



**Economic Value of Sport
North West
2003-2008**

Summary Report

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Sport Industry Research Centre

Sheffield Hallam University

Introduction

This report has been prepared by the Sport Industry Research Centre (SIRC) at Sheffield Hallam University on behalf of Sport England. The purpose of the report is to provide an estimate of the economic importance of sport in the North West region. It builds on similar research carried out by Cambridge Econometrics in 2000¹ and SIRC in 2003 and 2005 that measured the value of the sport economy in the nine English regions. Selected comparisons have been made with the 2003 and 2005 studies to illustrate the change in the importance of sport to the North West economy. This report informs of the direct economic contribution of sport. It also captures in percentage terms the effect of the 2008 recession.

Methodology

The methodology employed in this report is based on national income accounting² 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 Cambridge Econometrics: *The Value of the Sports Economy in the Regions in 2000*

² 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

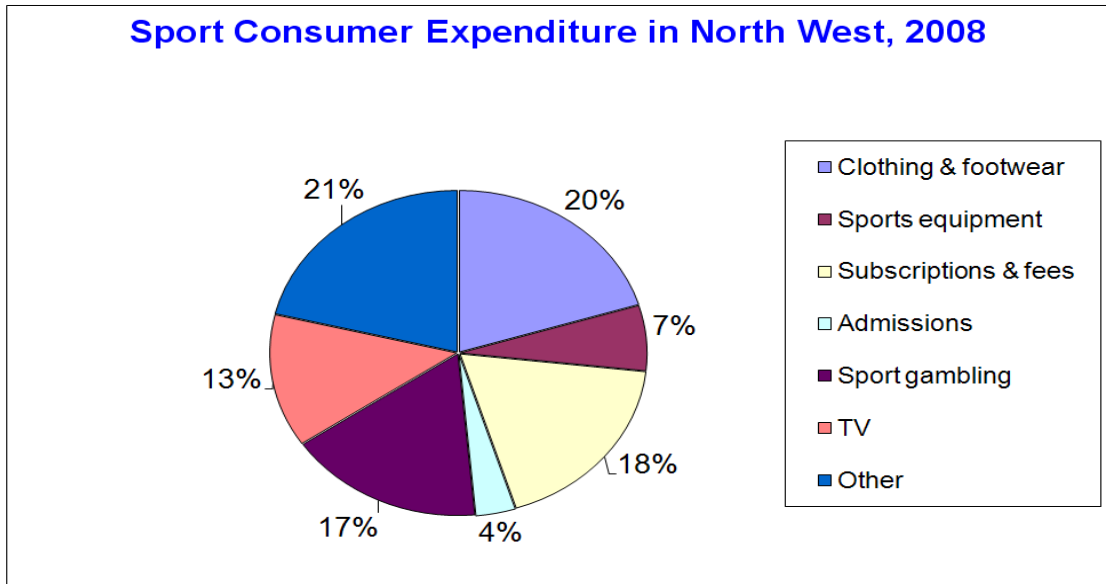
Results

	2000	2003	2005	2008
Consumer expenditure on sport (£million)	1,643.0	1,972.9	2,289.3	2,060.9
percentage of North West total	2.4	2.6	2.8	2.2
national average (England)	2.2	2.5	2.6	2.3
Gross Value Added by sport (£million)	1,244.0	1,788.4	2,120.4	2,082.3
percentage of North West total	1.4	1.8	2.0	1.7
national average (England)	1.5	1.6	1.7	1.5
Sport related employment (thousands)	46.3	53.4	59.4	59.5
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:

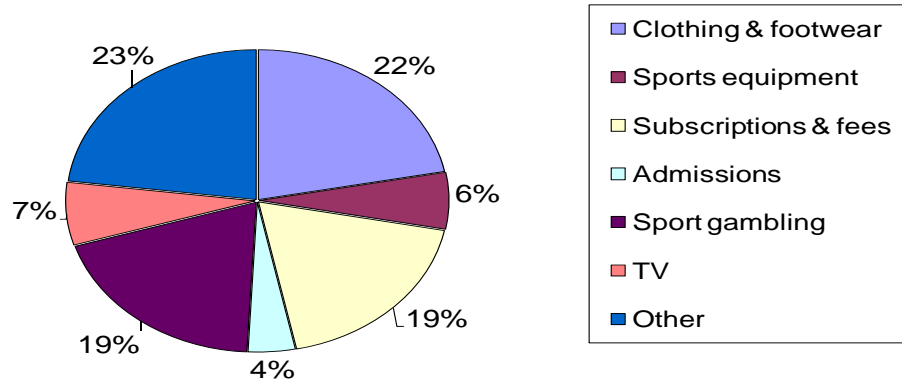
- Consumer expenditure on sport in 2008 was £2,061 million, or 2.2% of total consumer expenditure in the region, representing a decrease of 10% compared to 2005. This is a direct consequence of the 2008 recession affecting the sport and leisure sectors more than other sectors of the economy.

Sport Consumer Expenditure in North West, 2008



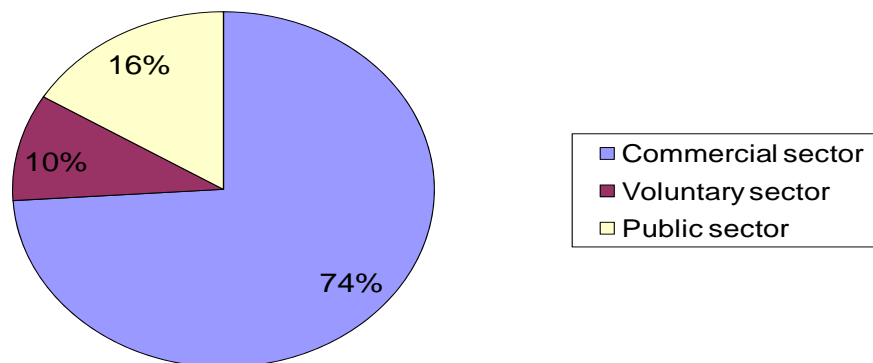
- Sport clothing and footwear is the single largest category of consumer spending on sport, accounting for £418 million or 20% of the market in 2008. Participation subscriptions and fees is the second largest category, accounting for £379 million or 18% of the market. After participation subscriptions and fees, the major categories of expenditure are 'sport related gambling' (£350 million) and 'TV rental, cable and satellite subscriptions' (£273 million).
- Sport-related economic activity increased from £1,784 million in 2003 to £2,082 million in 2008. The largest part of this economic activity (£1,086 million, 52%) is generated by the commercial non-sport sector. Commercial sport increased its output in the examined period despite the 2008 recession. Within the commercial sport sector, during the period 2005 to 2008, spectator sports increased its GVA contribution by 20% reaching £187 million in value. However, during the same period the contribution of retailing decreased marginally.

Sport Consumer Expenditure in North West, 2003



- Despite the recession, sport-related employment in the North West grew marginally from 59,400 in the year 2005 to 59,500 in 2008. Over the same period, as a percentage of total employment, it remained stable at 1.9%. This is marginally above the national average at 1.8%. The better performance of employment compared to GVA indicators, imply that the first effect of the recession in the region was to reduce the profit margins.

Sport Employment in North West, 2008



- The sport economy in the North West is driven by consumer expenditure, the football industry and sport related manufacturing. The North West is distinguished from other regions by the importance of Premiership football. Eight out of twenty (40%) Premiership clubs come from the region.

- Table 2 presents the sport-related income and expenditure flows for 2008. A large part of income within sport is generated by the commercial non-sport sector, accounting for £1,427 million. This is followed by the commercial sport sector (£1,199 million) and the consumer sector (£1,053 million). On the expenditure side, by far the most important category is the consumer sector accounting for £2,061 million of expenditure.

Table 2: Sport-related income and expenditure flows, 2008

	Income £m	Expenditure £m
Consumer	1,053	2,061
Commercial sport	1,199	1,141
of which:		
Spectator sports	116	271*
Participation sports	102	97*
Retailing	601	540*
Voluntary	414	298
Commercial non-sport	1,427	1,524
Central government	896	214
Local government	330	432
Outside the area	585	167

* Current factor expenditure (wages, other inputs)