# Study on the Contribution of Sport to Economic Growth and Employment in the EU

**Study commissioned by the European Commission, Directorate-General Education and Culture**

## Executive Summary

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# Executive Summary

The Study on the Contribution of Sport to Economic Growth and Employment in the European Union was carried out in 2011-2012, based on data collection in all 27 EU Member States focussing on sport as an economic activity. The methodology utilised a specific adaptation of the National Accounts of the Member States, using these accounts to make a Multi-Regional Input-Output Table Sport (MRIOT-S) which is based on 27 national Input-Output Tables Sport. This means that the chosen approach is consistent with the National Accounts on the one hand and intra-EU trade on the other.

National Accounts are the main reference point for economic policy making on the national macro level and are normally maintained by the statistical office of a country. A satellite account is an extension of the standard national account system. A *Sport Satellite Account (SSA)* – being the core of an Input-Output Table Sport – filters the National Accounts for sport-relevant activities to extract all sport-related figures while maintaining the structure of the National Accounts. The instrument of SSAs permits all sport-related economic activities to show up explicitly, rather than keeping them concealed, in deeply disaggregated (low-level) classifications of the National Accounts.[1]

Hence one of the results of the study is an Input-Output-Table Sport for each Member State. Most of these Input-Output Tables Sport are proxy tables and should therefore be used with caution. They were designed for EU-wide analysis and cannot replace Input-Output Tables Sport produced at national level. Noticeably, such national SSAs and Input-Output Tables Sport, of direct relevance for this study, have already been developed in several EU Member States based on the statistical definition of sport agreed by the EU Working Group on Sport and Economics in 2007 ("Vilnius Definition of Sport"). To further improve the data quality, a fully-fledged national Input-Output Table Sport, once it is finalised for a Member State, should replace the remaining proxy Input-Output Tables Sport in the MRIOT-S.

This study thus also tries to contribute to the further development of national SSAs and to identify key innovation and growth sectors related to sport, thereby furthering the goals of the Europe 2020 Strategy.

The main study findings can be summarised as follows:

### Sport's share in total Gross Value Added

The Vilnius Definition of Sport distinguishes between a statistical, a narrow and a broad definition of sport as follows:

- Statistical Definition: comprised of NACE 92.6 Rev. 1.1 ("Sporting activities", the only part of the sport sector having its own NACE category).

[1] The name *Sport Satellite Account* is derived from the tabular presentation of the account (i.e. as a matrix). In this format, the sport-related rows and columns wrap around the non-sport part, circling around it like a satellite.

- Narrow Definition: all activities which are inputs to sport (i.e. all goods and services which are necessary for doing sport) plus the Statistical Definition.
- Broad Definition: all activities which require sport as an input (i.e. all goods and services which are related to a sport activity but without being necessary for doing sport) plus the Narrow Definition.

The results of the study show that the share of sport-related Gross Value Added of total EU Gross Value Added is 1.13% for the narrow definition and 1.76% for the broad definition of sport. The share of what is generally known as the organised sport sector (sport clubs, public sport venues, sport event organisers) is reflected in the statistical definition. The share of Gross Value Added according to the statistical definition is 0.28%. Therefore the real share of sport in terms of production and income is about six times as high as reported in official statistics.

In 2005, sport-related Gross Value Added (direct effects) amounted to € 112.18 bn according to the narrow definition and € 173.86 bn with respect to the broad definition. For the statistical definition of sport it was € 28.16 bn.

The direct effects of sport, combined with its multiplier (indirect and induced) effects, added up to 2.98% (€ 294.36 bn) of overall Gross Value Added in the EU.

The highest sport-related value added was found in the sector *Recreational, cultural and sporting services*, followed by *Education services* (second), and *Hotel and restaurant services* (third).

The average Gross Value Added of the statistical definition shows a broad division between high income Western European Member States and lower income Eastern states. In absolute terms, the Gross Value Added per capita in the Eastern Member States is around € 5 to € 10 per capita for this part of the sport industry, while in the higher income states, this amount is around € 50 to € 100 per capita. Of course it could be expected that richer countries spend more on sport than poorer countries, but this is true not only in an absolute sense but also in a relative sense: the share of Gross Value Added of sport is lower in low income EU Member States compared to high income states. On a cross-section basis, the national income elasticity of sports is 1.14, which means that if national income rises by 1%, the Gross Value Added related to sport rises by 1.14%.

From an analysis of specific sectors that are important in enhancing the size of the sport industry, three sectors stand out:

- Tourism
- Fitness and the media
- Education

- *Tourism:* for some countries, a substantial contribution to the sport industry share is made by the hotel and restaurant sector. This is especially true for Austria, Germany, Italy, and Sweden, which are important destinations for active sports holidays. In Germany and

Sweden a large part is probably generated by domestic tourism, but for the other countries international tourism is a major source of income. As these countries have a specific supply advantage and the elasticity of income for sports consumption is above 1, their sports economic base is likely to be strengthened when European economies grow.

- *Fitness and the media*: in some North-Western European countries a large part of the total demand for sport activities is satisfied by commercial sports suppliers such as fitness clubs. This is true in Sweden and the Netherlands. Another demand-related issue is the strength of professional football and the role of the media in the UK, where pay television for football matches has grown into a significant economic activity.

- *Education*: in almost all countries sport education is an important part of the total sport economy. However, there are a few exceptional countries. These are Denmark, Estonia and Latvia which have exceptionally high shares of sport education in sport-related Gross Value Added. These Member States seem to attach a high value to sport in an educational context.

