \rightarrow Q_2$).

For smaller economies, or heavily tourism-dependent economies (or, frankly, both), the loss of foreign exchange (forex) earnings can exert downward pressures upon the domestic currency. Depreciation might improve the export competitiveness in the long run, but it can also increase the cost of imports, contributing to inflationary pressures.

At the same time, we can zoom out and understand that disruptions to the calendar can also affect global value chains. Teams, sponsors, broadcasters, and logistics providers operate around the season and across the oceans. Cancellations redistribute economic losses

internationally, and interdependently as well as some, if not all, of these components work together to provide the event.

The sport is centrally controlled by Liberty Media, and this shows the concentration of decision-making power and the disproportionate risks that host economies can bear.

Political Economy and Strategic Decision-Making

The changes and restructuring of the F1 calendar reflect not only economic considerations but also, as seen in this year's changes, political and strategic priorities. Recent cancellations in Bahrain and Saudi Arabia highlight the intersection of sport and geopolitics. Stability concerns can directly influence economic outcomes.

Meanwhile, the removal or rotation of traditional circuits like Imola, or France a few years prior, underscores a rising wave of revenue maximisation over prestige, with preference toward venues willing to pay higher hosting fees and gain more traction. This reveals the tension between historical tracks with cultural and/or sporting value, and alternative commercial imperatives in driving calendar decisions.

From a political economy standpoint, this showcases the influence of larger and powerful stakeholders – corporations, sponsors, and governing bodies – over local communities and smaller economies and businesses.

Cost-Benefit Analysis of Hosting F1

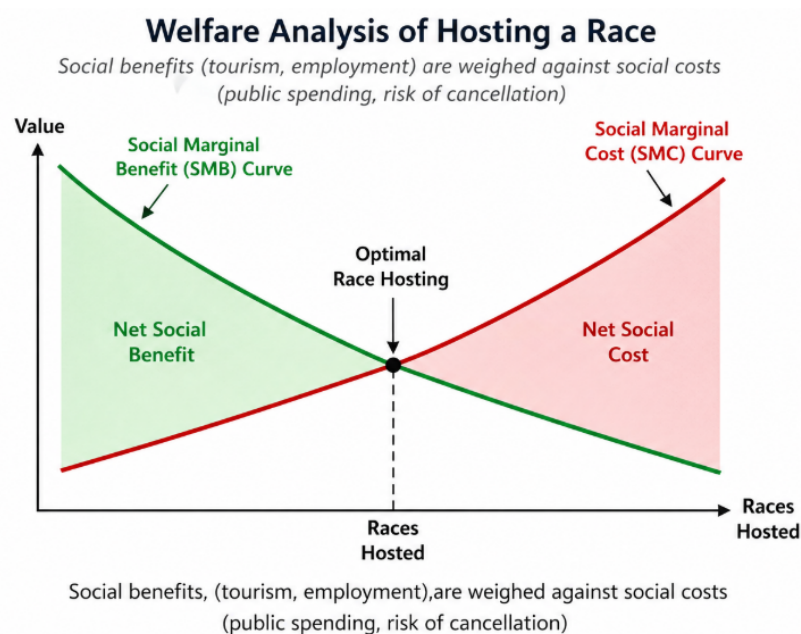


Figure 4 Welfare Analysis of Race Hosting

The welfare analysis above shows us the trade-off between significant benefits and substantial risks in hosting an F1 race. While races come with social benefits like boosted GDP, employment creation, tourism, and even enhance a city's global perception, there are rising marginal costs from uncertainty and cancellation risk. This, alongside environmental cost and high (sometimes exuberant) hosting fees, can lead to welfare losses beyond the optimal level of hosting.

When the probability of disruption is high, the expected net benefit of hosting naturally decreases. This suggests that governments must incorporate risk assessment into their decision-making processes, as some most likely already do, rather than assuming guaranteed returns. The reasons behind changes to the calendar vary: Hockenheim was removed due to financial factors, Valencia was removed due to poor racing quality, France was dropped to reduce calendar size, and Imola was replaced by Madrid – there's no formula to the changes in Formula 1, if I may.

Conclusion

In conclusion, the Formula 1 calendar and its structure and evolution serve as a compelling case study of how global events, entertainment, and sport intersect with macroeconomic dynamics.

Cancelled races act, equally, as negative demand shocks, disrupting income flows, reducing employment, and straining public finances, but also expose deeper structural issues, including dependence on volatile revenue streams and asymmetries in global power.

Ultimately, while Formula 1 can undeniably serve as a catalyst for economic growth and activity, its increasing unpredictability underlines broader global economic uncertainty. Ultimately, it is paramount that economies adapt to ensure that the pursuit of this great spectacle does not come at the cost of stability.

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