

# The economic importance of sport in England, 1985-2005

## Summary report



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Sport Industry Research Centre

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Sport England Collaborating Centre for Sport and the Economy

## Introduction

- This report is part of Sport England's ongoing commitment to build the evidence of the economic value of sport. The research has been carried out by The Sport Industry Research Centre (SIRC) at Sheffield Hallam University, which has been established as the Sport England Research Collaborating Centre for 'Sport and the Economy' for 2005-8.
- The economic value of sport has been assessed across England as a whole and separately for each region in England.
- This report focuses on the economic importance of sport in England in 2005, providing comparisons with estimates from 1985<sup>1</sup>.

## Methodology

The methodology employed in this report is based on national income accounting<sup>2</sup> and the income and expenditure flows between sub-sectors of the economy, namely:

- **Consumers** – including the personal or household sector.
- **Commercial sport** – including spectator sport clubs, sports good manufacturers and retailers.
- **Commercial non-sport** – including suppliers for the production of sport-related goods and services.
- **Voluntary** – including non-profit making sport organisations such as amateur clubs run by their participants.
- **Local Government** – including income from local government sport facilities, sport related grants from the Central Government and rates from the commercial and voluntary sector.

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<sup>1</sup> *Cambridge Econometrics: The Value of the Sports Economy in the Regions, 2000; The Henley Centre: The economic impact of sport in the UK, 1985.*

<sup>2</sup> The basic principle is that there is accounting equality between total output, total income and total expenditure. The most common definitions of total output in the economy as a whole are the Gross Domestic Product (GDP) and Gross Value Added (GVA). GDP is obtained by valuing outputs of goods and services at market prices and then aggregating. Note that all intermediate goods are excluded and no adjustment is made for indirect taxes and subsidies.

- **Central Government** – including taxes, grants and wages on sport related activities.
- **Outside the area sector** – including transactions with economies outside the region.

The 'double entry' accounting principle is applied, so every expenditure flow from say the commercial non-sport sector to the commercial sport sector has a corresponding income flow in the commercial sport sector accounts. The income and expenditure accounts are then used to derive estimates for the following economic indicators of the sport economy.

- Consumer expenditure on sport
- Gross value added by sport
- Sport related employment

Consumer expenditure in constant (2005) prices is expenditure on the observed volume of goods and services using 2005 prices. In doing so we take the inflation element away, and as a result changes in consumer spending would reflect changes of the volumes consumed. For example consider sport related consumption in 2003. Overall in England this is £14,654.9m using current 2003 prices. From Sport Market Forecasts<sup>3</sup> we know that the sport related price inflation between 2003 and 2005 was 2.82% (over two years). Then assuming that the price index in 2005 is 1 (in order to use 2005 prices), the price index in 2003 becomes  $1 - 0.0282 = 0.9718$ . Finally, by using that  $\text{Volume} = \text{Value} / \text{price index}$ , we derive sport related consumption in 2003 in constant (2005) prices as:  $£14,654.9\text{m} / 0.9718 = £15,080\text{m}$ . To make comparisons that demonstrate real changes of consumption over time, constant prices should be used.

