Economic Value of Sport West Midlands 2003-2008

Summary Report

August 2010

Sport Industry Research Centre

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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 West Midlands region. It builds on similar research carried out by Cambridge Econometrics in 2000[1] 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 West 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 accounting[2] 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.

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[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 - taxes on products + 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

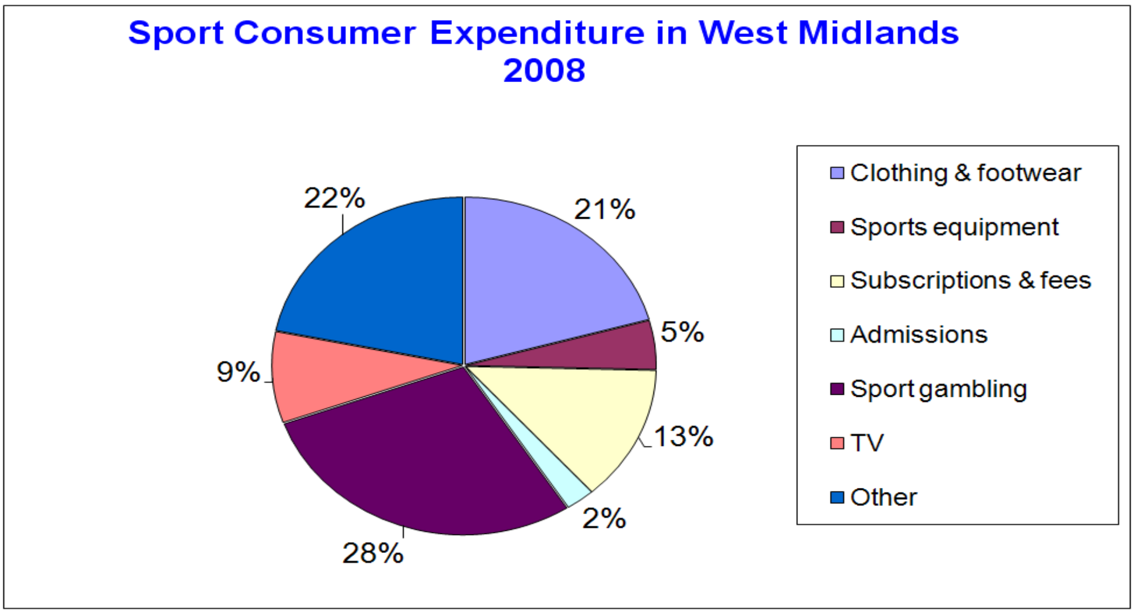
Table 1: Main sport-related indicators for the West Midlands

	2000	2003	2005	2008
Consumer expenditure on sport (£million)	1,226.0	1,370.1	1,536.5	2,135.9
percentage of West Midlands total	2.4	2.4	2.4	2.9
national average (England)	2.2	2.5	2.6	2.3
Gross Value Added by sport (£million)	1,032.0	1,303.1	1,480.0	1,939.6
percentage of West Midlands total	1.6	1.7	1.7	2.0
national average (England)	1.5	1.6	1.7	1.5
Sport related employment (thousands)	39.1	43.1	44.2	54.2
percentage of West Midlands total	1.6	1.8	1.8	2.2
national average (England)	1.7	1.7	1.8	1.8

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

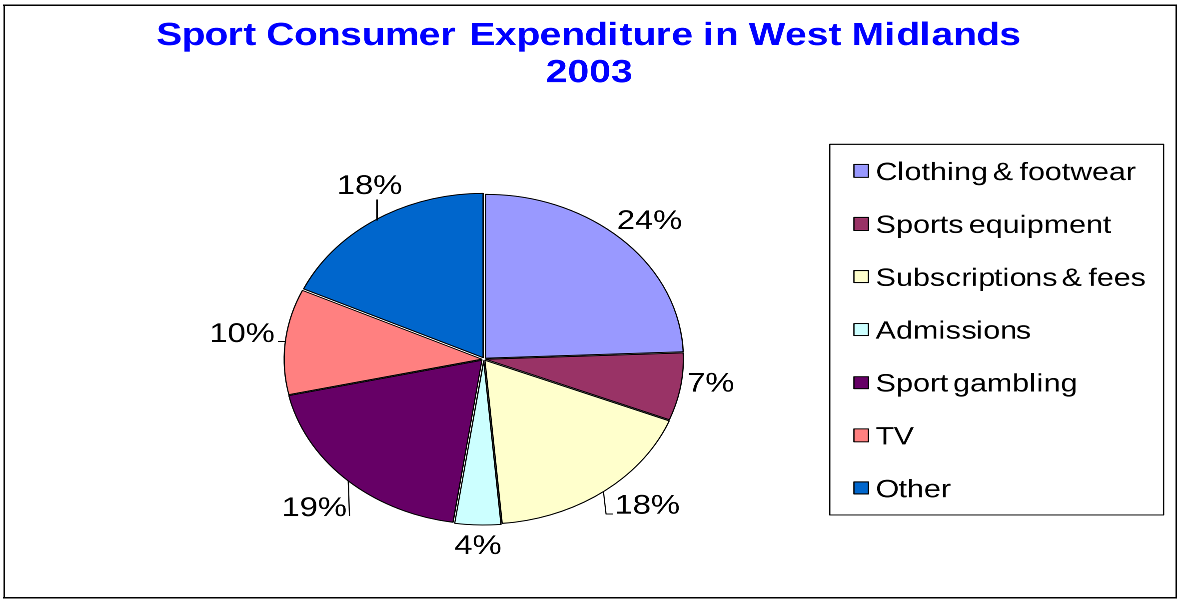
- Over £2.1 billion was spent on sport-related goods and services in the West Midlands in 2008. In the same year, consumer expenditure on sport accounts for 2.9% of the total expenditure in the region, the highest percentage among the English regions. Compared with 2005, there is a 39% increase in sport-related consumption. During the period

2003-2008, the proportion of total consumer spending on sport has increased from 2.4% to 2.9%.

