

## The economic importance of sport in the East Midlands, 2000-2005

### Summary report



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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 and the Economy' Collaborating Centre 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 provides a summary of the economic importance of sport to the East Midlands region in 2005. Selected comparisons have been made with previous research to illustrate the change in the value of sport to the East Midlands economy.

## Methodology

The methodology employed in this report is based on national income accounting<sup>1</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.
- **Central Government** – including taxes, grants and wages on sport related activities.
- **Outside the area sector** – including transactions with economies outside the region.

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<sup>1</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. 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:  $GVA = GDP - \text{taxes on products} + \text{subsidies on products}$ . GVA shows the contribution of the sports sector to the economy as a whole.

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

## Results

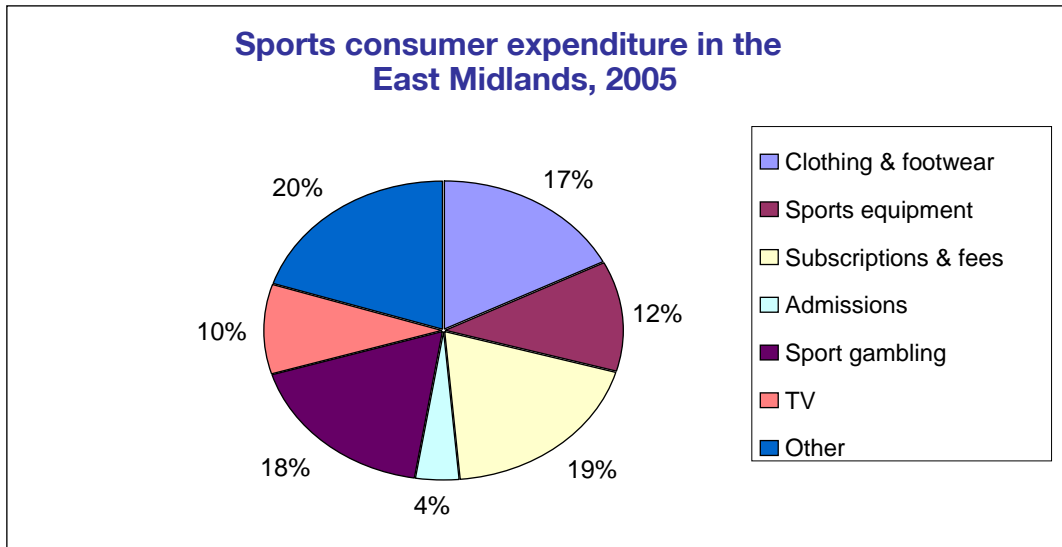
	2000	2003	2004	2005
<b>Consumer expenditure on sport (£million)</b>	<b>871.0</b>	<b>1,203.4</b>	<b>1,341.6</b>	<b>1,417.6</b>
percentage of East Midlands total	2.1	2.5	2.7	2.7
national average (England)	2.2	2.5	2.5	2.6
<b>Gross Value Added by sport (£million)</b>	<b>871.0</b>	<b>1,137.2</b>	<b>1,258.1</b>	<b>1,321.1</b>
percentage of East Midlands total	1.6	1.8	1.9	1.9
national average (England)	1.5	1.6	1.7	1.7
<b>Sport related employment (thousands)</b>	<b>33.0</b>	<b>38.0</b>	<b>41.2</b>	<b>40.7</b>
percentage of East Midlands total	1.8	1.9	2.0	1.9
national average (England)	1.7	1.7	1.8	1.8

Table 1 presents estimates for the economic importance of sport in the East Midlands region. It indicates that:

- Consumer expenditure on sport in 2005 was £1,417 million, or 2.7% of total consumer expenditure. The most significant areas of consumer spending on sportswear participation (subscriptions and fees), sport gambling and sport clothing

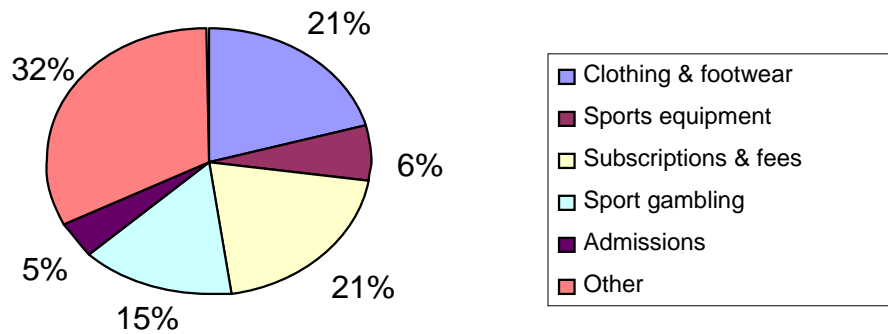
and footwear. Together these three broad categories account for £771 million or more than half of the sport-related expenditure in the region in 2005.