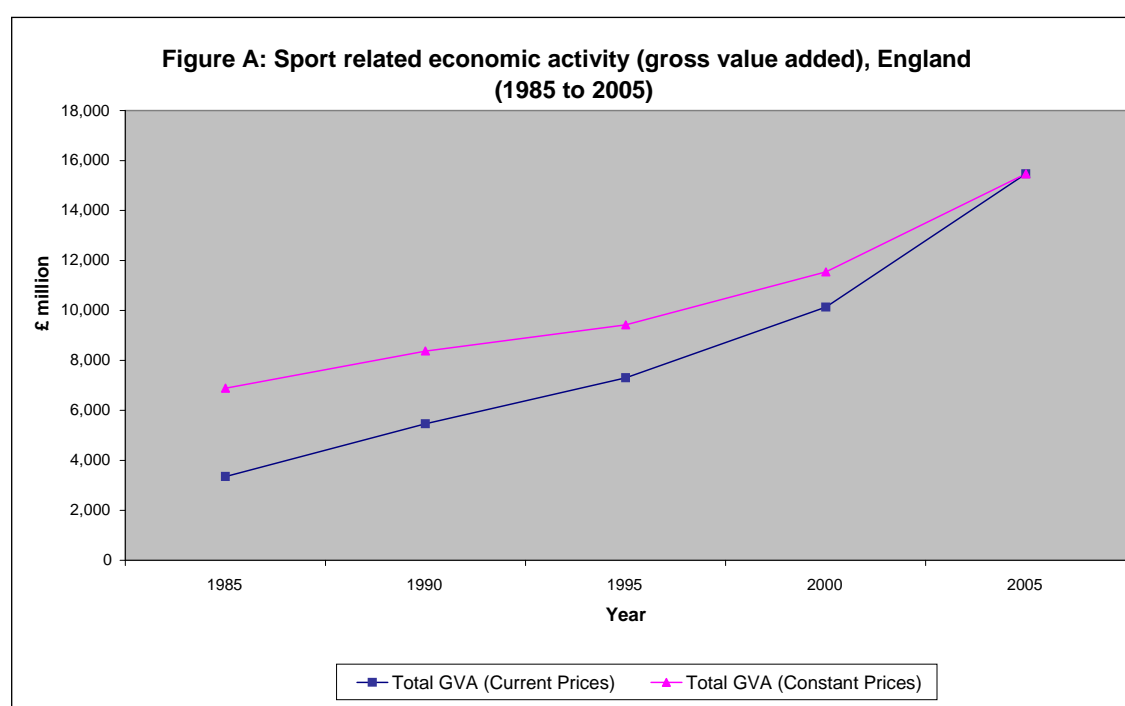
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<sup>3</sup> *Sport Market Forecasts 2007-2011*, Sport Industry Research Centre (SIRC), 2007

## Results

### Sport-related economic activity

- Estimates of sport-related output are based on gross value added (GVA)<sup>4</sup> by the sport sector. Gross value added is calculated as the sum of wages and profits generated in the sector. Figure A shows that sport-related economic activity increased from £3,358 million in 1985 to £10,373 million in 2000 and £15,471 million in 2005 (based on current prices). This represents a real increase of 124% over the period 1985 to 2005 (based on constant prices).

