



**Economic Value of Sport
East Midlands
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 the East Midlands 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 East Midlands 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

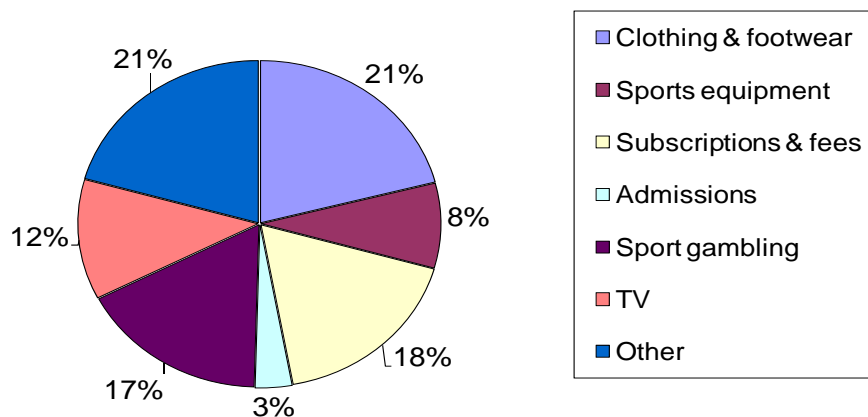
Results

	2000	2003	2005	2008
Consumer expenditure on sport (£million)	871.0	1,203.4	1,417.6	1,398.4
percentage of East Midlands total	2.1	2.5	2.7	2.4
national average (England)	2.2	2.5	2.6	2.3
Gross Value Added by sport (£million)	871.0	1,137.2	1,321.1	1,375.3
percentage of East Midlands total	1.6	1.8	1.9	1.7
national average (England)	1.5	1.6	1.7	1.5
Sport related employment (thousands)	33.0	38.0	40.7	37.9
percentage of East Midlands total	1.8	1.9	1.9	1.8
national average (England)	1.7	1.7	1.8	1.8

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

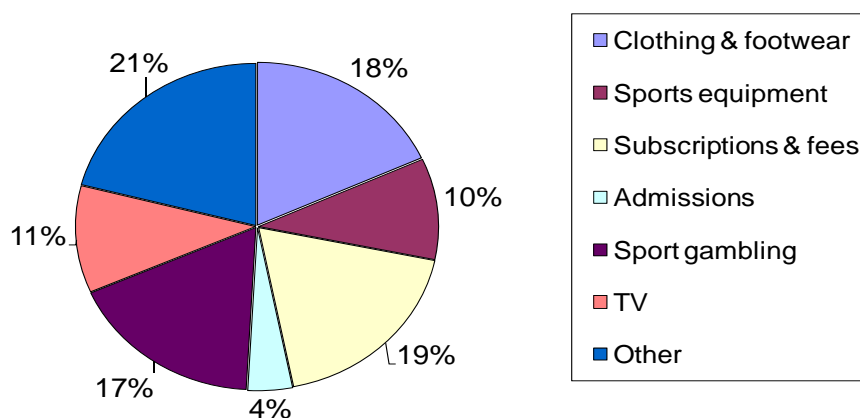
- Consumer expenditure on sport in 2008 was £1,398 million, or 2.4% of total consumer expenditure. The most significant areas of consumer spending on sport are sport clothing and footwear, participation (subscriptions and fees), sport gambling and other sport-related spending. Together these four broad categories account for £1,067 million or over three-quarters of the sport-related expenditure in the region in 2008.

