

# **The Economic Importance of Sport in Scotland 2004**

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## Introduction

Information about the nature of the sports economy and its value is relevant to policy makers and those involved with the funding and development of sport and its infrastructure.

This report provides data on the economic importance of sport in Scotland for 2004 and makes comparisons with figures for 1995, 1998, and 2001.

## Summary

The latest figures (2004) show that sport makes a substantial contribution to the economy of Scotland and that this contribution has increased in recent years.

- Sport-related consumer expenditure was found to be £1.6 billion in 2004 and made up 2.7% of total consumer expenditure in Scotland.
- Employment in sport was 45,500 in 2004, 1.8% of total employment.
- Value added to the Scottish economy was £1.5 billion, 1.9% of gross value added.

## Background

A substantial amount of research has been undertaken to investigate sports expenditure and the scale and nature of economic benefits, in the UK and elsewhere. The main areas of research have been: the economic value of sport at the national or regional level; the economic impact of particular sporting events (such as world cup events or olympic games); sport specific work, for example the value of hillwalking to the regional economy; and attempts to place values on health benefits resulting from sport and physical activity. Some work has also been undertaken to improve information available on local authority expenditure on sport. A number of references are included at the end of this report which readers may find useful.

This report deals with economic impact using a spreadsheet model developed by the Sport Industry Research Centre (SIRC) based on published data which allows the necessary calculations to derive sport-related expenditure, the relevant sectoral accounts, value-added and employment.<sup>1</sup> Further information on the detail of the economic model can be obtained from **sportscotland** on request.

Previous information on the economic impact of sport in Scotland published by **sportscotland** has been produced using the same model so the results are comparable and allow differences over time to be reported.

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<sup>1</sup> A change in government taxation rules on gambling has enabled a more accurate calculation of the profits retained by gaming companies and the methodology has been revised to reflect this.

## Overview

The key elements of the measurement of the economic impact of sport examined are consumer expenditure, sport related employment and value added<sup>2</sup>.

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**Table 1: Key Economic Impact of Sport Data, Scotland , 1995, 1998, 2001 and 2004**

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	<b>1995</b>	<b>1998</b>	<b>2001</b>	<b>2004</b>
Consumer expenditure on sport	£935m	£1,019m	£1,253m	£1,591m
% of total consumer expenditure	2.5%	2.2%	2.5%	2.7%
Employment related to sport	40,000	37,300	42,000	45,500
% of total Scottish employment	1.7%	1.5%	1.7%	1.8%
Value added	£881m	£965m	£1,180m	£1,537m
% of Scottish total value added	1.6%	1.5%	1.7%	1.9%

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- Expenditure on sports related goods and services is now almost £1.6 billion per annum.
- Consumer expenditure on sport has risen over the period and increased slightly as a percentage of total consumer expenditure.
- Employment in sport has risen over the period, although with a dip in 1998, and now stands at 45,500.
- Value added has increased substantially. There has also been an increase in sport related value added as a percentage of total Scottish value added.

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<sup>2</sup> 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, 2001 and 2004. 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 2001 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>2004</b>	<b>2001/04 change<sup>3</sup></b>
	£m	£m	£m	£m	%
Participation subscriptions and fees	201	204	261	279	2.3%
Sports clothing and footwear sales	209	246	277	336	16.2%
Sports equipment	75	78	124	132	1.6%
TV rental, cable and satellite subscriptions	35	83	124	167	29.0%
Gambling <sup>4</sup>	193	168	173	312	72.8%
Other consumer expenditure on sport <sup>5</sup>	222	240	304	365	14.6%
<b>Total</b>	<b>935</b>	<b>1,019</b>	<b>1,263</b>	<b>1,591</b>	<b>20.6%</b>
<b>Total excluding gambling</b>	<b>742</b>	<b>851</b>	<b>1090</b>	<b>1279</b>	<b>12.2%</b>

The Scottish public spends almost £1.6 billion a year on its sporting interests. The two largest sectors, subscriptions and fees for participation and sports clothing and footwear, account for 39% of consumer expenditure on sport.

<sup>3</sup> The percentage change is based on constant 2001 prices

<sup>4</sup> Gambling figures have been revised to reflect the availability of new information on taxation which allows more accurate estimates to be made.

<sup>5</sup> 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 20%. This figure has increased from 14% in 2001. This mainly results from an increase in horse racing gambling as a result of the abolition of gaming tax on consumers. Sports equipment makes up 8% of total consumer spending on sport and sports-related TV, cable and satellite subscriptions has about 10%.

There has been a substantial rise in real terms in sport-related cable and satellite subscriptions between 2001 and 2004 reflecting both more subscribers and higher real prices. Overall, real consumer expenditure rose 21% between 2001 and 2004. The pattern is of slow growth from 1995 to 1998 (with declines in subscriptions and fees and in sport-related gambling expenditure), followed by growth in the 1998 to 2004 period. Sport-related gambling increased substantially in the 2001 to 2004 period due to an increase in expenditure on horse racing resulting from the abolition of gaming tax on consumers. Spending on football pools dropped rapidly between 1995 and 2001 but remained steady between 2001 and 2004. Spending on sports equipment has increased but growth between 2001 and 2004 has been slight.

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 45,500 in 2004, an increase of 8% per cent since 2001 (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 prorated from the available UK data.

The major area of sports-related employment was that generated in the commercial non-sport sector with nearly 19,800 jobs in 2004. Together with 13,900 jobs in the commercial sport sector, almost three quarters of sport-related employment in Scotland exists in the commercial sector. Employment in sport accounts for 1.8% of total employment in Scotland, a slight increase since 2001.

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**Table 3: Sport-related Employment in Scotland, 1995, 1998, 2001 and 2004**

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Sector	Sport-related Jobs			
	1995	1998	2001	2004
Commercial non-sport	16,500	16,120	16,520	19,800
Commercial sport	11,390	11,130	13,360	13,900
Local government	6,980	5,490	6,980	7,000
Voluntary sport	4,850	4,280	4,850	4,500
Central government	180	190	240	300
<b>Total</b>	<b>39,890</b>	<b>37,210</b>	<b>41,950</b>	<b>45,500</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 2004**

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	Scotland	UK
Consumer spending on sport as a percentage of total consumer expenditure	2.7%	2.6%
Employment related to sport as a percentage of total employment	1.8%	1.6%
Value added as a percentage of gross domestic product	1.9%	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 greater 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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