



**Economic Value of Sport
South 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 South 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 South 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 (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

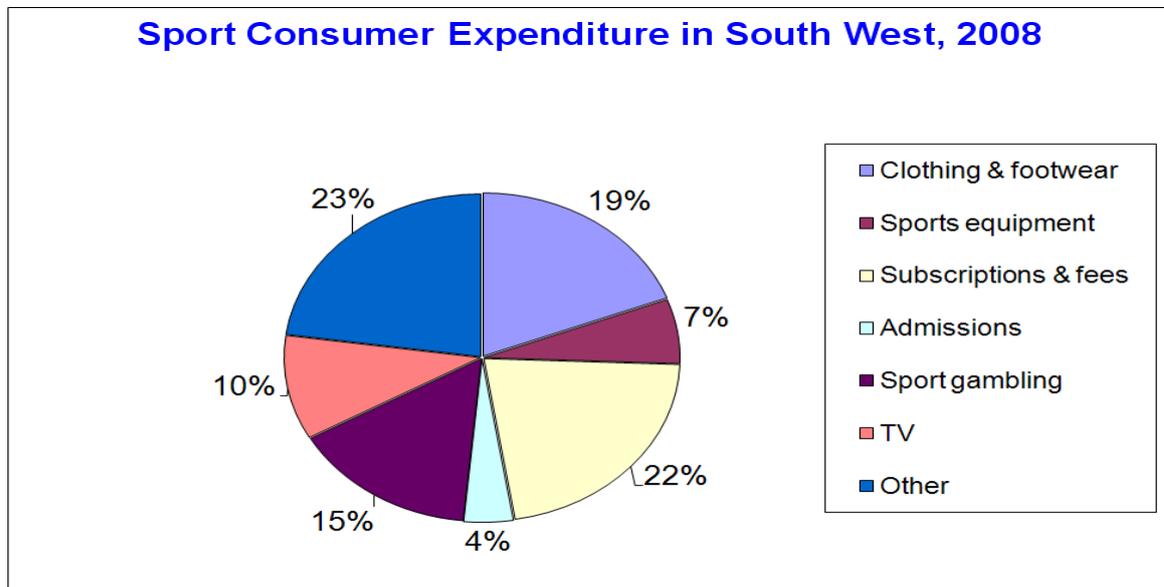
Results

	2000	2003	2005	2008
Consumer expenditure on sport (£million)	1,022.0	1,398.8	1,552.3	1,811.6
percentage of South West total	2.1	2.4	2.4	2.3
national average (England)	2.2	2.5	2.6	2.3
Gross Value Added by sport (£million)	962.0	1,236.6	1,363.8	1,606.0
percentage of South West total	1.5	1.6	1.6	1.6
national average (England)	1.5	1.6	1.7	1.5
Sport related employment (thousands)	35.2	39.1	39.9	44.4
percentage of South West total	1.5	1.6	1.6	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 West. It indicates that:

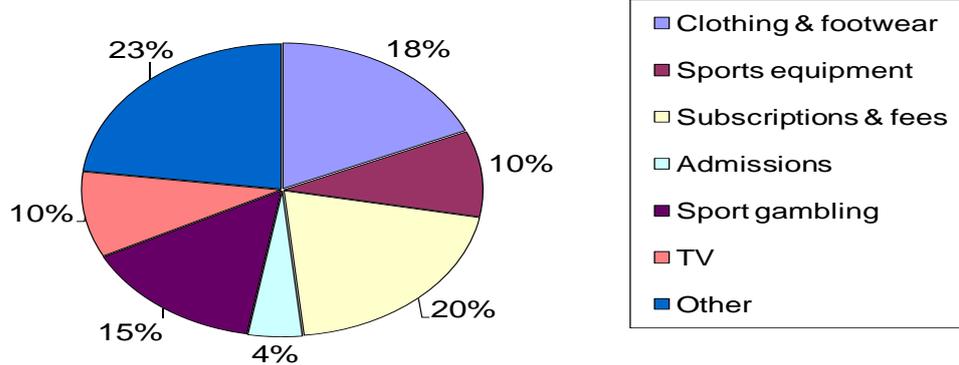
- Consumer expenditure on sport in 2008 was £1,812 million, or 2.3% of total consumer expenditure. The latter, is exactly at the level of the English average. Compared with 2005, there was an increase of almost 17% in sport-related consumption. In 2008, the recession did not impact upon the major trends in the region. The proportion of total

consumer spending on sport has decreased from 2.4% to 2.3% during the period 2003-2008.



