



**Economic Value of Sport
North East
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 East 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 East 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

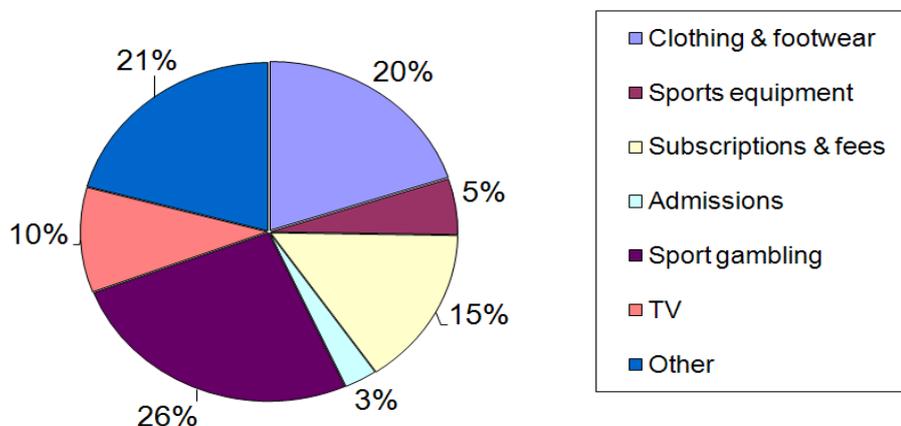
Results

	2000	2003	2005	2008
Consumer expenditure on sport (£million)	587.0	752.9	773.9	828.5
percentage of North East total	2.7	3.0	2.9	2.6
national average (England)	2.2	2.5	2.6	2.3
Gross Value Added by sport (£million)	489.0	676.2	725.9	817.8
percentage of North East total	1.7	2.1	2.0	2.0
national average (England)	1.5	1.6	1.7	1.5
Sport related employment (thousands)	19.6	22.5	24.3	24.0
percentage of North East total	2.0	2.1	2.2	2.1
national average (England)	1.7	1.7	1.8	1.8

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

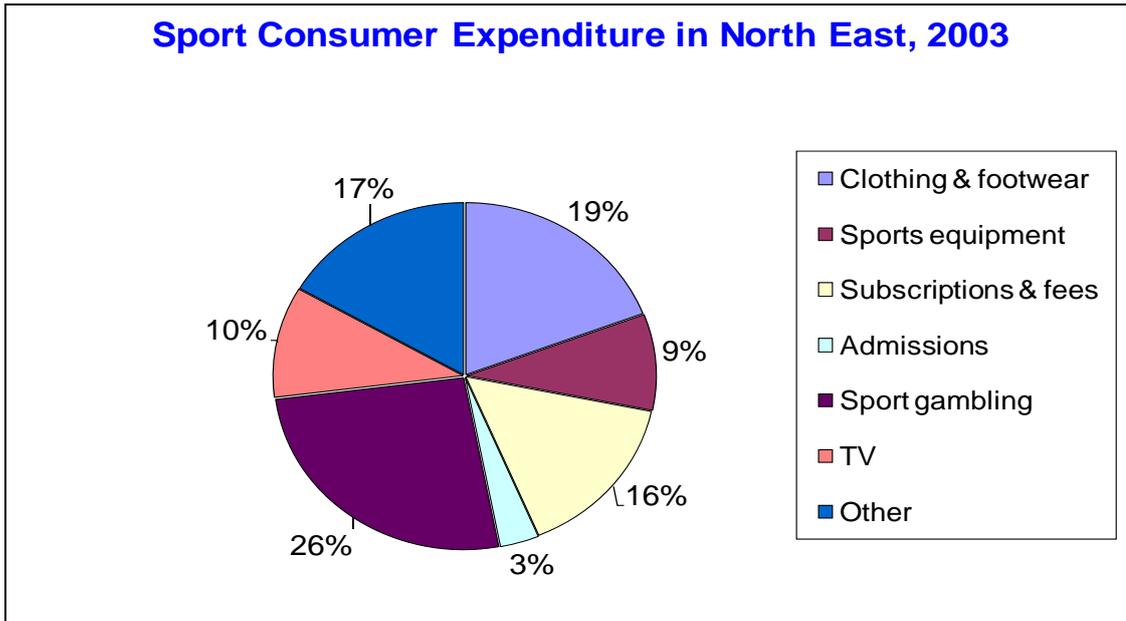
- Consumer expenditure on sport in 2008 was £829 million, or 2.6% of total consumer expenditure in the region. This compares favourably with the national average for England (2.3%). Following the 2008 recession, there is a decline of sport spending as a percentage of total spending. However, compared to 2005, there is an increase of 7% in sport-related consumption in value terms.