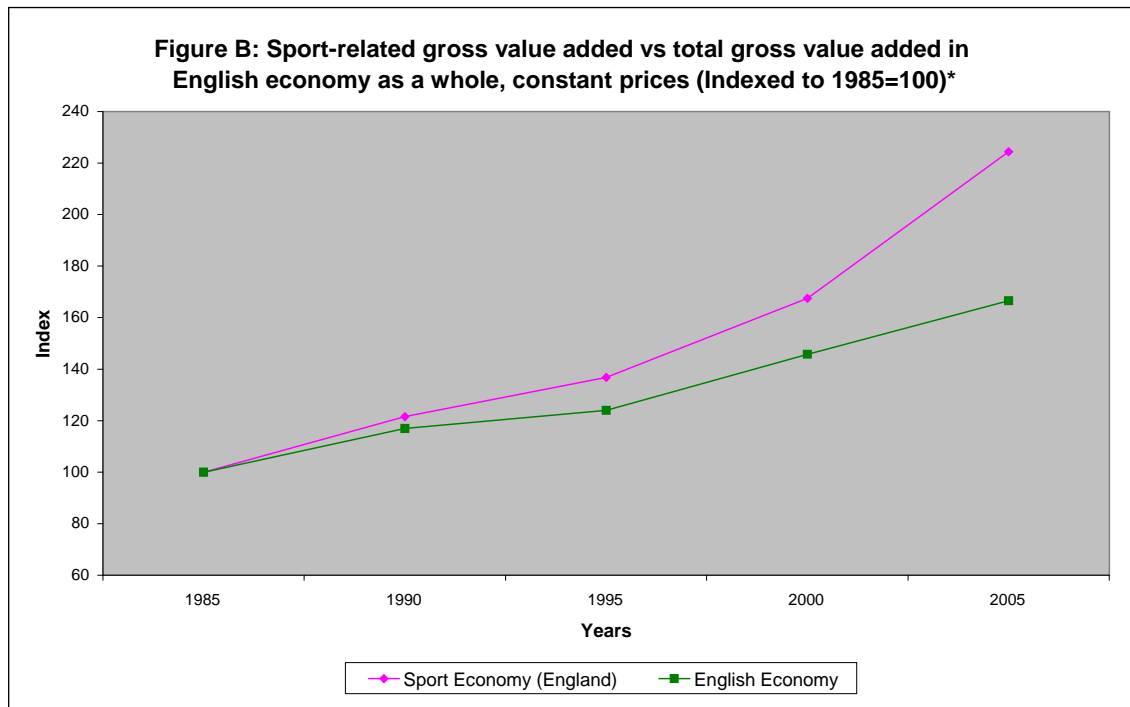


- In the same period (1985-2005) the English economy (gross value added) grew by 67% in real terms. This highlights that the growth of the sport economy has outstripped that of the English economy as a whole. See Figure B.

<sup>4</sup> GVA is the difference between total income (based on wages and profits) and the cost of inputs used in the production process (raw materials and services). Alternatively it can be expressed as:

GVA = GDP - taxes on products + subsidies on products.

GVA shows the contribution of the sports sector to the economy as a whole.



Source: Sports Industry Research Centre, Sheffield Hallam, and UK National Accounts

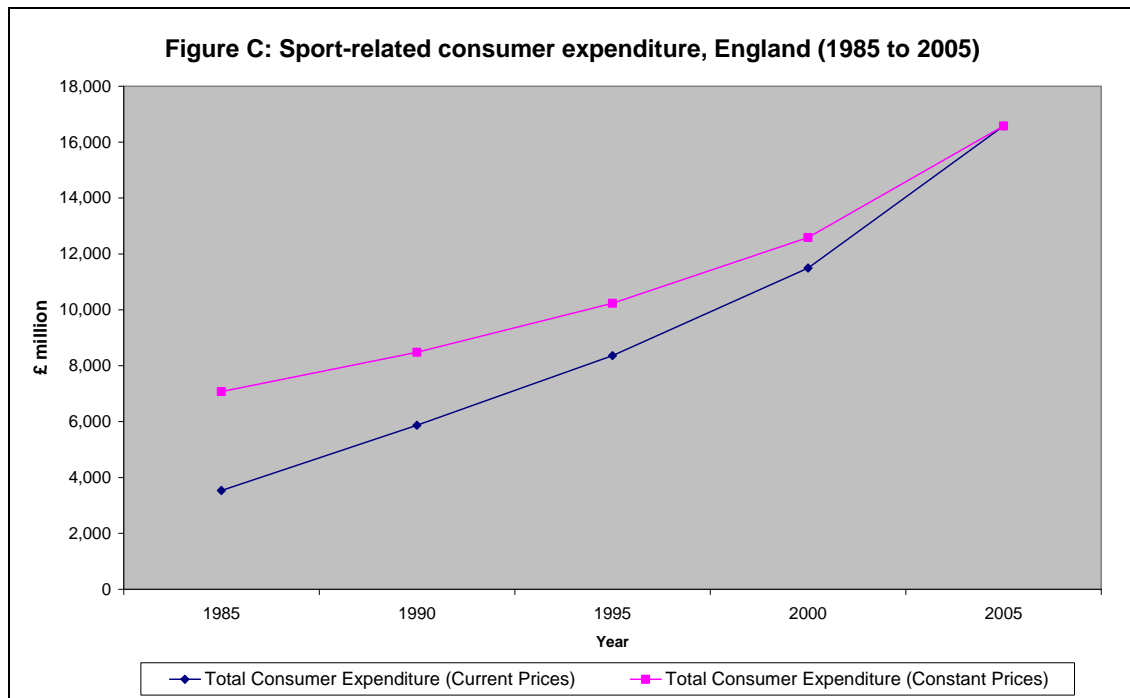
\* Indexing is based on constant prices from the UK National Accounts. It is constructed assuming that both sport GVA and total UK GVA are 100 for the year 1985

- During the period 2000-05, England's gross value added from sport increased by 60%, in terms of the ABI statistical definition of sport<sup>5</sup>. This is supported by the SIRC methodology in this report. It compares favourably with the corresponding growth in 'gambling' and 'motion picture and video activities', both increasing by 45%.

