The output multiplier represents the total output produced by all industries in response to a dollar increase in final demand for an industry’s output. There are two types of output multipliers: i) simple ii) total.

The simple output multiplier consists of the direct and indirect effects, while the total output multiplier includes the consumption induced effects.

Using the computer and peripheral equipment industry as an illustration, an initial $1 million increase in final demand will increase output in the economy by $1.44 million. If consumption induced effects are included, output will increase by $1.60 million.

### Change in Final Demand

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Effects</td>
<td>$1.00m</td>
</tr>
<tr>
<td>Indirect Effects</td>
<td>$0.44m</td>
</tr>
<tr>
<td>Consumption Induced Effects</td>
<td>$0.16m</td>
</tr>
<tr>
<td>Total</td>
<td>$1.60m</td>
</tr>
</tbody>
</table>

### Change in Final Demand

- **Direct Effects**
  - Output: $0.44m

- **Indirect Effects**
  - Output: $0.16m

- **Consumption Induced Effects**
  - Output: $0.16m

- **Total**
  - Output: $1.60m

### Output Multiplier Explained

The output multiplier explains that the economic impact per dollar increase in final demand for an industry’s output can also be measured in terms of:

- The additional amount of Value-added generated.
- The additional amount of Imports required to support increased production.
- The increase in number of jobs as a result of increased production.
- The increase in household income as a result of increased employment.

For more details on I-O multipliers, please visit the links below:


### Other Impact Analysis

Industries hire more workers to produce additional output. Hence, employment and income levels rise. This spurs increased purchases of goods and services by households, thereby creating new final demand, which generates new output to meet demand.

### Change in Final Demand

- **1st round**
  - Output: $0.30m

- **2nd round**
  - Output: $0.05m

- **Subsequent rounds**
  - Output: $0.16m

This ripple effect continues along the entire supply chain until production needs are met.