

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

Summary report



December 2007

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 South East region in 2005. Selected comparisons have been made with previous research to illustrate the change in the value of sport to the South East 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 (based on wages and profits) is the difference between total income 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.

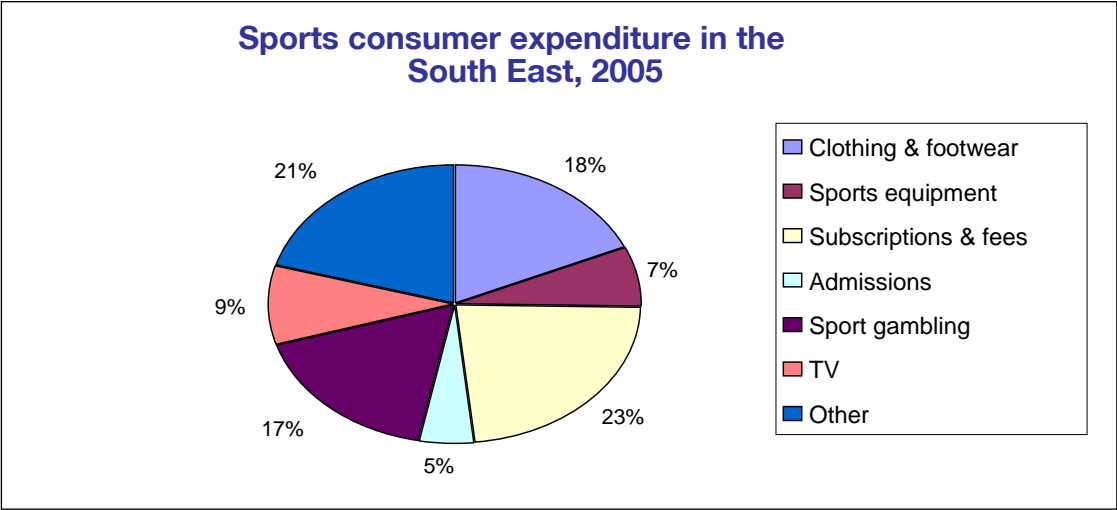
- Consumer expenditure on sport
- Gross Value Added by sport
- Sport related employment

Results

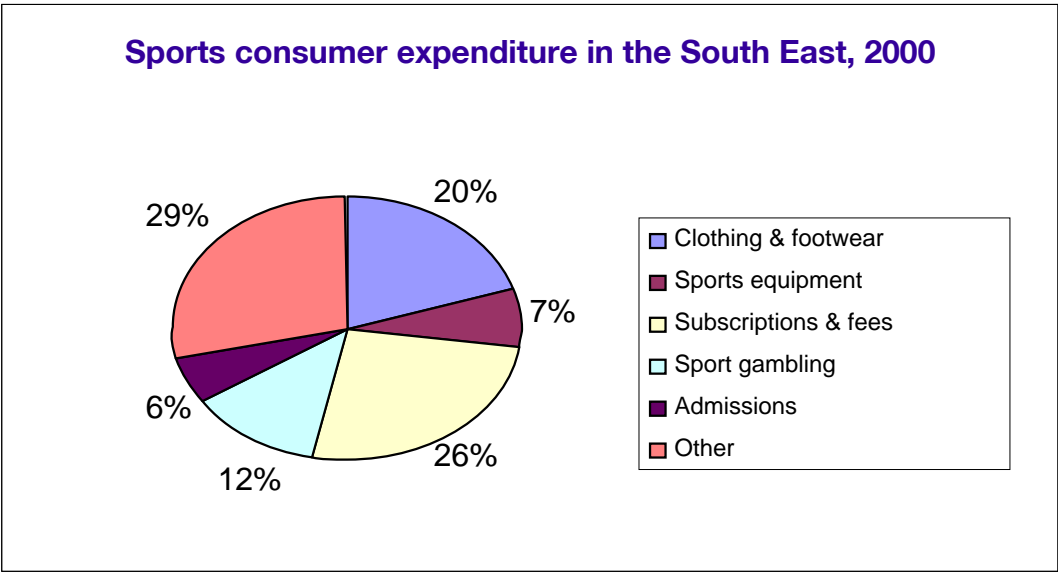
	2000	2003	2004	2005
Consumer expenditure on sport (£million)	2,156.0	2,549.8	2,619.3	2,784.4
percentage of South East total	2.3	2.4	2.4	2.5
national average (England)	2.2	2.5	2.5	2.6
Gross Value Added by sport (£million)	1,916.0	2,416.5	2,517.9	2,640.2
percentage of South East total	1.6	1.6	1.6	1.6
national average (England)	1.5	1.6	1.7	1.7
Sport related employment (thousands)	65.0	67.4	69.5	71.6
percentage of South East total	1.6	1.7	1.7	1.7
national average (England)	1.7	1.7	1.8	1.8

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

- Consumer expenditure on sport in 2005 was £2,784 million, or 2.5% of total consumer expenditure. The two participation-related sectors of sport clothing and footwear and participation subscriptions and fees account for 41% of the market. The abolition of direct tax on gambling has considerably expanded the size of gambling within the sport market. Its market share (out of total sports related spending) increased from 12% in 2000 to 17% in 2005.



