

Executive Summary

Sudbury is a Northern Ontario community which was initially established as a result of the availability of valuable natural resources, most notably the geological features of the area. The rich deposits of nickel and copper have allowed Sudbury to become the mining capital of North America. The community's dependency on natural resources has caused this city to undergo numerous boom-bust cycles throughout the twentieth century. The mining industry in Sudbury is an important contributor to the local economy even though recent diversification strategies have been adopted. Recent economic improvements have established new employment opportunities in the mining industry which will have a profound impact on the local economy. This report will examine the economic impact this new employment will create within Sudbury's local economy.

In order to undertake a regional economic analysis of Sudbury's economy with respect to new employment generation, it will first be necessary to develop regional economic multipliers. A multiplier measures the sequential chain of transactions which are initiated from an increase in employment within the local economy. For the purposes of this study, a Craig Davis Regional Income multiplier and an economic base multiplier were formulated in order to highlight the impacts of new employment generation. The data collected for the computation of these multipliers include Canada Mortgage and Housing, Sudbury Regional Development Corporation and various other local economic publications. The Craig Davis Model yielded a multiplier value of 1.29. This model estimates that for every \$ 100 generated either directly or indirectly by the new employment, an additional \$ 32 dollars will be induced elsewhere in the economy. Once all the direct and indirect effects have been taken into account, a total of over \$ 10 million will be injected into the local economy.

The economic base model required employment data in order to formulate a regional economic based multiplier. The economic base model determined a multiplier

value of 1.79 for Sudbury. For every \$ 100 generated either directly or indirectly by new employment, an additional \$ 79 dollars will be induced elsewhere in the local economy.

The Davis model used income data in contrast to employment data for multiplier formulation. The benefits of using income data is it's sensitivity as an indicator of change in economic activity than employment. The discrepancy in multiplier values between the models is attributed to the presence of different levels of wages in the basic and non-basic sectors. As a result of this discrepancy, the economic base multiplier produced and inflated multiplier in contrast to the Craig Davis model.

Since the mining industry is dependent on external demand for their specialized product, multiplier analysis will play an important role in determining both the rate of capacity utilization and the long run growth of the regional economy. This analysis will provide beneficial information in transforming a regional economy based on exogenous influences to an endogenous based community.