

# **The Economic Importance of Sport in Scotland 2001**

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by the

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## Introduction

The economic benefits of sport have been of interest to policy makers and those involved with the development of sport and its infrastructure for a good many years.

A number of studies have been undertaken to estimate the scale and nature of such benefits. The most recent UK work has been based on research by the Leisure Industries Research Centre (LIRC), which has constructed a spreadsheet model using the input of published data for the required year. Calculations are then made to derive sports-related expenditure, the relevant sectoral accounts, value-added and employment. Further information on the detail of the economic model can be obtained from **sportscotland** on request.

This report applies the model to Scotland, estimates the economic importance of sport in Scotland for 2001 and compares this with the figures for 1995 and 1998.

Changes have been made to the way sport-related gambling is treated in the model as a result of the availability of more accurate information. The figures for 1995 and 1998 have been revised to reflect this.

A fuller description of previous work can be found in *The Economic Importance of Sport in Scotland 1998* (**sportscotland**, 2001).

## Overview

The key elements of the measurement of the economic impact of sport examined are consumer expenditure, sport related employment and value added\*.

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**Table 1: Key Economic Impact of Sport Data, Scotland , 1995, 1998 and 2001**

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	<b>1995</b>	<b>1998</b>	<b>2001</b>
Consumer expenditure on sport	£935m	£1,018m	£1,245m
% of total consumer expenditure	2.5%	2.3%	2.5%
Employment related to sport	39,890	37,210	41,940
% of total Scottish employment	1.7%	1.7%	1.8%
Value added	£881m	£963m	£1,198m
% of Scottish total value added	1.6%	1.6%	1.7%

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- Expenditure on sports related goods and services is now almost £1.25 billion per annum.
- Consumer expenditure on sport has risen over the period examined but has remained at around 2.5% of total consumer expenditure.
- Employment in sport has risen from 39,890 to 41,940, though with a dip in 1998.
- Value added has increased substantially.

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\* Value added is the difference between total revenue and the cost of bought in materials, services and components. It measures the value which is 'added' to the raw materials by the processes of production. It measures the contribution of the industry to Gross Domestic Product (GDP), since GDP is the sum of the value added of every industry in the economy.

## Consumer Expenditure

Table 2 shows the major elements of consumer expenditure in Scotland on sport-related goods and services in 1995, 1998 and 2001. The values are in current prices and hence reflect the rise in prices between 1995 and 2001, however, the percentage change figures are based on constant 1995 prices so the change shown excludes inflationary factors.

**Table 2: Consumer Expenditure on Sport-related Goods and Services**

<b>Sport-related Expenditure</b>	<b>1995</b>	<b>1998</b>	<b>2001</b>	<b>95-98 change*</b>	<b>98-01 change*</b>
	£m	£m	£m	%	%
Participation subscriptions and fees	200.89	204.30	261.13	-5.4%	18.3%
Sports clothing and footwear sales	209.58	245.14	276.69	9.1%	4.5%
Sports equipment	75.00	78.01	126.98	-3.0%	50.7%
TV rental, cable and satellite subscriptions	34.93	83.38	123.88	122.7%	37.52%
Gambling**	192.08	183.06	191.76	-11.1%	-3.0%
Other consumer expenditure on sport***	222.24	223.67	264.54	-6.1%	9.5%
<b>Total</b>	<b>934.72</b>	<b>1,017.56</b>	<b>1,244.98</b>	<b>1.6%</b>	<b>13.2%</b>
<b>Total excluding gambling</b>	<b>742.64</b>	<b>834.5</b>	<b>1053.22</b>	<b>4.8%</b>	<b>16.8%</b>

The Scottish public spends more than £1.24bn a year on its sporting interests. The two largest sectors, subscriptions and fees for participation and sports clothing and footwear, account for 43% of consumer expenditure on sport.

\* This is a change in real terms allowing for inflation at constant 1995 prices (while the first three columns give actual expenditure in £m for the three years).

\*\* Gambling figures for each of the three years have been revised to reflect the availability of new information on taxation which allows more accurate estimates to be made.

\*\*\* Other consumer expenditure on sport includes admissions to spectator sports, sport related travel, sport related publications and expenditure on boats.

The next largest sector, sport-related gambling, accounts for a further 15%. Sports equipment and sports-related TV, cable and satellite subscriptions each have about 10% of total consumer spending on sport.

The percentage change columns of Table 2 show that there has been a huge rise in sport related cable and satellite subscriptions over the period reflecting both more subscribers and higher real prices. Overall, real consumer expenditure rose 15% between 1995 and 2001, but most of this growth (13%) has occurred since 1998. The pattern is of slow growth overall from 1995 to 1998, with declines in some of the larger components, followed by healthy growth in the 1998 to 2001 period. Sport-related gambling was an exception, declining in real terms during both periods but at a slower rate in the later period.

It should be stressed that this expenditure is **sport-related**; that is, it is not limited to the direct costs of sports participation or spectating. In addition to direct costs such as subscriptions and fees, sports goods or admissions, there are the indirect costs connected with sport such as travel, newspapers, books and magazines, and television and video costs. Inclusion of such related costs is legitimate and indeed essential to provide a full picture of sport's economic impact; any broader sectoral approach to the nation's economy would of course have to allow for double counting in, for example, economic impact studies of the travel or media industries. Related costs are calculated on the basis of the sport element as a proportion of total consumer expenditure on the area. Thus sport-related expenditure on newspapers is based on the ratio of pages covering sport.

## Employment

The number of sport-related jobs supported by this expenditure was estimated as almost 42,000 in 2001, an increase of 13% per cent since 1998 (Table 3). However, these figures should be seen as indicative rather than precise. In most cases figures for sport-related employment in Scotland do not exist, and calculations have to be made on the basis of assumed employment generated by overall expenditure, often pro-rated from the available UK data.

The major area of sports-related employment was that generated in the commercial non-sport sector with nearly 16,520 jobs in 2001. Together with over 13,360 jobs in the commercial sport sector, over two-thirds of sport-related employment in Scotland exists in the commercial sector.

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**Table 3: Sport-related Employment in Scotland, 1995, 1998 and 2001**

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Sector	Sport-related Jobs		
	1995	1998	2001
Commercial non-sport	16,500	16,120	16,520
Commercial sport	11,390	11,130	13,360
Local government	6,980	5,490	6,980
Voluntary sport	4,850	4,280	4,850
Central government	180	190	240
<b>Total</b>	<b>39,890</b>	<b>37,210</b>	<b>41,950</b>

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## Comparison with UK figures

Table 4 shows a comparison of the contribution of sport to the UK and to the Scottish economy. Both sets of figures were derived using the same methodology.

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**Table 4: A Comparison with UK Economic Impact of Sport 2001**

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	Scotland	UK
Consumer spending on sport as a percentage of total consumer expenditure	2.5%	2.4%
Employment related to sport as a percentage of total employment	1.8%	1.6%
Value added as a percentage of Gross Domestic Product	1.7%	1.6%

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Comparison with figures derived for the UK economy using the same methodology show that the relative economic impact of sport is more significant in Scotland than in the UK as a whole.

## Conclusions

The figures presented demonstrate that sport continues to be an important contributor to economic activity in Scotland. The true value is likely to be even higher as national estimates of the economic importance of sport tend to underestimate the economic contribution of sports events, sports tourism, and the wider quality of life benefits generated by sports participation.

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