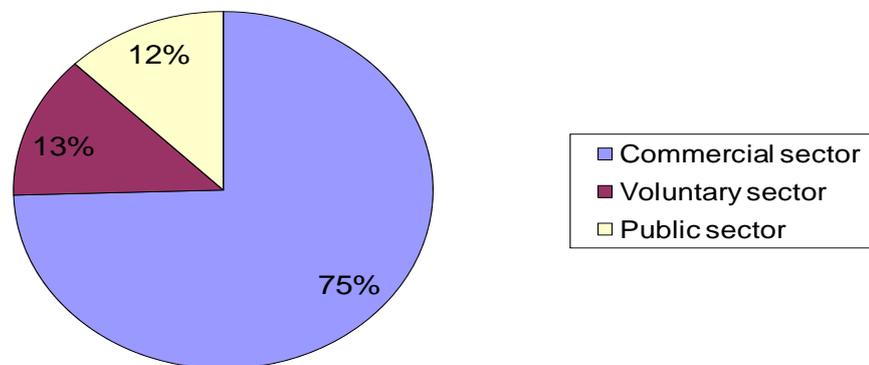
- Participation subscriptions and fees is the single largest category of consumer spending on sport, accounting for £396 million or 22% of the market in 2008. The combined participation-related sectors of sport clothing and footwear (£348 million) and subscriptions and fees (£396 million) account for 41% of the market. The spending associated with the two aforesaid participation-related categories increased by 24% since 2005, while the expenditure on sport equipment was the only one that declined from £148 million in 2005 to £116 million in 2008.
- Value added to the South West economy in 2008 by sport-related economic activity was £1,606 million, or 1.6% of the regional GDP. It increased by 18% over the period 2005-2008. The majority of this economic activity (£858 million, 53%) is generated by the commercial non-sport sector. The next sector in size is commercial sport (£344 million, 21%). Approximately 62% of the valued added in this sector is attributable to spectator clubs and retailing. Overall, the South West starting from a lower position in terms of its sport economic indicators, found it easier to buck the trend of decline during the recession. The region is now performing above the national average in terms of the sport share in the regional GVA.

Sport Consumer Expenditure in South West, 2003



- Sport-related employment in the South West grew from 39,900 in the year 2005 to 44,400 in 2008. As a percentage of total employment, it was equal to 1.7% in 2008. This is a lower figure than that of England as a whole where sport employment as a percentage of total employment is 1.8%.

Sport Employment in South West, 2008



- During the period 2005-08, the number of jobs in retailing and spectator sports increased by 11% and 42% respectively. The latter reflected the reported regional rise in average weekly household expenditure from £5.0 to £6.0 (Family Spending)³. The rates of rise in sport related employment and GVA (10% compared to 18%) indicate the strength of underlying growth in the region. This is not a process restricted to sport. The

³ Family Spending: A report on the Expenditure and Food Survey (ONS)

first conclusion is that despite the recession the profit margins were not affected. It is a direct result of sport policy in the region, with sport used as a tool of economic growth. Employment increased in all reported sectors of the sport economy.

- The development and popularity of watersports around Newquay is the most important selling points of the region. Sport tourism in the South West area has been boosted following the extension of the airport terminal in Newquay in April 2006 and the existing daily flights between Newquay and Stansted.
- 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 £1,128 million. This is followed by the commercial sport sector (£936 million) and the consumer sector (£737 million). On the expenditure side, by far the most important category is the consumer sector accounting for £1,812 million of expenditure.

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

	Income £m	Expenditure £m
Consumer	737	1,812
Commercial sport	936	881
of which:		
Spectator sports	111	110*
Participation sports	110	104*
Retailing	533	475
Voluntary	389	260
Commercial non-sport	1,128	1,053
Central government	724	136
Local government	219	260
Outside the area	464	126

* Current factor expenditure (wages, other inputs)