

BC Stats Regional Industry Multipliers

Technical Note

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The BC Stats Regional Industry Multipliers provide estimates of the economic activity associated with changes in industry output and capital investment across British Columbia and its regions. The multipliers support high-level economic analysis by providing estimates of output, gross domestic product (GDP), labour income, employment and government revenue associated with economic activity.

The multipliers are derived from the BC Stats Input-Output Model and are intended to provide a consistent and transparent set of regional economic statistics for analysts, researchers, governments and businesses. They are designed as a reference tool and should not be considered a substitute for a project-specific economic impact assessment.

Provincial economic framework

The multipliers are based on Statistics Canada's Supply and Use Tables and Input-Output Tables, which provide the most comprehensive representation of production, consumption and trade relationships within the Canadian economy.

These tables describe how industries purchase goods and services from one another, how commodities move through supply chains, and how production generates income, employment and government revenue. Together, they provide a detailed snapshot of the structure of British Columbia's economy in the specified reference year.

BC Stats uses these data to estimate the relationships between industry output and the resulting economic activity generated throughout the provincial economy. These relationships form the basis of the multiplier estimates.

The current multipliers are based on the economic structure observed in 2022 (the reference year).

Regionalization methodology

The BC Stats Input-Output Model provides economic multipliers for B.C.'s 29 regional districts (census divisions) and 8 economic development regions (DRs).

Regional estimates use a picture of each region's industrial structure, supply capacity and economic specialization that is based on detailed employment and income data from the Canadian census and combined and reconciled with other data sources by BC Stats. The BC Stats Input-Output Model then uses a method called Flegg's Location Quotients¹ (FLQ) to modify provincial input-output coefficients into regional ones, simulating the economic relationships that would be possible or likely in B.C.'s sub-provincial economies. It sets up a two-region input-output model between the region in question and the rest of the province.

While FLQ is a method substantiated in academic literature, note that it just produces simulated results; it represents our best guess in the absence of detailed survey data that would otherwise be needed. Users should interpret regional results with caution and in the context of other data. For that purpose, BC Stats has provided the employment, income and output data by industry for each region, as well as simple location quotients (SLQs) which indicate the region's specialization in a particular industry.

This regional model is used to estimate:

- Local supply chain capacity and the proportion of goods and services likely to be sourced locally (so-called competitive interregional imports)
- Economic leakages to other regions or jurisdictions
- The distribution of impacts between the selected region and the broader provincial economy

These limits are only modelled for the business-to-business relationships represented in the indirect multipliers and for household-to-business relationships in the induced multipliers. Users must decide how much of an economic shock the region can absorb in the direct effect. For example, it is unrealistic to model a \$100 million shock for an industry in a region that only has 10 jobs in that industry and \$1 million of economic output.

¹ The primary source on this method comes from Flegg, A. T., & Tohmo, T. (2013). Regional input-output tables and the FLQ formula: A case study of Finland. *Regional Studies*, 47(5), 703–721. [Taylor & Francis Online](#).

Output and capital expenditure multipliers

The BC Stats Regional Industry Multipliers include both output multipliers and capital expenditure (CAPEX) multipliers.

Output multipliers estimate the economic activity associated with changes in production within an industry and are generally intended for analysis of ongoing operational activity.

CAPEX multipliers estimate the economic activity associated with investment spending. Because investment projects typically involve expenditure profiles that differ substantially from ongoing operations, separate multipliers are produced for major categories of investment.

BC Stats currently publishes multipliers for:

- Construction investment
- Machinery and equipment investment
- Intellectual property products

The expenditure profiles underlying these multipliers are derived from observed investment patterns within the economic accounts and reflect the typical mix of goods and services purchased for each asset class.

Interpretation

The multipliers are designed to estimate the approximate magnitude of economic activity associated with changes in production or investment. They provide a consistent framework for comparing industries and regions using a common methodology and data source.

They are most appropriately used for:

- Preliminary economic impact analysis
- Regional economic comparisons
- Policy development and business cases
- Scenario analysis
- Contextual economic reporting

The multipliers represent the full economic effect associated with a change in activity and do not estimate the timing of impacts.

Assumptions and limitations

The BC Stats Regional Industry Multipliers, like all products of input-output models, are based on fixed production relationships and a fixed picture of the economy at a point in time. They do not account for price changes, resource constraints, or behavioural responses, and therefore provide indicative rather than predictive estimates of economic impacts. In this sense, input-output analysis should be understood as a structured accounting exercise applied to a hypothetical scenario which the user chooses and must substantiate separately.

In other words, the user sets up a hypothetical what-if scenario and the model uses our best available data about the structure of the B.C. economy and its regions to estimate spin-off economic impacts. The results should be interpreted with caution and in conjunction with other analytical approaches.

Regional multipliers are estimated using available regional data and modelling techniques rather than complete regional input-output accounts based on surveys. They should be considered experimental and subject to change as data sources and methodology improve. Key assumptions include:

- production technologies and purchasing patterns remain unchanged (fixed production relationships)
- regional industry structure can be approximated using available employment and income information
- labour productivity is broadly similar across regions
- sufficient production capacity exists to meet changes in demand
- observed economic relationships continue to apply outside the reference year

Several limitations should be considered when interpreting results.

The multipliers are not forecasting tools and should not be used to predict future economic conditions. They do not account for behavioural responses, market adjustments, technological change, price changes or structural shifts in the economy. Results do not capture broader social, environmental or distributional effects (for example, housing pressures, local service capacity or impacts on water quality).

Regional impacts are estimated using information about industry structure and economic activity rather than complete regional production accounts. In addition, some economic activity may occur outside the selected region even when a shock originates locally, in the sense that the user should not model too large of an initial shock in a region that cannot

handle it. The multipliers therefore reflect estimated economic relationships rather than observed outcomes.

Results are not directly comparable to Statistics Canada multipliers. This is because the BC Stats Input-Output Model uses regional assumptions and data specific to British Columbia, which is a strength for B.C.-focused analysis but may lead to differences from national-level estimates.

Finally, the multipliers are best suited to analysing relatively small changes within an economy. Results associated with large structural changes, major policy shifts or transformational projects should be interpreted with caution and may require a more detailed modelling approach.

Reference year for BC Stats Regional Industry Multipliers: 2022