

## **Multiplier effects of change in household spending in Europe**

Topic: Productivity and efficiency analysis II

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The paper addresses the problem of cross country investigation of change in household consumption impact on macroeconomic aggregates. Taking change in household consumption as exogenous variables input-output-based and path-based multipliers are calculated for European economies. These multipliers measure the economies' responses to change in households spending taking into the consideration direct, indirect and induced effects. Initial amount of household spending leads to change in demand for intermediate goods and services, which enables increase in output and value added and cause the multiplier indirect effects. The value added is transformed into the incomes of institutions which expend the domestic demand for consumer and investment goods and form the induced effect of change in consumption.

The benchmark analysis reveals that the calculated multipliers vary for different countries depending on the consumption patterns, inter-industry linkages and import-to-domestic proportion at the domestic market. The values, which measure the indirect and induced effects, differ cross the analyzed countries and depend on the output and income structure of economy. The calculated multipliers reflect the full effect of household income injection taking into consideration the changes which are generated on each round of impact.

The analysis is implemented for 18 European countries based on the WIOD, Eurostat data and data from national statistical agencies. The obtained results demonstrate quite strong dependence between the multipliers, GDR in purchasing power parity per capita and trade balance for the considered countries.