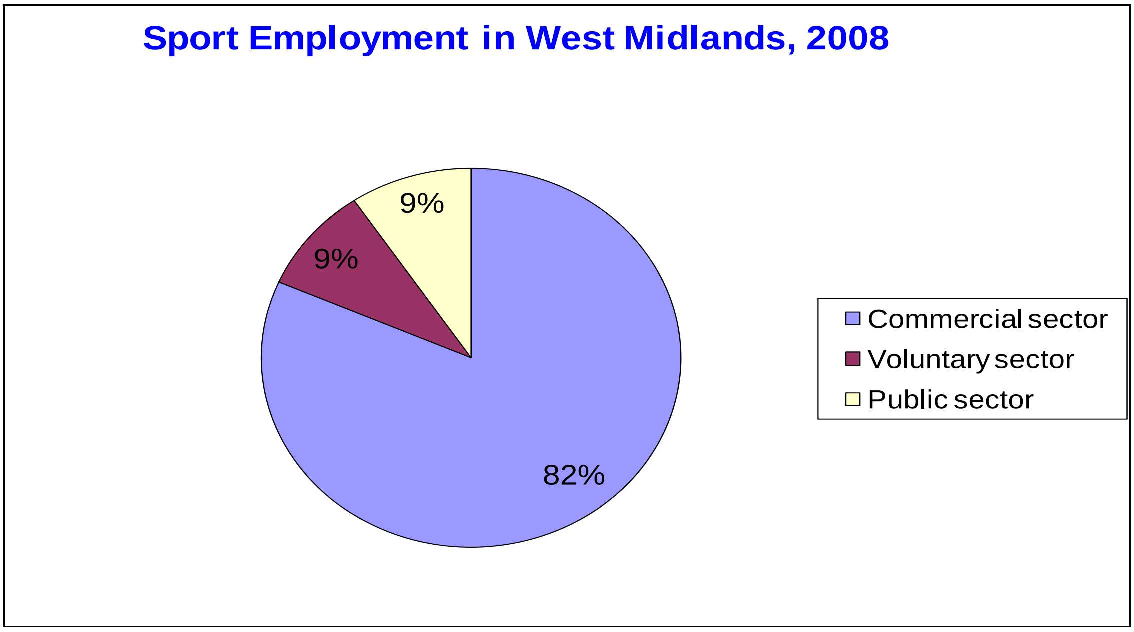


- The largest single category of consumer spending on sport is sport gambling, accounting for £611 million or 29% of the market. Sport clothing and footwear is the second largest category of consumer spending on sport, accounting for £441 million or 21% of the market in 2008. Other important categories of expenditure include: participation (subscriptions and fees) and sport goods, accounting for £280 million and £101 million respectively. Together, the two participation-related sectors of sport clothing and footwear and subscriptions and fees account for 34% of the market.

- Sport-related economic activity increased from £1,480 million in 2005 to £1,940 million in 2008. This represents an increase of 31%. The single largest portion of this economic activity (£1,115 million, 57%) is generated by the commercial non-sport sector. This is followed by commercial sport (£470 million, 24%). Most of the valued added generated in commercial sport is attributable to spectator sports and retailing. The latter increased by 69% during the period 2005-2008. The contribution to GVA by sport in the region has also increased from 1.7% to 2.0% during the period 2003-2008.



- Sport and associated industries are estimated to employ 54,200 people in the West Midlands. This represents an increase of 23% over the period 2005-2008. During the aforementioned period, the percentage of sport related employment in the region increased from 1.8% to 2.2%. Employment linked to the sport-retailing sector increased very strongly during the 2005-2008 period, reaching 5,400 people employed. The region bucked the recession trend in all sport related indicators. The increases in retailing and sport gambling were particularly sharp, driving the market.



- The West Midlands sports economy benefits from its association with the motor sports cluster and the proximity of the region to London. The West Midlands sport economy benefits from its association with the motorsport cluster and from Birmingham becoming a hub for international sports events.

- 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 £1,466 million. This is followed by the commercial sport sector (£1,120 million) and the consumer sector (£917 million). On the expenditure side, by far the most important category is the consumer sector accounting for £2,136 million of expenditure.

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

	Income £m	Expenditure £m
Consumer	917	2,136
Commercial sport	1,120	1,065
of which:		
Spectator sports	87	131
Participation sports	79	75
Retailing	689	619
Voluntary	349	252
Commercial non-sport	1,466	1,369
Central government	796	135
Local government	209	251
Outside the area	576	162

* Current factor expenditure (wages, other inputs)