

Economic Importance of Sport West Midlands Summary 2003



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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 West Midlands region in 2003. Selected comparisons have been made with previous research to illustrate the change in the value of sport to the West Midlands 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

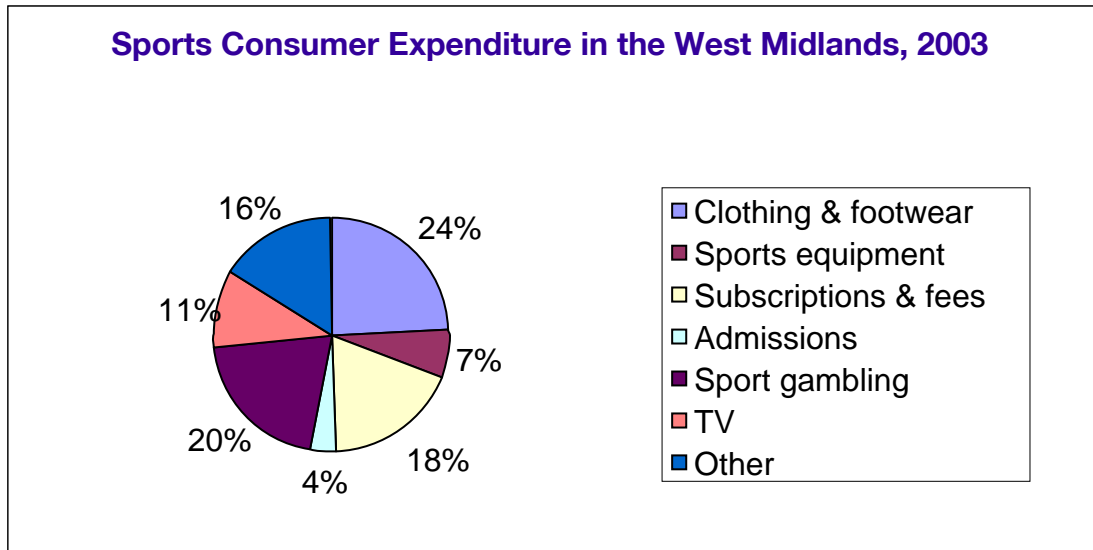
Results

	2000	2003
Consumer expenditure on sport (£million)	1,226.0	1,310.2
percentage of West Midlands total	2.4	2.3
national average (England)	2.2	2.4
Gross Value Added by sport (£million)	1,027.0	1,314.1
percentage of West Midlands total	1.6	1.7
national average (England)	1.5	1.7
Sport related employment (thousands)	43.6	44.6
percentage of West Midlands total	1.8	1.8
national average (England)	1.7	1.8

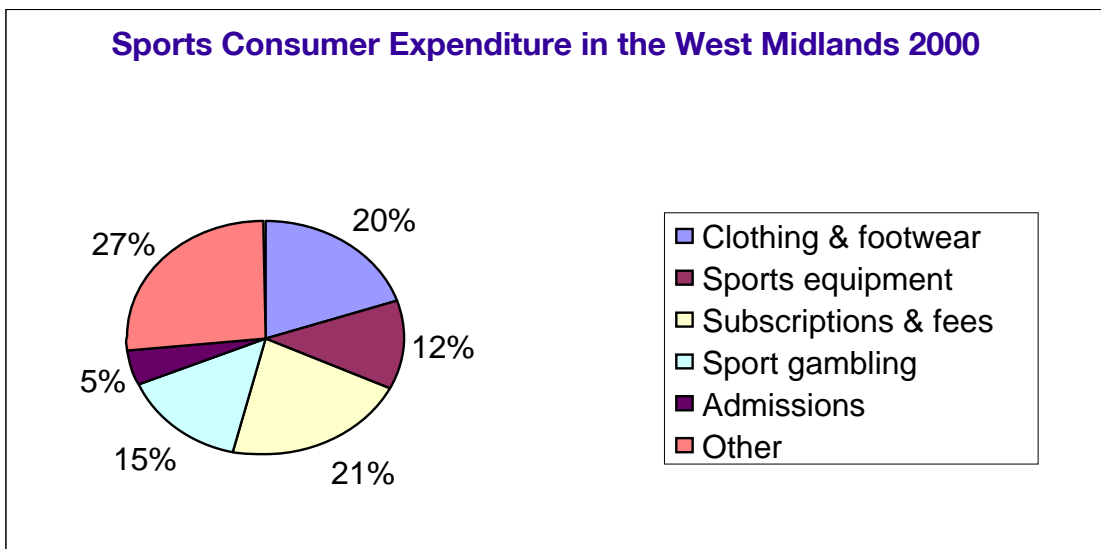
The estimates for the economic importance of sport in the West Midlands indicate that:

- Consumer expenditure on sport in 2003 was £1,310 million, or 2.3% of total consumer expenditure. The largest category of consumer spending on sport is sport clothing and footwear, accounting for £315 million or 24% of the market. The abolition of direct tax on gambling has considerably expanded the size of gambling

within the sport market, such that in 2003, 20% of consumer spending on sport was gambling related.



