Highlights

Europe's premier leagues

- The total European football market grew by €1 billion to €14.6 billion in 2007/08. This was primarily due to a €0.7 billion increase in the 'big five' European leagues' revenues to €7.7 billion (England's Premier League, France's Ligue 1, Germany's Bundesliga, Spain's Primera and Italy's Serie A), and the staging of UEFA Euro 2008.

- The Premier League strengthened its position as the highest revenue generating league in world football. Its clubs generated revenues of €2.4 billion in 2007/08 (up 26% in Sterling terms) – extending the gap to its nearest rivals (the Bundesliga and La Liga) to over €1 billion despite Sterling's 15% depreciation against the Euro.

- Serie A was the fastest growing league. Total revenue increased by €357m (34%) to €1.4 billion. The change of mix of clubs in Serie A for 2007/08, notably Juventus' return, contributed around two thirds of the increase. The other clubs increased revenues by c.€120m aided by new broadcasting contracts commenced in 2007/08.

- La Liga recorded a €112m (8%) growth in revenue to €1.4 billion, placing it in joint second with the Bundesliga (which grew by €59m – 4%). La Liga's growth was driven by Real Madrid and FC Barcelona, the world's highest and third highest club revenue earners in 2007/08.

- Total wage costs for the 'big five' European leagues were €4.8 billion, €588m (14%) higher than in 2006/07. All of the 'big five' leagues experienced significant wage costs growth, with Serie A (€250m) and the Bundesliga (€105m) providing the largest Euro increases. Premier League wage costs increased by 23% in Sterling terms to €1.5 billion.

- The wages/revenue ratio of La Liga was 63%, in line with the 62% reported by the Premier League whilst Serie A's wages/revenue ratio was 68%. The Premier League clubs' significantly higher revenues meant they were able to pay, on average, €27m more in wage costs than Serie A clubs and €31m more than La Liga clubs whilst still keeping their wages/revenue ratio below that of their nearest competitors.

- The Premier League returned record operating profits of €234m in 2007/08, and reclaimed its position as the most profitable league, from the Bundesliga (€136m), which it lost temporarily in 2006/07.

- France's Ligue 1 joined Serie A in returning operating losses due to limited revenue growth outweighed by significant wages and other costs growth.

- Looking forward, while the acid test of the 'big five' leagues' ability to withstand the worse of the challenging economic times will not be known until 2009/10, it is encouraging that total 2008/09 attendances across the leagues increased by 2%. The Bundesliga, Ligue 1 and the Premier League and the major clubs in La Liga and Serie A also have secure long term broadcast deals in place which deliver significant proportions of total revenue. The greatest challenge may come in maintaining commercial revenues and higher priced corporate hospitality ticketing, while also addressing wage and other cost inflation.

Revenue and profitability

- The overall revenues of the top 92 English professional clubs increased by 21% to £2,458m.

- Total Premier League revenues increased by £402m (26%) in 2007/08 to £1,932m, with the average club expected to have generated revenue of £100m in 2008/09.

- Championship revenues increased 2% to £336m in 2007/08. Total revenues of the 72 Football League clubs exceeded £500m for the first time.

- The increased revenues under the new broadcasting contracts were the main driver of growth in the Premier League. Their member clubs received £767m from central broadcasting distributions (£464m in 2006/07). Additional monies, primarily from the UEFA Champions League helped increase total broadcasting revenues to £931m.

- Premier League clubs increased commercial revenue to £447m (up 12%). Matchday revenue grew only modestly to £554m (up 3%) as a result of a number of clubs freezing ticket prices in 2007/08.

- The distribution mechanism for Premier League broadcasting revenue meant that all clubs benefited from marked revenue increases. Even the bottom placed club, Derby County, received £29.5m in broadcasting revenue from the Premier League. By comparison Watford received £16.7m when finishing bottom in 2006/07.

- We estimate that Premier League clubs' revenues in 2008/09 will have exceeded £2 billion. In 2009/10 we still expect some revenue growth will be driven by the stepped increase in domestic broadcasting deals and higher UEFA Champions League distributions, but with relatively flat commercial and matchday revenues due to the economic climate. The relegation of Newcastle United to the Championship will also have a dampening effect on aggregate Premier League revenue growth.

- Operating profits for the Premier League increased to a record £185m in 2007/08. 11 Premier League clubs recorded operating profits, up from eight in 2006/07.

