

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

## 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 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 of England region in 2005. Selected comparisons have been made with previous research to illustrate the change in the value of sport to the East of England 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

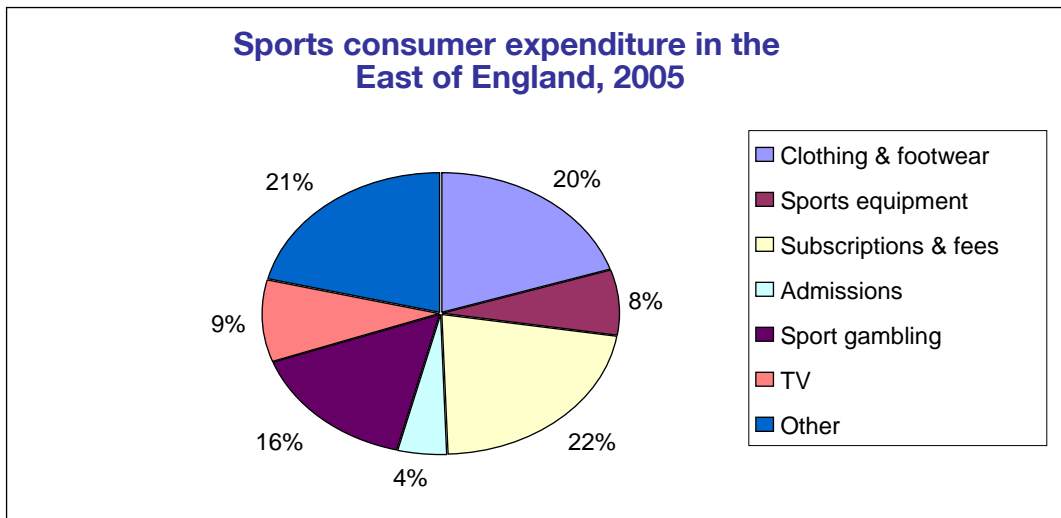
## Results

<b>Table 1: Main sport-related indicators for the East of England region</b>				
	2000	2003	2004	2005
<b>Consumer expenditure on sport (£million)</b>	<b>1,231.0</b>	<b>1,589.7</b>	<b>1,761.7</b>	<b>1,946.0</b>
percentage of East of England total	2.1	2.3	2.4	2.6
national average (England)	2.2	2.5	2.5	2.6
<b>Gross Value Added by sport (£million)</b>	<b>1,166.0</b>	<b>1,599.6</b>	<b>1,763.0</b>	<b>1,894.4</b>
percentage of East of England total	1.6	1.7	1.7	1.8
national average (England)	1.5	1.6	1.7	1.7
<b>Sport related employment (thousands)</b>	<b>43.8</b>	<b>49.0</b>	<b>52.9</b>	<b>56.5</b>
percentage of East of England total	1.6	1.8	1.9	2.1
national average (England)	1.7	1.7	1.8	1.8

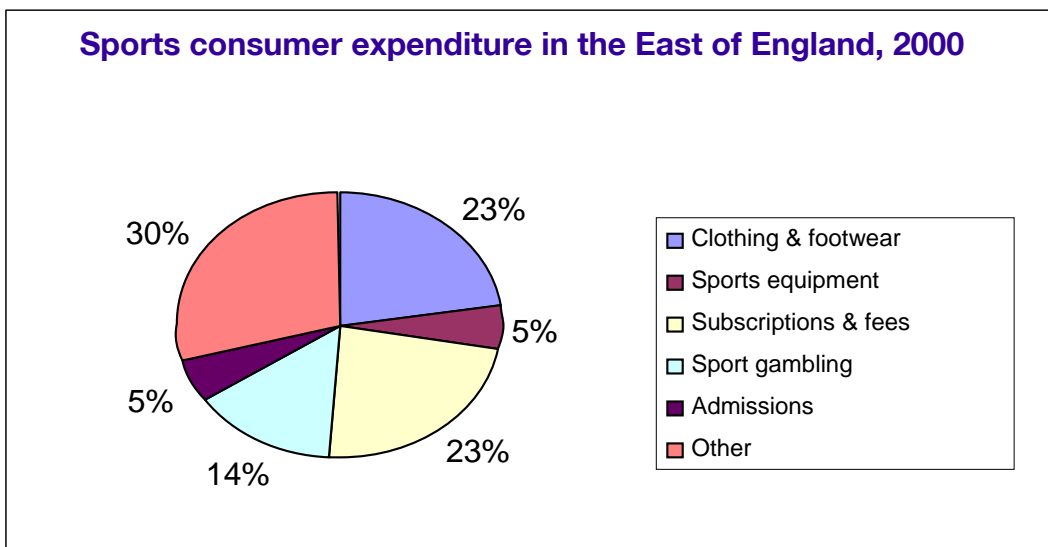
Table 1 presents estimates for the economic importance of sport in the East of England region. It indicates that:

