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MODULE 4

Economic induction related to sport



SEGMENT 1

Direct and indirect economic impact

When thinking about sport, its impact is often associated with activity in schools and sports clubs, thus minimizing its actual contribution to a number of other processes and activities.

For example, sport is closely related to education, tourism, health and entertainment. Each of these has played an important role in national economy.

Physical inactivity is the fourth major risk factor for global mortality and is responsible for 6% of deaths worldwide and about 10% within the World Health Organization (WHO) European region. Every year in Europe, nearly one million deaths are attributed to insufficient physical activity (WHO).



**World Health
Organization**

Economists and researchers have widely studied the role of sport in economic growth, as well as the importance of sport in promoting physical activity for people.

However, taking into account the growing role of sport in economic processes, it is necessary to further analyze the theoretical aspects of sports economics. Many people love sports.

Thus, sport economics provides an opportunity to explore some key economic sport industry concepts. The key concepts can be used to analyze and understand the role that financial incentives play in determining the behavior of control bodies, leagues, clubs, players, fans, sponsors, media and government.



Sport is a dynamic and fast-growing sector within the European Union, which amounts to 1.76% of the EU's gross value added (€173.86 billion), with a share in national economies that can be compared to a combination of agriculture, forestry and fisheries. The higher added value related to sport can be found within the recreational, cultural and sports services sector, followed by educational services (in second place) and hotel and restaurant services (in third place).

As concerns the labor market, sport-related employment represents 2.12% of total employment in the EU (in absolute terms, equal to 4.46 million jobs). However, this is above the share related to sport in gross value added (1.76%), which indicates that sport is a labor-intensive sector.



It is therefore clear that from an economic point of view sport is a field which will help the overall objectives of the Europe 2020 strategy of smart, sustainable and inclusive growth.

Beyond its economic dimension, however, it is also necessary to acknowledge the impact of sport in other key sectors for the European Union, such as social inclusion or a healthy lifestyle.

In May 2018, the European Union published a comprehensive study describing the economic impact of sport in its 28 Member States.

According to the sports satellite accounts of the Member States and the results of the study, the gross domestic product (GDP) related to sport amounted to almost € 280 billion, 2.12% of total GDP within the EU.

In addition, almost 5.7 million employees could be attributed to sport. Austria, for example, is at the forefront as actually more than 4% of its GDP and more than 5.5% of its employment comes from sport, thanks to its mountains, lakes and the wealth of outdoor activities. On the opposite side of the spectrum, Latvia generates only 0.64% of its GDP from sport, while Romania has only about 1.2% of its employment related to sport.



Table 1: Main sport-related indicators of the EU-wide model

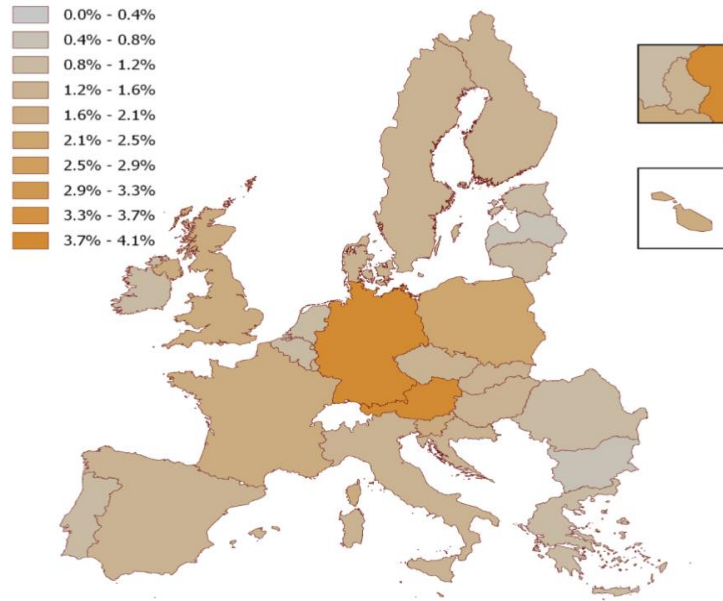
Member State	Sport-related GDP in m Euros	Share of sport-related GDP	Sport-related employment in heads	Share of sport-related employment
European Union	279,697	2.12%	5,666,195	2.72%
AT – Austria	13,066	4.12%	226,129	5.63%
BE – Belgium	4,494	1.16%	71,440	1.59%
BG – Bulgaria	338	0.80%	44,756	1.55%
CY – Cyprus	361	1.85%	7,813	2.08%
CZ – Czech Republic	2,055	1.27%	84,803	1.76%
DE – Germany	104,707	3.90%	1,761,369	4.60%
DK – Denmark	3,973	1.56%	64,082	2.45%
EE – Estonia	159	0.88%	13,656	2.31%
EL – Greece	1,784	0.93%	47,486	1.31%
ES – Spain	14,984	1.44%	261,839	1.50%
FI – Finland	3,264	1.63%	50,634	2.09%
FR – France	39,923	1.91%	582,709	2.29%
HR – Croatia	676	1.54%	27,908	1.83%
HU – Hungary	1,252	1.26%	75,771	2.00%
IE – Ireland	1,804	1.03%	30,008	1.68%
IT – Italy	21,217	1.32%	389,120	1.76%
LT – Lithuania	283	0.85%	20,043	1.62%
LU – Luxembourg	630	1.43%	4,336	1.89%
LV – Latvia	142	0.64%	12,611	1.48%
MT – Malta	129	1.81%	3,306	1.98%
NL – The Netherlands	7,973	1.24%	150,687	2.04%
PL – Poland	8,952	2.30%	332,939	2.17%
PT – Portugal	1,879	1.12%	59,330	1.39%
RO – Romania	1,389	1.04%	100,279	1.22%
SE – Sweden	5,949	1.41%	109,191	2.43%
SI – Slovenia	609	1.69%	21,916	2.43%
SK – Slovakia	956	1.31%	47,095	2.03%
UK – United Kingdom	36,750	2.18% ⁴	1,064,939	3.75%

Source: Own calculations

The figures of the table show the contribution of sport business within the GDP of the European Union countries.