Sport Consumer Expenditure in East Midlands 2008

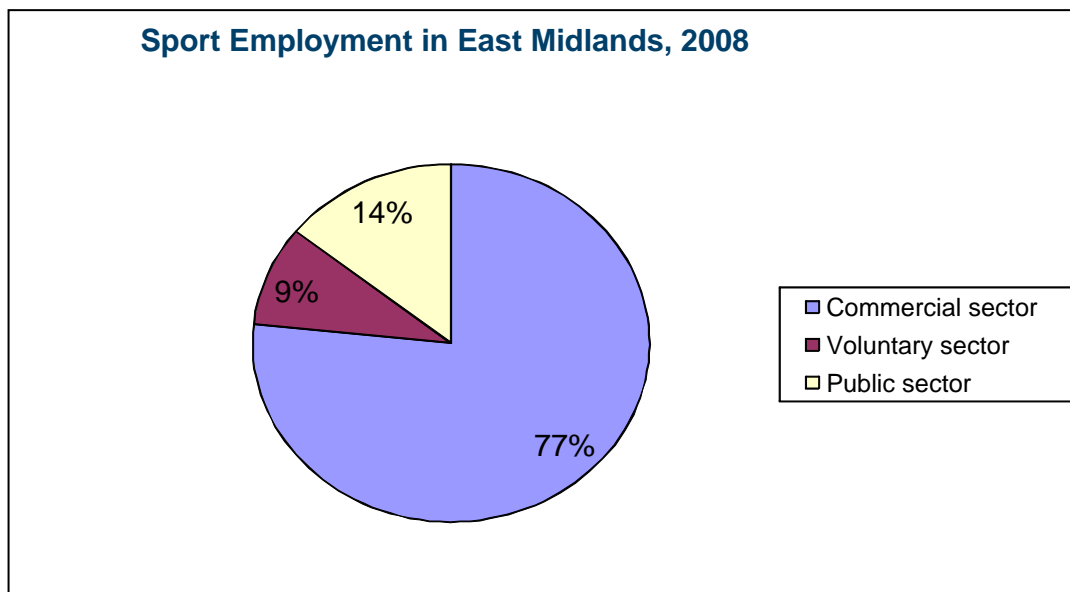


- Expenditure on sport clothing and footwear increased by 34%, in current prices, over the period 2003-2008. Furthermore, the size of the sport participation (subscriptions and fees) sector increased by 11% during this time. The role of sport in creating output and employment in the commercial non-sport sector is further illustrated by the sports-related spending on 'TV and video rental, cable and satellite subscriptions' - accounting for 12% of the market in 2008 (up by 30% on 2003).

Sport Consumer Expenditure in East Midlands 2003



- Value added to the East Midlands economy in 2008 by sport-related economic activity was £1,375 million, or 1.7% of the regional GDP. The majority of this economic activity (£706 million, 51%) is generated by the commercial non-sport sector. The next largest sector is commercial sport (£359 million, 26%), with half of the valued added in this sector being attributable to spectator sports and retailing. The latter includes sport-related clothing and footwear, equipment and publications. The voluntary and public sectors account for 12% and 11% of the sport-related economic activity in the region respectively.
- Employment in sport was 37,900 in 2008, or 1.8% of total regional employment in that year. Relative to 2003, jobs in sport were almost unchanged; however during 2003-08, employment linked to spectator sports increased by 26%. The majority of sport-related jobs in the region are supported by the commercial non-sport and commercial sport sectors, together accounting for 29,000 jobs or around 77% of the total sport-related employment in the region.



- The region features the Silverstone and Donnington Park motor racing circuits, the heart of the motor sport cluster, and a number of sport-related engine builders around Northampton. It is also the home of the powerboat company Fairline and the retailing company Sports Direct. Development of sport in the region has been helped by its proximity to London and to major traffic routes.

- Table 2 presents the sport-related income and expenditure flows for 2008. A large part of income within sport was generated by the commercial non-sport sector, accounting for £928 million. This is followed by the commercial sport sector (£752 million) and the consumer sector (£651 million). On the expenditure side, by far the most important category is the consumer sector accounting for £1,398 million of expenditure.

	Income £m	Expenditure £m
Consumer	651	1,398
Commercial sport	752	707
of which:		
Spectator sports	75	97*
Participation sports	57	54*
Retailing	441	400
Voluntary	271	196
Commercial non-sport	928	900
Central government	558	131
Local government	216	262
Outside the area	374	108
* Current factor expenditure (wages, other inputs)		