Sport Consumer Expenditure in North East, 2008



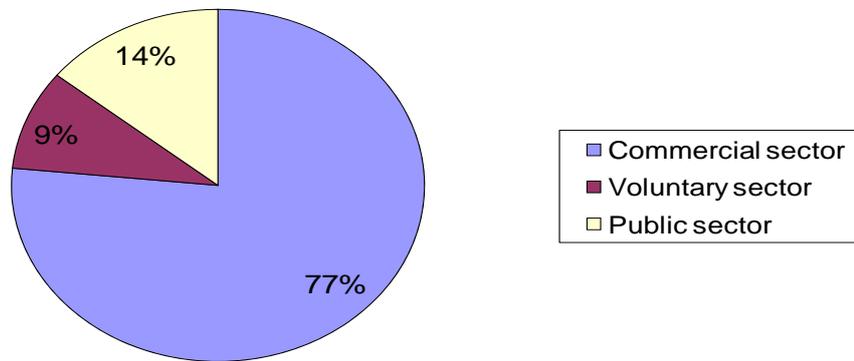
- Gambling is the single largest category of consumer spending on sport, accounting for £215 million or 26% of the market in 2005. The considerable increase in sport-related gambling expenditure during the period 2000-05 can be explained by the abolition of gaming tax. There has been a 2% decline in spending since then (2005-08). After gambling, the major categories of expenditure are sport clothing and footwear (£165 million) and participation (subscriptions and fees) at £126 million. Together, these two participation-related sectors account for 35% of the market.
- The sports economy resisted the negative effects of the 2008 recession, especially in terms of GVA and consumer spending. During the period 2005-2008, sports related consumption and output increased by 7% and 13% respectively.

Sport Consumer Expenditure in North East, 2003



- In 2008, sport-related economic activity added £818 million to the North East economy, which represented an increase of 13% over the year 2005. The contribution to GVA by sport in the region has increased from 1.7% in 2000 to 2.0% in 2008. The majority of this economic activity (£445 million, 54%) is generated by the commercial non-sport sector. The latter increased by 9% during the period 2005-08.
- Sport and associated industries are estimated to employ 24,000 people in the North East, accounting for 2.1% of total employment in the region in 2008. This represents an increase of 7% since the year 2003. Sports related employment as a percentage of total employment dropped only marginally from 2.2% in 2005, to 2.1% in 2008 following the recession. Despite the recession, jobs in the sport retailing increased during the 2005-2008 period by 38%. Similarly, over the aforementioned period, employment linked to spectator sports increased by 37%.
- During the period 2003-08, the sport economy in the North East was driven by consumer expenditure more than any other English region. Despite being the most deprived area in England in terms of average earnings, the popularity of sport has resulted in sport-related expenditure at 2.6% of total spending, the second highest in England (2008). The strong export orientation of manufacturing is one of the advantages of the regional economy.

Sport Employment in North East, 2008



- 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 £584 million. This is followed by the commercial sport sector (£464 million) and by the consumer sector (£384 million). On the expenditure side, by far the most important category is the consumer sector accounting for £828 million of expenditure.

Table 2.5 Sport-related income and expenditure flows, 2008

	Income £m	Expenditure £m
Consumer	384	828
Commercial sport	464	437
of which:		
Spectator sports	40	107*
Participation sports	28	27*
Retailing	239	214*
Voluntary	159	113
Commercial non-sport	584	633
Central government	372	76
Local government	135	150
Outside the area	233	67

* Current factor expenditure (wages, other inputs)