

What Do We Mean by Economic Output? Explanation of Economic Impact Terms

What is Meant by the Term Direct?

Direct Impacts are those jobs, wages, or economic output, solely attributable to the industry defined for the study, in this case the peanut and tree nut industry are those firms that engage in services related to the production, processing, manufacturing, distribution, and industrial use of peanut and tree nut products. Employment numbers represent full time equivalent jobs, wherein full-time jobs count as one and part-time jobs count as one-half. JDA uses direct employment at the facilities, offices, stores, and sites that are defined to be part of the industry to calculate all the other effects presented in the study.

What is Meant by the Term Supplier?

Supplier is the term used throughout the economic impact study to define those effects that result from firms in the defined (or Direct) industry purchasing goods and services from other industries. For example, when a tree nut company pays rent on its warehouse to their landlord, or when they hire a trucking company to deliver products, they are creating supplier effects in the real estate sector or trucking sector of the economy.

What is Meant by the Term Induced?

Induced effects are the response by the economy that occurs through re-spending of income received by payments made to employees and business owners measured in the direct and supplier parts of the economy. When people work for a peanut and tree nut company or for firms that supply goods and services to the industry, they receive wages and other payments. This money is recirculated through their household spending *inducing* further local economic activity. Economists call these induced impacts the *multiplier effect* of an activity or industry.

Examples of induced effects are the jobs created in a restaurant located outside of a distribution facility where people purchase sandwiches for lunch, or at the gas station where they purchase fuel for their commute, or even in neighborhoods, where workers purchase houses, go to restaurants, or visit the movie theater.

What is Meant by the Term Indirect?

Throughout the talking points, *Indirect* refers to the sum of Supplier and Induced impacts. For example, in the national talking point, the 370,577 indirect jobs are the sum of the supplier jobs (189,781) and induced jobs (180,796).

While straightforward, this requires a disclaimer: *Indirect* impacts are the technical term for supplier impacts. Anyone familiar with IMPLAN may be inclined to read *Indirect* as *Supplier*. However, for the sake of the PTNPA talking points, the term *Indirect* is used to refer to the sum of supplier and induced impacts.

What Specifically Do You Mean When You Say a Job?

Jobs are a measure of the annual average of monthly jobs in each industry as defined by the Quarterly Census of Employment and Wages put out by the Bureau of Labor Statistics (BLS). Jobs in our models are derived independently and do not match jobs reported by government entities in that we often define industries differently, as we typically include more firms and facilities than are surveyed by the government. Jobs are measured in full-time equivalent units.

What is Meant by the Term Economic Output or Economic Impact?

JDA uses output in its models as a general measurement of economic impact because we believe that it is the broadest and most comparative measure. In general, output represents sales, or the value of industry production for the model year calculated in terms of producer prices. Output differs depending on the industry being measured. In the case of retail and wholesale/business to business industries, output does not represent sales but rather is similar to the accounting measure of gross margin. For example, the value of a finished peanut product purchased from a manufacturer (COGS) flowing through the distribution process is not included as part of wholesale output. One way to look at it is the output is total sales revenue minus its cost of goods sold. This is similar to the wholesale or retail markup on a product.