

# Economic Impact Analysis

Calculating the economic effects of a project | City of Kingston

## What is Economic Impact Analysis?

Economic Impact Analysis (EIA) examines the impact on the economy of an industry, project or policy within a specified area, be it an existing, new or change to any of the above.

## Why do we use Economic Impact Analysis?

EIA is often utilized when there is a public interest/concern regarding the potential economic impacts of the industry, project or policy in question.

*EIA assists in understanding the potential economic impact*

## How is Economic Impact Analysis used?

An EIA examines the effect on the economy by quantifying the monetary value of the change (or impact) on the economy. This is based on the premise that the effects of spending money in one industry (e.g. construction) generates additional spending in other industries (e.g. steel production).

*EIA is a recognized measure of quantifying the effect of a project on the economy.*

## How is the Economic Impact calculated?

There are a number of quantitative methods that are useful in undertaking an EIA. Input-Output models quantify the inter and intra dependencies of industries that comprise an economy and estimate how spending in one industry flows through the larger economy. Statistics Canada produces Input-Output tables for the Canadian economy. The cumulative economic effects of this quantification are the result of Direct, Indirect and Induced economic impacts. Depending upon what is being analysed these effects may be positive or negative to the community.

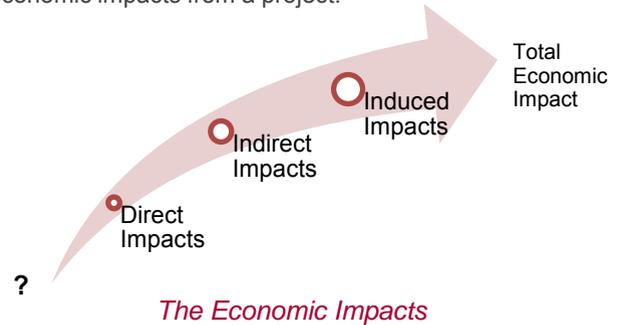
**Direct:** Results of the spending on the project – e.g. salaries, raw materials and operating expenses.

**Indirect:** Results of business to business transactions indirectly caused by the Direct Impacts (suppliers).

**Induced:** Results of changes to personal income and spending caused by direct and indirect impacts.

## What is the result of the Economic Impact Analysis?

The result of the EIA will be the effects on standard economic activity measures such as: Gross Output; Gross Domestic Product; Wages; Jobs; and Government Tax Revenues. These will be estimated for the total economic impact made up of the Direct, Indirect and Induced economic impacts from a project.



## What types of projects can Economic Impact Analysis be used for?

EIA is a widely accepted tool for estimating the economic impact of a project. It has been used to assess infrastructure projects, real estate developments, new mines, business openings/closures and site selections or programs which may include changes or new public policies/regulations. It is used by government bodies like the Ministry of Tourism, Culture and Sport (Ontario), Infrastructure Ontario and the United States Department of Energy.

*EIA produces the effects on defined economic indicators e.g. GDP, Wages.*



## About Collins Barrow

With offices from coast to coast, Collins Barrow is one of Canada's largest associations of chartered professional accounting firms and the eighth largest group of chartered professional accountants in the country. Known as Canada's mid-market alternative for audit, tax and advisory solutions, we have developed a reputation for being a real choice for quality and value-added financial advice, due to the depth and breadth of our in-house skills, customized offerings and service excellence.

We serve companies at all stages of their development, from large publicly traded companies to emerging and owner-managed businesses. Our clients come from a cross-section of industries, including private equity, manufacturing, industrial, wholesale, retail and distribution, professional services, farming and agriculture, financial services, real estate and land development, hospitality and entertainment, technology and communications, energy and mining, biotech and not-for-profit. Our understanding and first-hand knowledge of the trends impacting these industries continue to prove that our professionals are well-positioned to offer valuable and effective solutions.

Collins Barrow is an independent member of Baker Tilly International, the world's eighth largest accountancy and business advisory network by combined fee income. Together, we offer clients an established platform and access to the highest quality resources in the global marketplace. Independent, responsive and trusted, we are the true national alternative. Collins Barrow, Clarity Defined®.

To learn more, please contact one of our practice leaders at [toronto.collinsbarrow.com](mailto:toronto.collinsbarrow.com)