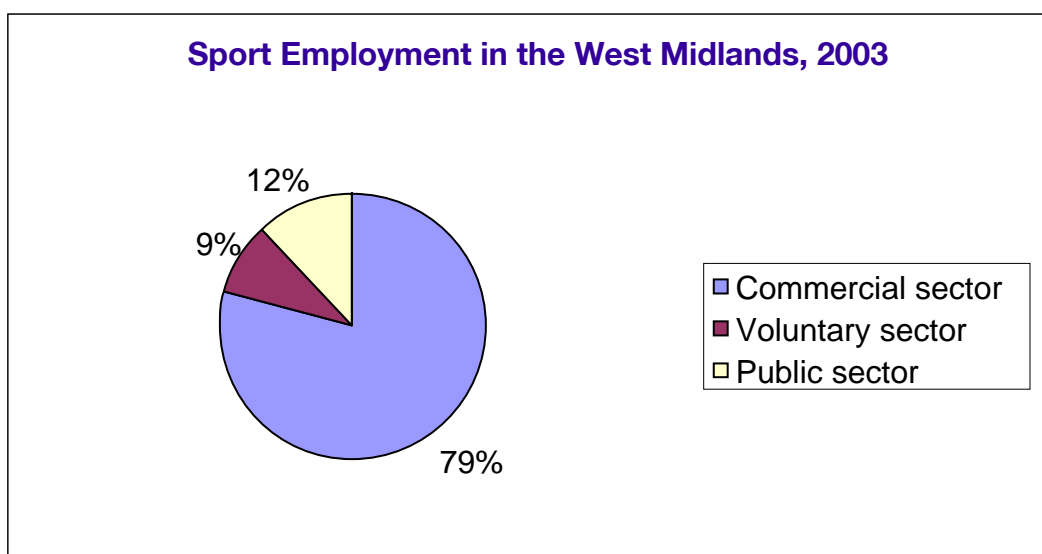
- The role of sport in creating output and employment in the commercial non-sport sector is illustrated by the sports-related spending on TV and related subscriptions - accounting for nearly 11% of the market. Other spending categories include admissions to sports events, publications, sport-related BBC licence fee, and sport travel.



- Value added to the West Midlands economy in 2003 by sport-related economic activity was £1,314 million, or 1.7% of the regional GDP. The majority of this economic activity (£615 million, 47%) is generated by the commercial non-sport sector. The next largest

sector is commercial sport (£397 million, 30%); most of the valued added generated in this sector is attributable to spectator sports and retailing. The latter includes sport-related clothing and footwear, equipment and publications. The voluntary and public sectors account for the remainder (£171 million, 23%) of the sport-related economic activity in the region.

- Employment in sport was c. 45,000 in 2003, or 1.8% 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.



- In absolute terms, sport has grown in economic importance between 2000 and 2003, responsible for increased consumer spending, superior regional product and more jobs. The relative proportions of sport-related value added and employment (out of total value added and employment) in the West Midlands, at 1.7% and 1.8% respectively, are in line with the national average for England. The region lags behind in the proportion of sport-related consumer spending (2.3% compared with a national average of 2.4%).
- The West Midlands sport economy benefits from its association with the motorsport cluster. In the near future, the new associations between sport institutions and casinos are likely to significantly affect the sport sector revenues, because of the proximity of the region to London.

- The majority of income within sport is generated by the commercial non-sport sector, accounting for £800 million. This is followed by the commercial sport sector (£711 million) and the consumer sector (£676 million). On the expenditure side, by far the most important category is the consumer sector accounting for £1,310 million of expenditure.

Table 2: Sport-Related Income and Expenditure Flows, 2003

	Income £m	Expenditure £m
Consumer	676	1,310
Commercial sport	711	667
of which:		
Spectator sports	111	104*
Participation sports	41	39*
Retailing	420	363*
Voluntary	273	202
Commercial non-sport	800	778
Central government	476	102
Local government	165	197
Outside the area	308	102
* Current factor expenditure (wages, other inputs)		