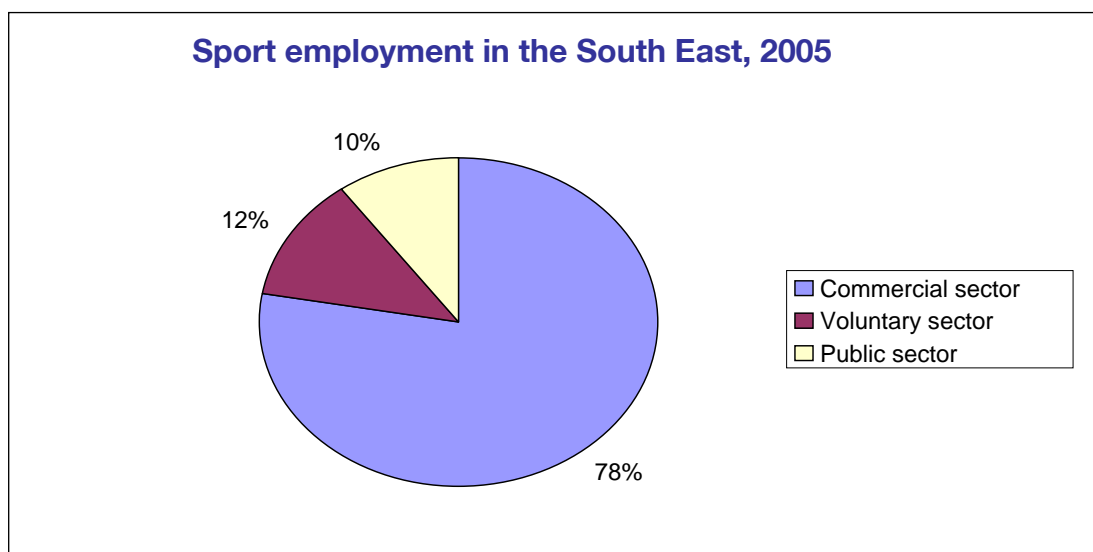
- The role of sport in creating output and employment in the commercial non-sport sector is illustrated by the sports-related spending on TV and related subscriptions - accounting for 9% of the market. Other spending categories include admissions to sports events, publications, sport-related BBC licence fee, and sport travel.



- Value added to the South East economy in 2005 by sport-related economic activity was £2,640 million, or 1.6% of the regional GDP. The majority of this economic activity (£1,280 million, 48%) is generated by the commercial non-sport sector. The next largest sector is commercial sport (£731 million, 28%), with the majority 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 (£629 million, 24%) of the sport-related economic activity in the region.

- Employment in sport was c. 71,600 in 2005, or 1.7% of total regional employment in that year. This includes a 'conservative' estimate for the motorsport industry. The relative share of employment generated within each sector is broadly consistent with their share of value added to the region's economy.



- The sport economy in the South East is boosted by the high level of incomes in the region, the proximity of the region to London and the close association with the motorsport industry. The South East has one of the strongest sport infrastructures in the UK, including a plethora of horse racing, greyhound racing, motorsport and speedway venues.
- The majority of income within sport is generated by the commercial non-sport sector, accounting for £1,691 million. This is followed by the commercial sport sector (£1,495 million) and the consumer sector (£1,199 million). On the expenditure side, by far the most important category is the consumer sector accounting for £2,784 million of expenditure.
- Table 2 presents the sport-related income and expenditure flows for 2005. The South East has the largest 'absolute' sport-related consumer spending and value added among the nine English regions. This reflects the size of the South East economy in terms of overall consumer expenditure. In terms of per capita spending

on sport the South East (£341) ranks second amongst the English regions. However, the proportion of total consumer expenditure made on sport in the region is sixth at 2.2%. This may be partly explained by a low propensity to gamble on sport.

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

	Income £m	Expenditure £m
Consumer	1,199	2,784
Commercial sport	1,495	1,398
of which:		
Spectator sports	202	195*
Participation sports	192	183*
Retailing	827	731*
Voluntary	623	413
Commercial non-sport	1,691	1,608
Central Government	1,045	191
Local Government	296	345
Outside the area	709	207
* Current factor expenditure (wages, other inputs)		