- Consumer expenditure on sport in 2005 was £1,946 million, or 2.6% of total consumer expenditure. The combined participation-related sectors of sport clothing and footwear (£389 million) and participation subscriptions and fees (£426 million) account for 42% of the market. The spending associated with these two categories increased by 46% since 2000. This notion is further supported by the rise in

expenditure on sport equipment from £61 million in 2000 to £146 million in 2005. Its share (out of total sport expenditure) increased from 5% in 2000 to 8% in 2005.



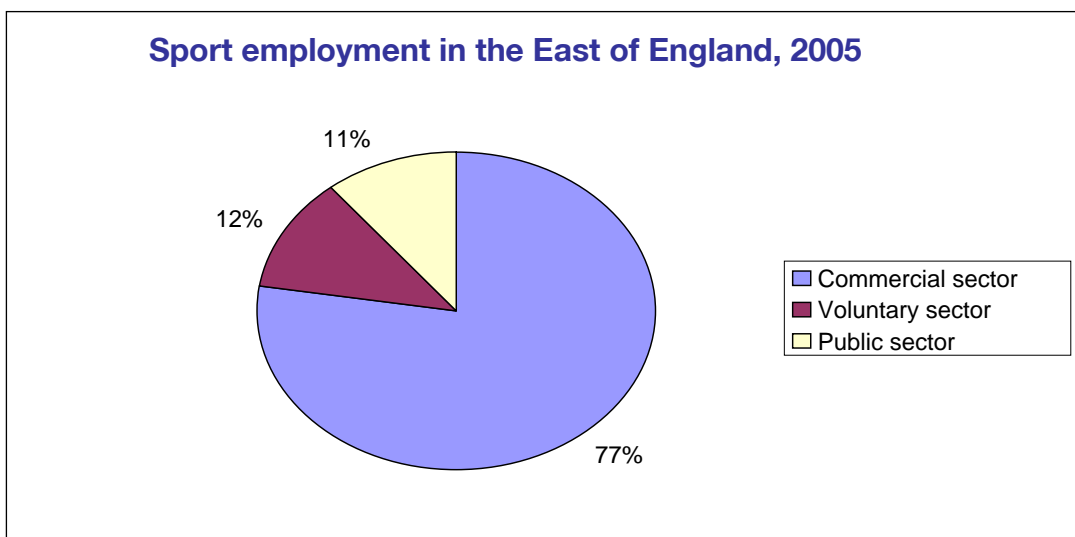
- 22% - the largest element is based on subscriptions and fees - demonstrating a proxy indicator to the economic value of getting people more regularly active. There is significant opportunity to grow this element given that currently only approximately 21% of the adult population (16 plus) in the East region take part in 3x30mins of regular exercise a week.



- Value added to the East of England economy in 2005 by sport-related economic activity was £1,894 million, or 1.8% of the regional GDP. The majority of this economic activity (£892 million, 47%) is generated by the commercial non-sport

sector. The next largest sector is commercial sport (£564 million, 30%), with over three-quarters 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 the remainder (£439 million, 23%) of the sport-related economic activity in the region.

- Employment in sport c. 56,500 in 2005, or 2.1% of total regional employment in that year. The relative share of employment generated within each sector is broadly consistent with their share of value added to the region's economy.



- Sport has grown in economic importance between 2000 and 2005, accounting for a higher share of consumer expenditure (+0.5%), regional product (+0.2%) and jobs (+0.5%). The proportion of sport-related value added (out of total value added) in the East of England, is on par with the national average for England.
- The sport economy in the East of England shows a strong presence of health and fitness clubs. There is considerable investment by both the private and public sectors. An additional source of sport-related growth is the association of the region with the motor sport industry.
- Table 2 presents the sport-related income and expenditure flows for 2005. The majority of income within sport is generated by the commercial non-sport sector, accounting for £1,178 million. This is followed by the commercial sport sector (£1,063 million) and the consumer sector (£842 million). On the expenditure side, by

far the most important category is the consumer sector accounting for £1,946 million of expenditure.

	Income £m	Expenditure £m
Consumer	842	1,946
Commercial sport	1,063	1,001
of which:		
Spectator sports	123	120*
Participation sports	118	112*
Retailing	622	565*
Voluntary	415	276
Commercial non-sport	1,178	1,118
Central Government	734	141
Local Government	234	260
Outside the area	501	150
* Current factor expenditure (wages, other inputs)		