**Employment effects**

For the EU as a whole, the contribution of sport-related employment to total employment is 2.12%. In absolute terms this is equal to 4.46 m employees. This is above the sport-related share in Gross Value Added (1.76%), which indicates that sport is labour-intensive.

The largest number of sport-related jobs can be found in Germany, which has 1.15 m sport-related jobs or nearly 27% of all sport-related jobs in the EU. The runner-up is the UK, with more than 610,000, followed by France with more than 410,000 jobs in sport.

**Sectoral interrelatedness**

Multipliers are measures of the degree to which the sectors in an economy are interrelated. Sectoral multipliers measure the impact in total economic activity generated by a one-unit change in one sector. The value of a sectoral multiplier is determined by the links on the one hand and the leakages on the other hand within an economic system. Sectors with strong relations to the rest of the domestic economy and few imports report high multipliers. If an impulse to a sector is hardly transferred to other branches or leaves the country (imports of intermediate goods), the multiplier barely exceeds its minimum value of 1. The study shows that smaller Member States have significantly lower mean sectoral multipliers than larger Member States.

The highest multipliers are found in the construction branch and in sectors related to tourism (hotels, air transport). Education has a relatively low multiplier as it requires only a few intermediate goods compared to its wages, but it is an important sector in the whole network of value creation in sports, especially in the Nordic and Baltic countries.

**Sectoral growth potentials**

The study analyses several sectors for their growth potential and differences between countries are discussed. A general pattern of sport production can be observed in the sense that sport services are predominantly produced for the domestic market while sportswear is predominantly imported. For sports durables internal EU specialisation can be found.

There are three sectors that play a special role in almost all countries: food products and beverages; construction; and supporting and auxiliary transport services including travel agency services. These sectors have strong linkages to the rest of the economy and are therefore strategically important.

The most important policy implications to be drawn from the outcomes of this study are listed hereafter.

**Policy Implication 1: Sport is an important economic sector**

The study shows that sport is an important economic sector in the EU, with a share in the national economies which is comparable to agriculture, forestry and fishing combined. Moreover, its share is expected to rise in the future.

**Policy Implication 2: Sport represents a labour-intensive growth industry**

Sport is a relatively labour-intensive industry. This means that the expected growth in the sport industry is likely to lead to additional employment, with sport's share of total employment being higher than its share of value added. The sport sector can thus contribute to fulfilling the Europe 2020 goals.

**Policy Implication 3: Sport can foster convergence across EU Member States**

Sport has the economic characteristics of a luxury good, with an income elasticity above 1. This implies that sport production and services will grow faster in lower income countries than in higher income countries. It thus contributes to the economic convergence of Member States and can help reduce economic imbalances.

**Policy Implications 4: Sport has growth-enhancing specialisation advantages**

Sport products and services can be found in many other sectors, e.g. in tourism, insurance, legal consultancy, and many more. This means that sport can help specific niche sectors to develop, depending on the characteristics of sport demand and supply in a specific country. Examples of such specialisation patterns can be observed in the UK (professional sports and betting), in Austria (tourism) and in Northern Europe (education). Further study and identification of these patterns may help to enhance the sector’s contribution to the Europe 2020 Strategy.

## Annex: Key indicators per Member State

As explained above, the figures in this table should be seen as proxies produced for the sake of EU-wide analysis unless stated otherwise. While they represent a first set of indicative figures produced for all EU Member States according to a single methodology, they should be used with caution. Figures for Austria, Cyprus, Poland and the UK reflect those countries' Sport Satellite Accounts, not necessarily based on 2005 as the other values do.

**Table 1: Sport related Gross Value Added and employment. All values correspond to the Broad Definition and contain direct effects only.**

| | Value Added in million Euro | Employment in heads |
|---|---|---|
| Austria [2] | 10,730 | 242,968 |
| Belgium | 3,043 | 71,416 |
| Bulgaria | 223 | 55,843 |
| Cyprus [3] | 310 | 7,600 |
| Czech Republic | 1,062 | 89,119 |
| Denmark | 3,719 | 69,287 |
| Estonia | 162 | 15,686 |
| Finland | 2,654 | 74,209 |
| France | 21,607 | 416,537 |
| Germany | 46,677 | 1,146,234 |
| Greece | 2,518 | 70,878 |
| Hungary | 778 | 55,577 |
| Ireland | 2,377 | 40,532 |
| Italy | 15,599 | 329,860 |
| Latvia | 136 | 17,077 |
| Lithuania | 161 | 16,178 |
| Luxembourg | 697 | 19,331 |
| Malta | 93 | 3,070 |
| Netherlands | 5,828 | 141,896 |
| Poland [4] | 5,300 | 225,500 |
| Portugal | 1,534 | 72,101 |
| Romania | 790 | 161,248 |
| Slovakia | 472 | 49,910 |
| Slovenia | 521 | 28,576 |
| Spain | 10,407 | 336,177 |
| Sweden | 2,360 | 73,266 |
| UK [3] | 39,860 | 632,400 |

*Source: SportsEconAustria, Sport Industry Research Centre at Sheffield Hallam University, Statistical Service of the Republic of Cyprus, Meerwaarde Sport en Economie, Ministry of Sport and Tourism of the Republic of Poland.*

[2] According to the national Input-Output-Table Sport of 2005.
[3] According to the national Input-Output-Table Sport of 2004. Data of 2005 were used in the calculations.
[4] According to the national Input-Output-Table Sport of 2006. Data of 2005 were used in the calculations.