- An increase of £85m in other operating costs (i.e. excluding wage costs) in 2007/08 dampened the increase in operating profits. This total has now increased by £164m (42%) in two years suggesting renewed emphasis must be placed on controlling these costs.

- Operating losses for Championship clubs increased from £75m to a record £102m despite increased parachute payments to relegated clubs, and the first solidarity payment to the rest of the Football League. The new improved Football League broadcasting deal which starts in 2009/10 provides a much needed opportunity to address the losses in the Championship.

- The total tax take from the 92 professional football clubs in 2007/08 increased by 21% to a record £860m, and is expected to exceed £1 billion per year with the introduction of the 50% tax rate on earnings over £150,000. The total taxes borne by the top 92 clubs since the Premier League began in 1992/93 is now in excess of £6.5 billion.

- In 2006/07, Manchester United were the first English club to earn revenue of over £200m in a season. In 2007/08 they increased revenues by 21% to a record £257m, with both Arsenal and Chelsea also breaking the £200m threshold.

- In order to maintain operating profits, clubs will need to really focus on controlling wage inflation. It is unlikely that overall revenues will experience significant growth in the current economic climate, and therefore focussing on controlling costs will become increasingly important.

Wages and transfers

- Wage costs in the Premier League exceeded £1 billion for the first time in 2007/08, reaching £1.2 billion. The increase in total wage costs of £227m (23%) is the biggest annual absolute increase recorded by the Premier League.

- Premier League clubs' increase in total wages of £342m in the two years to 2007/08 is broadly equivalent to the £351m increase in their broadcast revenue over this period repeating the experience of previous significant increases in broadcasting deals.

- Despite the increase in wage costs, the surplus of revenue over wages for Premier League clubs has increased to a record high of £736m (2006/07: £561m). The wages/revenue ratio for the Premier League fell slightly to 62% in 2007/08 (2006/07: 63%), as revenue growth of 26% outpaced wages growth.

- Chelsea, with wage costs of £172m remains the highest spender by some distance, over £50m above the next highest club, Manchester United, who spent £121m. The other top five wages spenders in 2007/08 are, for the sixth season in succession, Arsenal £101m, Liverpool £90m, and Newcastle United £75m.

- Championship clubs' total wage costs increased by £32m (12%) in 2007/08 to £291m, the second consecutive year of double digit growth. The increase in wages over the last two seasons has been over three times greater than the increase in revenue resulting in the wages/revenue ratio increasing to 87% (2006/07:79%; 2005/06: 72%).

- Across Premier League clubs there is a relatively strong correlation between wages and league position. However, in the Championship there is no clear link, which highlights the division's unpredictability and proof that high wages are not a guarantee of on-pitch success at this level.

- Player wages across the 92 top professional clubs exceeded £1 billion for the first time in 2007/08, increasing by £158m (18%) to reach £1,050m. Growth is driven by the £118m (18%) increase in player wages of Premier League clubs however, there has been a significant year on year increase across each division (Championship up 17%; League 1 up 27%; and League 2 up 8%).

- Gross transfer spending across the 92 top professional clubs grew to £779m in 2007/08, up 35% from 2006/07, the vast majority was spent by Premier League clubs – £664m (2006/07: £492m).

- The majority of Premier League clubs' transfer spending continues to be with overseas clubs, with £351m spent in 2007/08 (2006/07: £275m), however the proportion of intra Premier League transfers has increased. Once Football League clubs are considered the net transfer spending leaving English football (to non-English clubs and agents) remained steady at £276m (2006/07: £277m).

- Chelsea became the first club to report over £80m gross transfer spending in one season. Three others, Liverpool (£70m), Manchester City (£62m) and Portsmouth (£53m) had gross transfer spend in excess of £50m.

- The net transfer movement between the Premier League and the Football League in 2007/08 was a net outflow from the Premier League of £59m, an increase of 69% from £35m in 2006/07.

- Total transfer spending by Football League clubs has increased by 34% to £115m (2006/07: £86m), with ten clubs recording transfer fees in excess of £5m.

Stadia developments and operations

- Aggregate 2008/09 attendances for the Premier League and Football League of 29.9m equalled 2007/08 levels illustrating the apparent resilience, to date, of English football to the economic downturn.