- The abolition of direct tax on gambling has considerably expanded the size of gambling within the sport market, such that in 2005, 18% of consumer spending on sport was related to gambling.

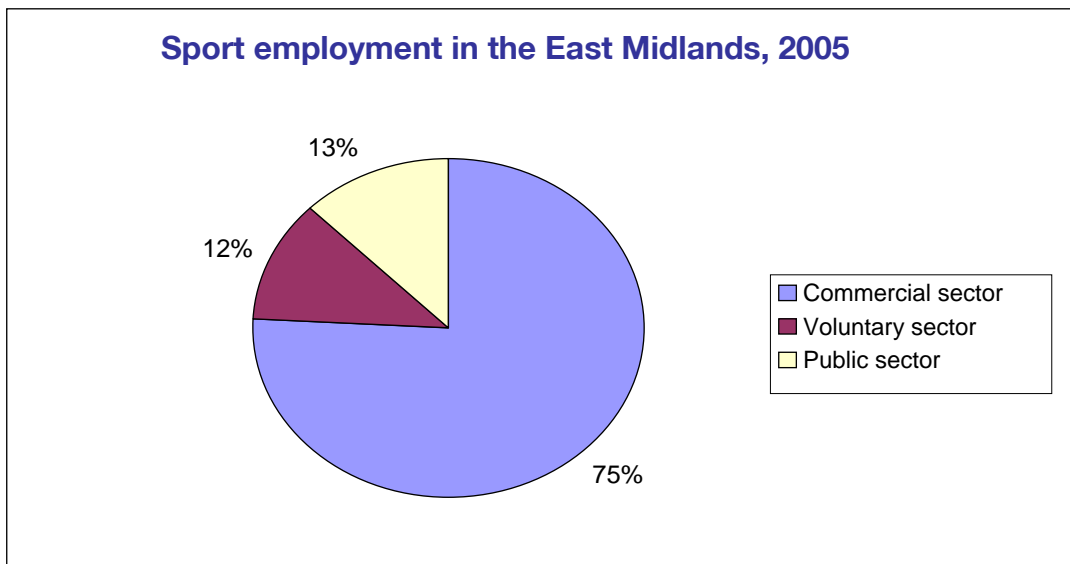


- Expenditure on sport clothing and footwear and participation subscriptions and fees increased by 43% in current prices over the period 2000-2005. Furthermore, spending on sport goods more than tripled. As the pie charts illustrate, the percentage share of sports equipment (out of total sports related spending) doubled from 6% in 2000 to 12% in 2005. The role of sport in creating output and employment in the commercial non-sport sector is further illustrated by the sports-related spending on 'TV and video rental, cable and satellite subscriptions' - accounting for 10% of the market.

### Sports consumer expenditure in the East Midlands, 2000



- Value added to the East Midlands economy in 2005 by sport-related economic activity was £1,321 million, or 1.9% of the regional GDP. The majority of this economic activity (£677 million, 51%) is generated by the commercial non-sport sector. The next largest sector is commercial sport (£341 million, 26%), with nearly two-thirds of the valued added in this sector being attributable to spectator clubs and retailing. The latter includes sport-related clothing and footwear, equipment and publications. The voluntary and public sectors account for 13% and 9% of the sport-related economic activity in the region respectively.
- Employment in sport was c. 40,700 in 2005, or 1.9% of total regional employment in that year, representing an increase of 7% for the period 2003-2005. The majority of these jobs are supported by the commercial non-sport and commercial sport sectors, together accounting for almost 31,000 jobs or around 76% of the total sport-related employment in the region.



- Sport has grown in economic importance between 2000 and 2005, accounting for a higher share of consumers' expenditure (+0.6%), regional product (+0.3%) and jobs (0.1%). The relative proportions of consumer spending (2.7%) sport-related value added (1.9%) and employment (1.9%) out of total value added and employment in the East Midlands in 2005 compared favourably with the national averages for England.
- The region features the Silverstone motor racing circuit, the heart of the motorsport cluster, and a number of sport-related engine builders around Northampton. The sport engineering hub around Northampton also features Fairline, the boat building company. Development of sport in the region has been helped by its proximity to London and to major traffic routes.
- Table 2 presents the sport-related income and expenditure flows for 2005. The majority of income within sport was generated by the commercial non-sport sector, accounting for £894 million. This is followed by the commercial sport sector (£758 million) and the consumer sector (£622 million). On the expenditure side, by far the most important category is the consumer sector accounting for £1,147 million of expenditure.

**Table 2: Sport-related income and expenditure flows, 2005**

	Income £m	Expenditure £m
Consumer	622	1,147
Commercial sport	758	622
of which:		
Spectator sports	83	80*
Participation sports	67	64*
Retailing	458	400
Voluntary	280	199
Commercial non-sport	894	842
Central Government	533	112
Local Government	186	213
Outside the area	375	111
* Current factor expenditure (wages, other inputs)		