### Sport-related consumer expenditure

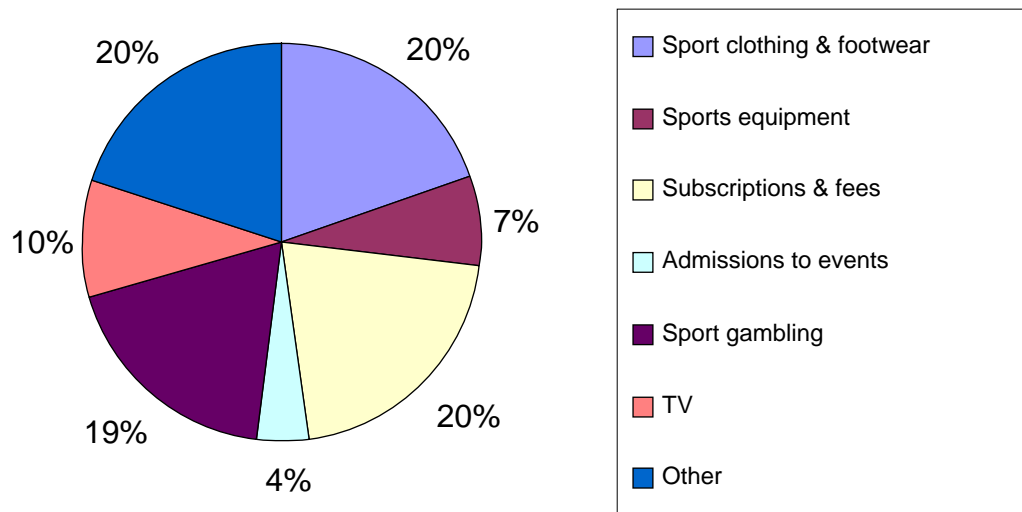
- Figure C shows consumer expenditure on sport in England was £16,580 million in 2005, an increase from £3,536 in 1985 (based on current prices). This represents a real increase of 134% over the period 1985 to 2005 (based on constant prices).

<sup>5</sup> In this report we estimate by using income and expenditure flows the Gross Value Added contributed by sport related activities. In this there are some assumptions and some estimates of things that we don't precisely know but we infer from the wider economic context. The Annual Business Inquiry provides a reality check, independent of the methodology used in the reports. Its focus is only a small part of the sport industry such as sport stadia. The ABI definition of sports is often called the statistical definition. This is the only part of the industry explicitly stated in the official national statistics. In this case we should expect that the statistical definition (ABI) follows the same trend as the wider definition (SIRC). Indeed this is the case. ABI is the most important evidence we have that SIRC's overall approach is valid.



- There has been a 67% increase in consumer spending on sports equipment over the period 2000-2005 (constant prices).
- The abolition of direct tax on gambling had a significant effect on the sport economy. It considerably expanded the size of gambling within the sport market. In 2005, expenditure on sport gambling was £3,071 million, or 19% of total spending on sport. Moreover, it increased profits for sport gambling companies, hence increasing value added in the commercial sector. See Figure D.
- The sport economy in England has been boosted by the housing market boom and the extra income it generates, rising sports-related TV revenues and spending on sport equipment.

**Figure D: Sports consumer expenditure in England, 2005**



#### Sport-related employment

- Sport-related employment in England is estimated at 434,000 in 2005 accounting for 1.8% of all employment in England.
- This is greater than the combined employment in the Radio & TV and Publishing sectors.
- Sport-related employment has increased from 304,000 in 1985 to 434,000 in 2005, a 43% increase (see Figure E).
- In the five years between 2000 and 2005, employment in sport increased by 19%.



- The majority of sport-related jobs are supported by the commercial sectors - accounting for 331,000 jobs or 76% of the total sport-related employment in England. See Figure F.

