



**Economic Value of Sport
London
2003-2008**

Summary Report

August 2010

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 London. 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 London 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

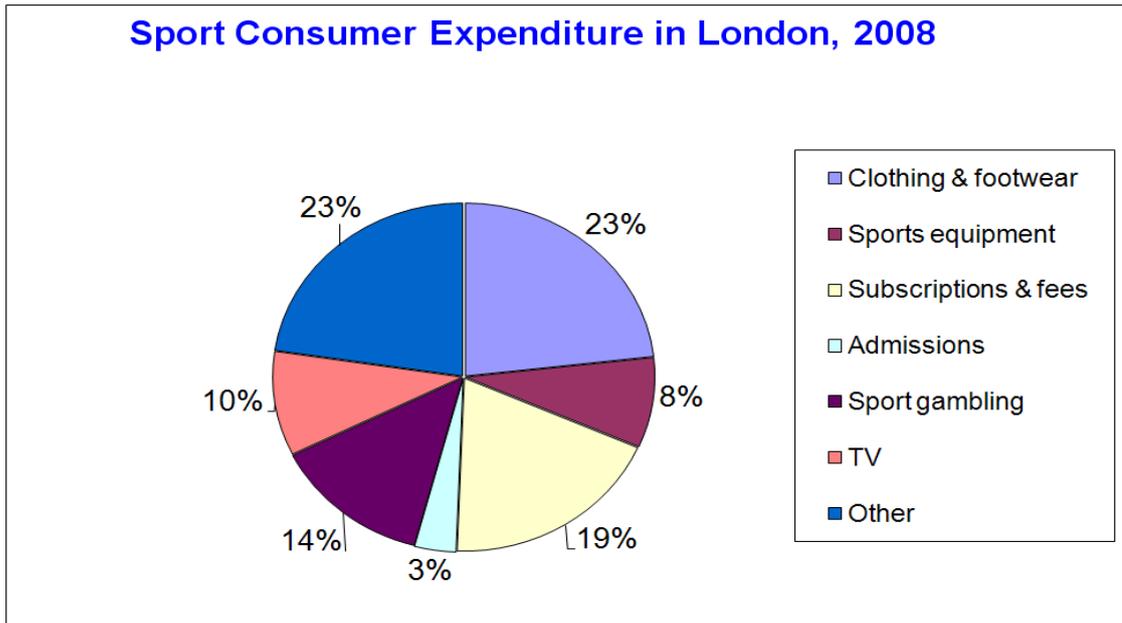
Results

	2000	2003	2005	2008
Consumer expenditure on sport (£million)	1,923.0	2,509.1	2,554.2	2,729.1
percentage of London total	2.1	2.5	2.3	2.1
national average (England)	2.2	2.5	2.6	2.3
Gross Value Added by sport (£million)	1,743.0	2,312.7	2,405.2	2,590.5
percentage of London total	1.3	1.4	1.3	1.0
national average (England)	1.5	1.6	1.7	1.5
Sport related employment (thousands)	47.3	49.7	50.1	52.8
percentage of London total	1.6	1.5	1.4	1.4
national average (England)	1.7	1.7	1.8	1.8

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

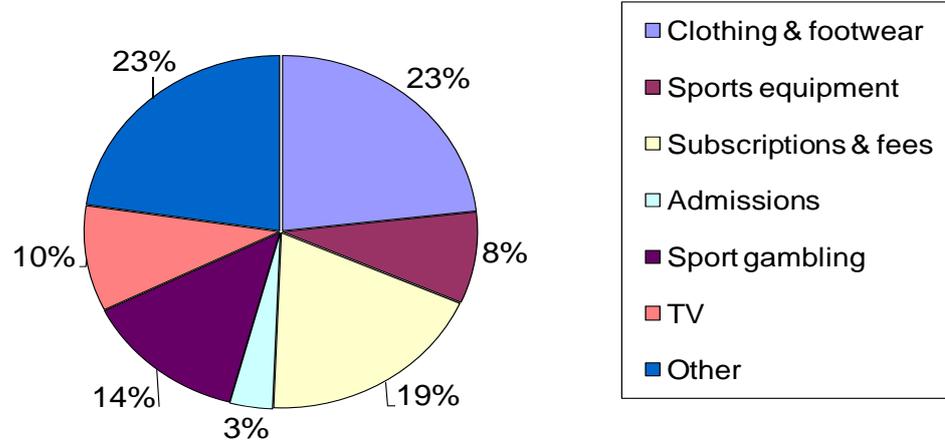
- According to Table 1, £2,729 million was spent on sport-related goods and services in London in 2008, representing an increase of 7% on 2005. Consumer expenditure on sport accounts for 2.1% of the total expenditure in the region, which is below the national average for England (2.3%). The former equals the level of the regional sport economy in 2001, and it is a direct consequence of the 2008 recession.

