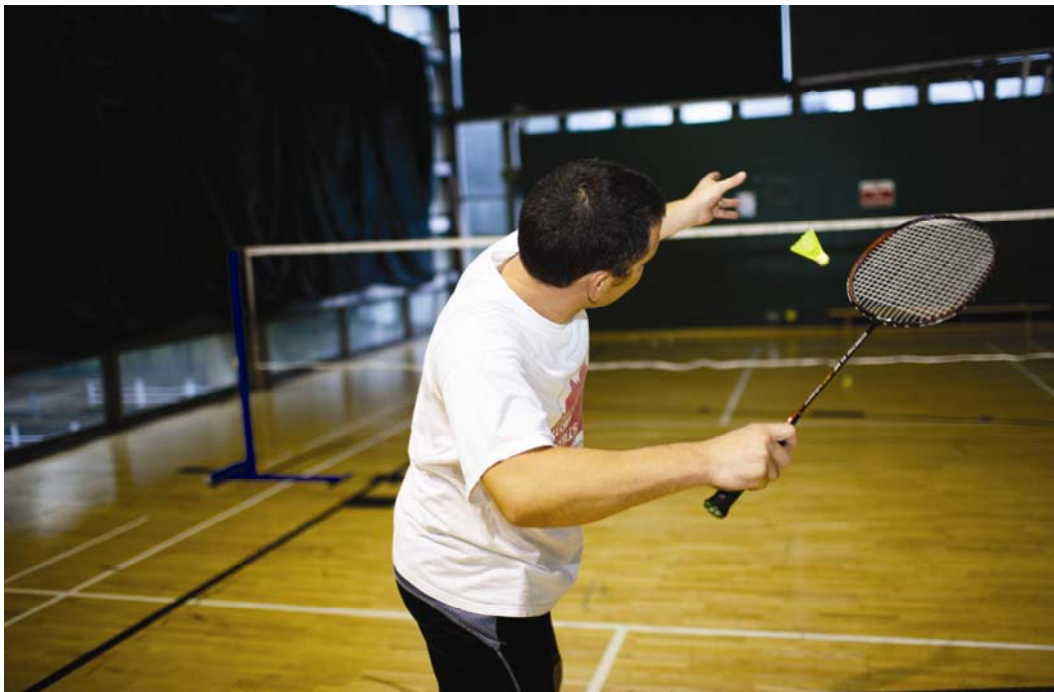


The economic importance of sport in the North West, 2000-2005

Summary report



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Sport Industry Research Centre

Sheffield Hallam University

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 North West region in 2005. Selected comparisons have been made with previous research to illustrate the change in the value of sport to the North West economy.

Methodology

The methodology employed in this report is based on national income accounting¹ 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.

¹ 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

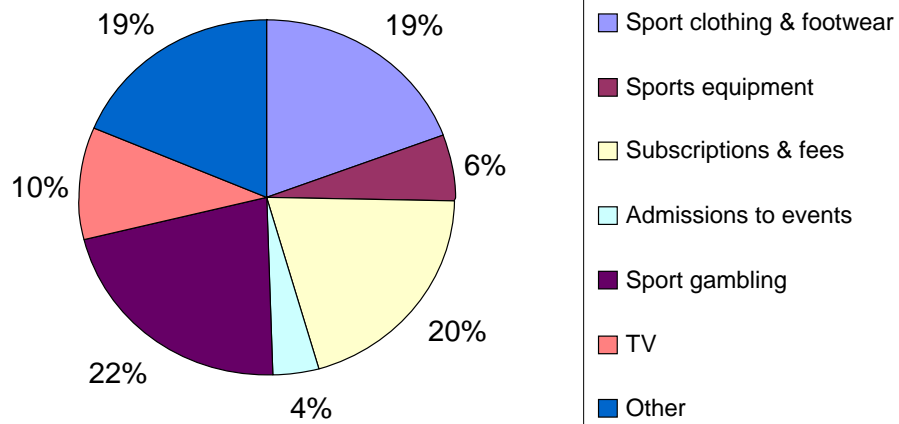
Results

	2000	2003	2004	2005
Consumer expenditure on sport (£million)	1,643.0	1,972.9	2,233.3	2,289.0
percentage of North West total	2.4	2.6	2.8	2.8
national average (England)	2.2	2.5	2.5	2.6
Gross Value Added by sport (£million)	1,244.0	1,788.4	2,067.3	2,120.4
percentage of North West total	1.4	1.8	2.0	2.0
national average (England)	1.5	1.6	1.7	1.7
Sport related employment (thousands)	46.3	53.4	59.8	59.4
percentage of North West total	1.6	1.7	1.9	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 North West. It indicates that:

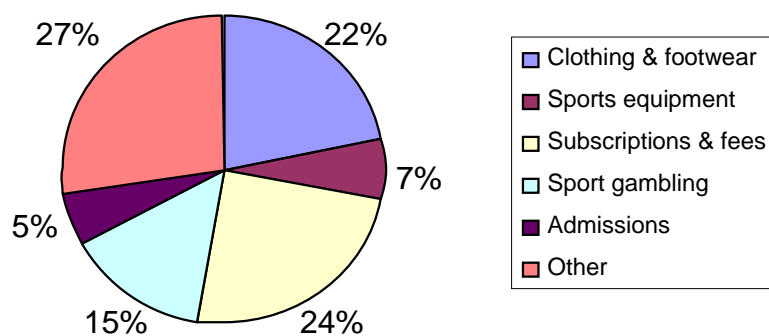
- Consumer expenditure on sport in 2005 was £2,289 million, or 2.8% of total consumer expenditure in the region. Sport clothing and footwear represents the single largest category of consumer spending on sport, accounting for £443 million or 19% of the market in 2005. The abolition of direct tax on gambling has considerably expanded the size of gambling within the sport market. Its share (out of total sports related spending) increase from 15% in 2000 to 22% in 2005.

Sports consumer expenditure in the North West, 2005

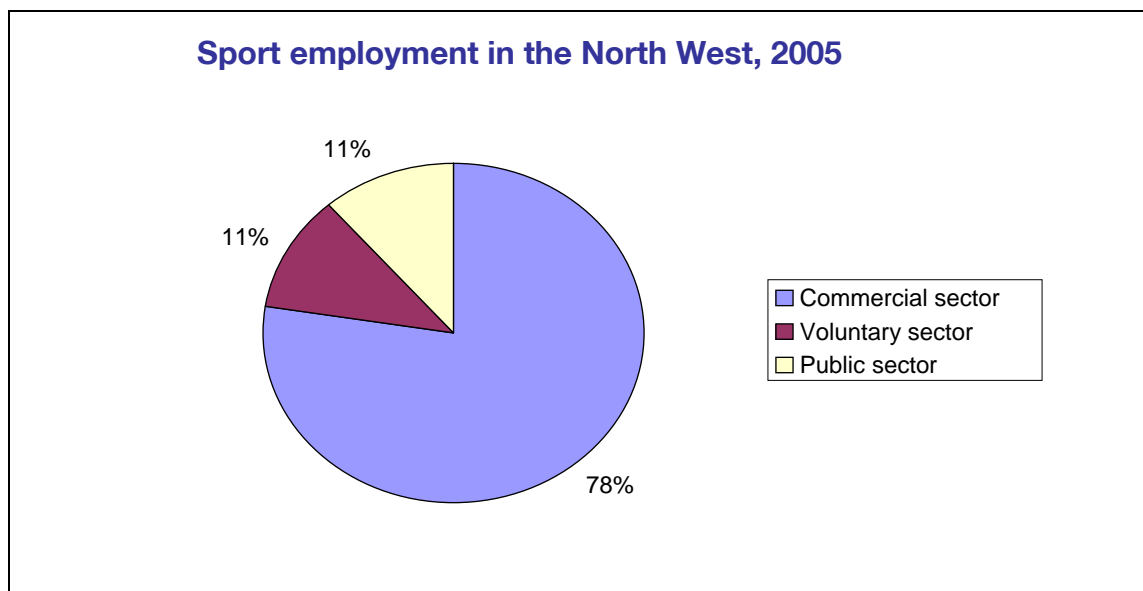


- Value added to the North West economy in 2005 by sport-related economic activity was £2,120 million, or 2.0% of the regional GDP. The majority of this economic activity (1,130 million, 53%) is generated by the commercial non-sport sector. The next largest sector is commercial sport (£488 million, 23%), with almost 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 (£503 million, 24%) of the sport-related economic activity in the region.

Sports consumer expenditure in the North West, 2000



- Employment in sport was c. 59,400 in 2005, or 1.9% of total regional employment in that year. The relative share of employment generated within each sector is broadly comparable 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 (+0.4%), regional product (+0.2%) and jobs (+0.1%). The relative proportions of sport-related spending by consumers, value-added and employment (out of total spending, value-added and employment) in the North West compare favourably with the national averages for England.
- The sport economy in the North West is boosted by a relatively strong consumer sector. The North West is distinguished from other English regions by the importance of Premiership football and also through its hub of commercial sport industries. Seven of the twenty premier ship football teams are based in the North West - the highest number of any of the nine English regions. The strong presence of commercial sport firms such as Umbro, Reebok, Sprayway, Ellis Bingham, JJB Sports and J-D Sports in the region is consequently reflected in the high number and proportion of sport-related jobs and GVA in the North West
- 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 £1,493 million. This is followed by the commercial sport sector (£1,267 million) and the consumer sector (£1,066 million). On the expenditure side,

by far the most important category is the consumer sector accounting for £2.289 million of expenditure.

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

	Income £m	Expenditure £m
Consumer	1,066	2,289
Commercial sport	1,267	1,185
of which:		
Spectator sports	258	246*
Participation sports	134	127*
Retailing	653	571*
Voluntary	481	328
Commercial non-sport	1,493	1,526
Central Government	882	168
Local Government	266	312
Outside the area	622	182
* Current factor expenditure (wages, other inputs)		