



The Economic Multiplier Effects of Housing

The importance of housing to the wider economy
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Key Points:

- **In 2008/09, Australia's Housing & Renovations Industry contributed approximately \$64 billion to the economy.**
- **For every \$1 million of construction output, tens of thousands of dollars are spent on primary materials, transport, and property services.**

In 2008/09, Australia's Housing and Renovation Industries directly contributed approximately \$64 billion to Australia's Economy.

While this strong result accounted for 5.3 per cent of Australia's Gross Domestic Product, when combined with those primary and secondary businesses that indirectly supply to the construction industry, the overall effect is far stronger in terms of both employment and output. This flow-on impact is referred to as the multiplier effect.

In other words, over and above the direct contribution of construction activity to the economy, the construction industry has 'flow-on' impacts on the activities of other industries. The possible size of these impacts can be illustrated using multipliers based on inter-industry flows in input-output tables.

The total multiplier for output and employment in the construction industry is estimated by the ABS to be 2.866. So, for every \$1 million increase in construction output, there is an increase in output elsewhere in the economy of \$2.9 million.

In output terms, an extra \$1 million of construction expenditure also involves \$217,000 of employee earnings and \$241,000 of corporate and small business profits.

In terms of employment, an extra \$1 million of construction expenditure generates 9 construction jobs. The initial effect of the additional \$1 million worth of construction is 9 positions in construction-related fields, such as carpenters, brick layers, plasterers, etc. In addition to this initial effect there are also production induced effects generating 7 jobs across those businesses manufacturing the materials needed for the additional construction, such as concrete and steel frames, and those businesses supplying and servicing the concrete and steel frame businesses, such as aggregate quarrying and raw steel production.

Not all these jobs are necessarily going to be full time, but clearly the employment multiplier effect across businesses involved in construction or closely aligned to construction is considerable.

More generally, as activity increases in the construction industry, as well as in the suppliers to that industry and the 'suppliers to the suppliers', there is an increase in wages and salaries to employees throughout this chain. The spending of these wages and salaries induces a further round of consumption effects in other areas of the economy which is estimated to create an additional 21 jobs, the majority of them part time.

