



United States Department of Agriculture

How to Interpret the NRCS Economic Multipliers for Utah

For every dollar of NRCS cost-share money spent on the final products of a given industry sector, the corresponding spending multiplier shows the total amount of economic activity, given in the number of dollars, that will be generated by that spending (including the original dollar spent). The two spending multipliers shown in this analysis are Output and Total Value Added. For every job created by NRCS cost-share spending in a given industry sector, the corresponding employment multiplier shows the total labor demand, given in the number of “jobs”, that will be created by that spending (including the original job created). Multipliers are shown for the State of Utah as a whole and for the county or counties served by each NRCS Field Office. Due to “leakages” (spending that is likely to occur outside of the geographic area of analysis and is not tracked by the localized IMPLAN computer model), field-office-level multipliers are not as robust as overall state multipliers and should be used with caution when making policy decisions.

All estimates are based on IMPLAN-generated models and the applicable U.S. Census and Bureau of Economic Analysis (BEA) data used by the program and are subject to any errors and omissions that are inherent to the data collection methodologies utilized by those agencies. The industry sectors shown in the analysis were selected on the basis of the typical types of projects and the corresponding industry sectors in which the majority of NRCS cost-share dollars are spent in Utah. The mean multipliers shown can be used as “ballpark” estimates of the overall multiplier effects that are likely to be generated by NRCS spending within each geographic area. All multiplier effects are limited in duration to the period during which spending continues.

If a spending multiplier is equal to 1.88, this means that if 1,000 cost-share dollars are spent on the final goods produced by that industry sector, an additional \$880 of economic activity will be generated in the region through repeated circulation of the money spent. For example, when a farm supply company is paid for supplies used in implementing a conservation practice, that company pays its employees a percentage of the cost-share money in wages. The degree to which each dollar originally spent in a region re-circulates in that region is reflected in the multiplier. When compared with other spending multipliers, a lower multiplier often indicates that buyers within that industry sector or sectors in that region tend to make relatively more purchases outside the region. The converse is true for higher multipliers. An absent category (marked by “NA”) indicates that Census and BEA data did not record any activity for that industry sector within the region analyzed.

The employment multipliers in the tables indicate the increase in overall labor demand that would be expected to occur as a result of purchases of the output of that industry sector. For example, if the employment multiplier for a given industry sector is equal to 1.60, then for each “job’s-worth” of demand created in that sector due to an increase in spending on that sector’s final products, the multiplier effects associated with that industry sector would generate demand for 0.60 additional “jobs” within the geographic region analyzed.

Definitions

Categories Types of multipliers included in the analysis. All categories of multipliers measure changes in economic activity due to purchases of the final goods and services produced by each industry sector.

Output Total sales of goods and services.

Total Value Added Wages, profits, and indirect business taxes generated.

Employment Demand for labor, measured in “jobs”. This unit of measure is somewhat misleading, because the creation of labor demand is independent from the existence of labor supply, and it does not specify the manner in which an increase in demand for labor will be met. An increase in labor demand could result in increased work hours for existing employees, could generate new jobs, or could simply constitute unmet demand for increased worker hours.

Industry Sectors Each industry sector is made up of one or more sub-sectors from that industry as defined by the North American Industry Classification System (NAICS). The industry sectors included in this analysis are described/defined as follows:

Industry Sector	Description
Agriculture and Forestry Support Activities	This sector includes support activities for crop production, animal production, and forestry; cotton ginning; soil preparation, planting, and cultivating; crop harvesting, primarily by machine; post-harvest crop activities; farm labor contractors and crew leaders; and farm management services.
Manufacturing and Industrial Buildings	This sector comprises of all construction activities related to buildings for manufacturing and industrial purposes. This sector was included in order to capture economic effects associated with the construction of on-farm production buildings and facilities.
Other New Construction	This sector captures economic effects associated with the installation of constructed conservation practices such as ponds, dikes, lagoons, and so on. In some cases, this category may overlap with Agriculture and Forestry Support Services.
Water, Sewer, and Pipeline Construction	This sector includes construction activities associated with the installation of in-ground pipelines of all types.

Average (Mean) Multiplier A multiplier calculated for each geographic area by summing the industry sector multipliers given in the analysis and then by dividing the result by the number of industry sector multipliers in the table (either 9 or 12). Because it is calculated using both spending and employment multipliers, this figure presents theoretical problems and should be used only as a general indication of the relative impact that spending on the output of a particular set of industry sectors will have on a regional economy.