- In the Premier League total aggregate attendances of 13.5m and an average attendance level of 35,594 per match are the second highest figures in Premier League history, beaten only by the 13.7m from 2007/08, and underline the competition's continued pulling power.

- At 92%, capacity utilisation in the Premier League stayed above the 90% mark for the 12th season in a row with half the clubs in the Premier League achieving capacity utilisation of more than 96% – effectively representing a sold-out stadium.

- In the Football League 2008/09 attendances were above 16m for the fifth year in a row, with a 1% year-on-year increase to 16.4m. The Championship increased attendances by 5% and is now the third best attended league in Europe.

- Many clubs are freezing or reducing ticket prices for 2009/10 and introducing finance schemes to ease the burden on their fans' potentially constricted matchday budgets arising from the economic climate. Initiatives to attract the next generation of fans are also increasingly evident across a number of clubs.

- Despite the absence of new landmark projects on a scale seen in prior years, English football clubs continue to improve their stadia and associated facilities with £187m being invested in 2007/08. This is the eleventh year in a row that total investment levels have exceeded £150m.

- Cumulative investment in stadium facilities across all professional English clubs since 1992/93 has now comfortably exceeded £2.5 billion and we expect investment by Premier League clubs to pass the £2 billion mark when we compile our analysis of the 2008/09 season's results.

- Investment in facilities over the last 16 years has led to an aggregate stadium capacity across the season for all 92 professional clubs of 43m, the highest level since well before the introduction of all-seater stadia.

- Football League clubs invested £50m in facilities in 2007/08, with Championship clubs spending £43m. Since 2007 MK Dons, Shrewsbury Town and Colchester United have all opened new stadia and Cardiff City are due to join them for the 2009/10 season. Brighton & Hove Albion and Chesterfield have also begun construction on their new stadia. Enabling development and/or the support of local government have been important factors in the opening of these stadia.

- As construction costs are now falling the biggest barrier to larger stadia projects is the inability of clubs to secure sufficient finance given the impact of the credit crunch on debt markets.

Club financing

- Net debt in respect of Premier League clubs at the end of the 2007/08 season increased to £3.1 billion (2007: £2.7 billion). This includes £1.2 billion of non-interest bearing soft loans from club owners. If these soft loans were reclassified as, or swapped for, equity, the total net debt in respect of Premier League clubs would reduce by almost 40%.

- Almost two-thirds (almost £2.0 billion) of the total net debt related to Arsenal, Chelsea, Liverpool and Manchester United. On the positive side of the balance sheet, in aggregate these four clubs had a carrying value of £1 billion in respect of investment in facilities, and a carrying value of £450m from investment in players.

- Net interest charges in respect of Premier League clubs in 2007/08 were £188m. The non-interest bearing nature of loans at a number of clubs help to keep the net debt service charge at around 6% of the overall debt balance.

- Around £1.5 billion has changed hands in respect of over 20 changes of ownership of English clubs in the top two divisions since the start of 2005. By the end of 2007/08 around £250m had been injected into clubs from these new owners to help fund operations and investment (in facilities and playing talent). Looking forward, this figure may increase significantly, particularly in respect of the new owner's investment plans at Manchester City.

- As well as this, Roman Abramovich injected a further £123m into Chelsea in 2007/08, to take his overall investment in the club to around £760m in the five years under his control. Chelsea's management have stated the target is for zero cash funding from the owner in 2009/10.

- Net debt in respect of the 22 Championship clubs who reported results at the end of the 2007/08 season was £326m (2007: £298m in respect of 20 clubs). In general, a Championship club can only hope to significantly reduce its net debt in the short/medium term via either promotion to the Premier League or an injection of equity funding from its owner.

- Below the top two divisions, managing a club's financial position remains a challenge from one season to the next. Legacy debt issues and the risks taken by some boards of directors will, without correction, inevitably lead to a continuing flow of insolvency cases in the seasons to come.

- The economic downturn, driven and compounded by the unprecedented liquidity crisis, has led to a reduction in the amount of active investor interest in football clubs, and has also made some clubs' proposed refinancing and fundraising more difficult to achieve until credit market conditions improve in due course. However, the fundamentals underpinning the development of the football business in England remain strong.

These highlights are extracted from the relevant sections of the Deloitte Annual Review of Football Finance (June 2009). The basis of the calculations are described in the relevant sections.