Sport Consumer Expenditure in London, 2008



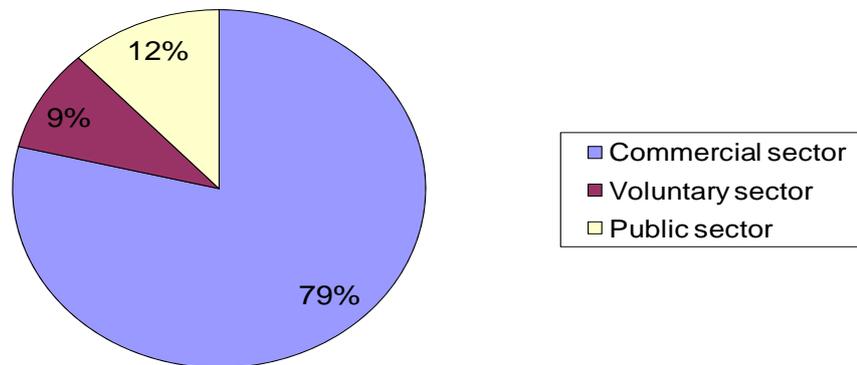
- The most significant areas of consumer spending on sport are sport clothing and footwear, participation (subscriptions and fees), sport gambling and other sport-related spending. Together these four broad categories account for £2,138 million or more than three-quarters of the sport-related expenditure in the region in 2008. Spending associated with sport clothing and footwear increased by 6% since 2005, while spending associated with participation, subscriptions and fees, declined by 10% over the same period. According to 'Family Spending' statistics, the most important change in expenditure was in sports goods which almost doubled in the period 2005-08, reaching £229m. Spending on sport-related gambling grew from £341 million in 2005 to £369 million in 2008, representing an increase of 8%.

Sport Consumer Expenditure in London, 2003



- Sport-related economic activity increased from £2,405 million in 2005 to £2,591 million in 2008. Half of this economic activity (£1,295 million, 50%) is generated by the commercial non-sport sector. The next largest sector is commercial sport (£740 million, 29%); approximately 62% of the valued added in this sector is 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 (£555 million, 21%) of the sport-related economic activity in the region.
- Sport and associated industries are estimated to employ nearly 52,800 people in London, accounting for 1.4% of all employment in the region in 2008. This represents an increase of 6% since the year 2003. The stability in the sport employment growth indicates that it was mainly the profit margins that suffered from the recession in 2008. Among the broad categories, commercial sport is the largest sector in employment terms, providing 20,900 (40%) of London's sport-related jobs. The commercial non-sport, public and voluntary sectors support 39%, 12% and 9% of the region's sport-related jobs respectively.

Sport Employment in London, 2008



- The relative proportions of sport-related consumer expenditure, gross value added and employment (out of total spending, GVA, and employment) in London, at 2.1%, 1.0% and 1.4% respectively, were behind the national averages (2.3%, 1.5% and 1.8%) for England in 2008. This reflects a distinctive regional economy with a larger financial sector than other English regions.
- The sport economy in London is driven by sport participation more than most regions in England. Together with the South East, it has the largest participation (subscription and fees) sector among the English regions, accounting for 19% of total sport-related consumer spending (2008). The economy is driven by the commercial and public sector in sport.
- 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 £1,702 million. This is closely followed by the commercial sport sector (£1,661 million) and the government sector (£1,248 million). On the expenditure side, by far the most important category is the consumer sector accounting for £2,729 million of expenditure.

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

	Income £m	Expenditure £m
Consumer	1,231	2,729
Commercial sport	1,661	1,681
of which:		
Spectator sports	149	259*
Participation sports	152	145*
Retailing	943	944*
Voluntary	530	370
Commercial non-sport	1,702	1,682
Central government	1,248	210
Local government	319	414
Outside the area	733	235

* Current factor expenditure (wages, other inputs)