Austria and Germany lead the rankings; they respectively broke the limit of 3.5% (GDP) and 4.5% (Employment). It is worth highlighting that there is a proportionally higher trend in terms of employment and in terms of GDP. Sport, also at a seasonal level as it happens in Austria, has a strong impact on the social dynamics of the countries.

Figure 1: Share of sport-related GDP in total GDP



Source: Own calculations

It is important to underline that the production of sport-related goods and services is not (strongly) correlated with sport participation. A short description of every Member State is given below.

Sectors benefiting from it

Sport keeps not only you, but also industry fit. Sport is not only a leisure activity and good for your personal health, but it has a big industrial impact. With its € 294 bn contribution to EU gross value added and 4.5 million people employed, the sector is considered a significant driver of growth.

The sport industry, in its broad definition, is a real industry, which can be seen as a growth engine for the wider economy as it generates value added and jobs across a range of sectors, in manufacturing as well as in services, stimulating development and innovation.

Besides its huge industrial impact tourism profits benefits from sport, as average, 12 to 15 million international trips are made worldwide each year for the main purpose of watching sport events.

The sport industry is characterized by constant and rapid waves of innovation, often in close collaboration with other industries leading to the increasing spread of new products on different markets for a variety of uses.

- Gross value added and employment generated by sport activities

Talking about sports economics, it is important to include all upstream industries producing goods and services needed for sport, and downstream industries for which sport is an important input – media, tourism, advertising, and so on...

The following supply chain is based on this broad definition of sport.

Following this definition, which takes into account the multiplier effects between upstream/sport/ downstream sectors and those sectors that are not part of the chain, the contribution of sport to the gross value added within the EU is €294 billion, corresponding to almost 3% of the total EU gross value added.

- Retail and manufacturing are benefitting too

The retail market for sport articles is an important upstream activity. According to the 2012 study, retail sales of sport articles in the EU amounted to more than 61 billion euros in 2005, ranging from less than 20 euros per capita in Bulgaria, Poland and Romania, to more than 300 euros per capita in Luxembourg.

The largest markets for sport articles are the UK, France, Italy, Germany and Spain.

- Stadiums and other sport facilities – a boon for construction

Sport produces more than 3 billion euros of added value within the construction sector (see annex). Sport activities require significant investments in stadiums, arenas, buildings and infrastructures. Some of the investments go into new construction projects, others into renovation work or maintenance.

Many of the facilities constructed for sport events can subsequently be used by the general public and for physical education, creating additional benefits which are difficult to quantify (healthier and more productive lives, longer life expectancies).

Sport events can also have an impact on the regeneration of urban areas.



- **TOURISM**

Sport tourism is a special form of tourism: passive or active involvement in competitive sport is the prime motivational reason for travelling outside our usual environment and the touristic or leisure element may act to reinforce the overall experience. It is estimated that on average, 12 to 15 million international trips are made worldwide each year for the main purpose of watching sport events.



The growth rate of this niche market in tourism is expected to be around 6 % per year for the next couple of years. In the EU, the main countries of origin of sport tourists are the UK, Germany, Italy, Spain, Denmark, Sweden and Finland. Moreover, an indirect effect of sport events is that major tourist destinations are developing products around pleasure sports to attract more tourists.

Sport events, and in particular competitions and tournaments, generate not only flows of visitors and income, but also interest in destinations.

Sport is a driver of innovation

The sport industry is characterized by constant and rapid waves of innovation, often in close collaboration with other industries (textiles, electronics, aerospace, etc.). Innovations flow in both directions: sport benefits from breakthroughs in other sectors, while at the same time giving rise to innovations that are subsequently taken up in other sectors.

Innovations can be categorized in three groups, depending on whether they target the competitive element, rule enforcement, or spectators.



The most obvious driver of innovation in sport is the need to enable athletes to produce better results. Examples of such innovations include new materials (carbon nanotubes, nanocomposites, shape memory alloys, self-healing polymers, technical textiles, etc.), new and improved sport products (shoes, clothes, skis, bikes, boats, rackets, poles, etc.) but also new sport nutrition and drinks.



A perhaps less obvious category of innovations concerns the need to ensure that rules are properly and fairly applied, not just during sport events (e.g. arbitration activity), but also in the run-up and following events (e.g. doping controls).

The third group of innovations is driven by the desire to improve the spectator experience, not only for those attending sport events but also for spectators enjoying the same events elsewhere (typically on TV).

These two groups of spectators have some challenges and needs in common, such as the need for information and customization. The two needs can often be satisfied simultaneously by new technological tools, giving each spectator a unique experience of an event: replays on demand; views from different angles; historical and statistical information.



These three groups of innovations have made sport technology a leader in several fields of applied science: textile technology, mechanics of human motion, new materials, sensors, actuators, human-oriented design, and others. Most of the time, innovations in the sport industry involve other sectors, thereby providing direct and indirect benefits to the entire EU economy.

Keywords

WHO

Sports industry

Social inclusion

GDP

Growth factor

Employment

Innovation

Manufacturing

Intellectual property

Construction

Requalification

Tourism

Innovation

Performance

Added value



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