

\$\$\$ Spending - Leakage \$\$\$

2nd of a 5 Part Series

SERIES: • 1. Kahnawake's Economy • **2. Spending-Leakage** • 3. Leakage Factors Part 1 • 4. Leakage Factors Part 2 • 5. Shop Kahnawake First

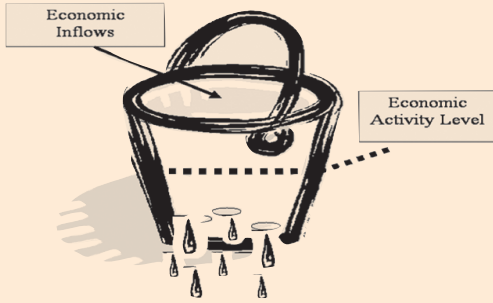
The information presented throughout this series is based on data collected through the Household Survey conducted in late 2005 and early 2006. This data represents a total of 968 completed surveys using a face-to-face interview; it was entered into a database, and analyzed by a Steering Committee organized by senior management at Tewatohnhi'saktha. A full socio-economic report is available for viewing. This series was prepared by Ron Abaira and sponsored by Tewatohnhi'saktha Small Business Services.

INTRODUCTION

This is the second part of the series on economic leakage and its effects on the Kahnawake economy. In the article of last week we could begin to get a picture of just how much spending power Kahnawake possesses. Unfortunately, we can estimate that roughly two-thirds (68%) of our household spending takes place outside of the community.

This indicates that our economy has plenty of economic leakage.

Many discussions about leakage illustrate the concept with a visual known as the "leaky bucket" diagram.



For our purposes, we have decided to show the illustration as a household, because that is the unit we are using in this series.

MULTIPLIER EFFECTS

Why are we so concerned about leakage? Clearly, money spent in the surrounding areas is money that simply leaves our economy. The reality of our situation also clearly shows that almost no Kahnawakehr:non work in the surrounding area therefore cannot even be the argument that we benefit in any way. There are two key multipliers that demonstrated the impact that external spending has on the economy.

Firstly, the output multiplier illustrates the economic impact of spending locally. This multiplier (1.269) estimates that for every dollar spent in the community there is a multiplier effect of 1.269 in terms of economic activity.

For example, if an additional \$2 million was spent in Kahnawake, the economic impact would be multiplied by 1.269 or \$2,538,000, meaning a gain of not only the additional \$2 million spent in Kahnawake, but on top of that an additional \$538,000 of economic impact.

The employment multiplier is even more direct and easy to understand. The employment multiplier estimates that for every additional \$1 million spent locally, there is the "creation" of about 14 jobs. This means that for every additional \$1 million spent in Kahnawake, about 14 more Kahnawakehr:non could be employed.

KEY CONCEPTS

1) Kahnawake is linked to the external areas through the inflow and outflow of income, goods and services, jobs, expenditures, investments, profits, etc. Clearly, in the case of Kahnawake this tends to be in the form of consumer spending in the surrounding communities.

2) The size of our economy (think of it as the size of the house in the illustration) is determined by the inflow of outside income.

3) Economic activity within the community stays in the community, spending outside of the community is represented as activity leaving the community. Try to visualize that about one-third of the household spending is done locally, and the other two-thirds leaks out as shown by the arrows leaving the community.



KEY QUESTIONS

"The easiest way to present this in the case of Kahnawake is to focus on the economic unit of the household."

Think of some key questions:

What are the linkages to the surrounding areas? (See Key Point (1))

What are some of the ways to increase the potential inflow of income? (See Key Point (2))

How can the community reduce the loss of spending power - leakage? (See Key Point (3))



KEY POINTS

Point (1): Our most obvious linkage with the surrounding areas is spending. The surrounding communities must love Kahnawake, as we spend millions of dollars there. In terms of jobs, basically none of our own people are provided with any work in the surrounding area. We are also linked to the surrounding areas in other economic ways in terms of some investment, etc; but not to any significant level.

Point (2): Economic development activity also depends on the inflows to the community. Kahnawake tends to do well in this regard, and recent activity has surely resulted in an increase of money coming into the community. However, that is a separate discussion; and some of the recent trends may not be sustainable over the long term.

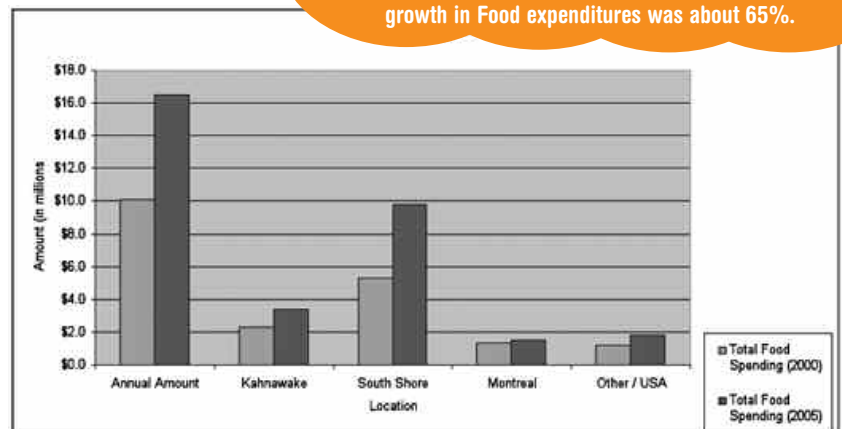
Point (3): This is the focus of this discussion. Again, leakage occurs when people (households) in the community purchase goods and services from outside of Kahnawake. Why is this last question key for our discussion? A major reason is that we can make an impact on this with a conscious decision to make the effort to spend in the community. How can we reduce the amount of dollars that households spend outside of Kahnawake in the surrounding communities? We can "Shop Kahnawake First."



Last week we showed an overview of the leakage. This time around we will illustrate one basic category. (Note: Figures and percentages may not add exactly due to rounding.)

FOOD EXPENDITURES

All types of food purchases total in excess of \$16.5 million per year, with about 80% leaving the community. Almost \$10 million per year is spent in the surrounding areas of the south shore, which is close to \$200,000 per week. The growth in Food expenditures was about 65%.



Year	FOOD	KAHNAWAKE	SOUTH SHORE	MONTREAL	OTHER / USA
2005	\$16.5	\$3.4	\$9.8	\$1.5	\$1.8
	100.0%	20.6%	59.4%	9.1%	10.9%
2000	\$10.1	\$2.3	\$5.3	\$1.3	\$1.2
	100.0%	23.0%	52.6%	12.9%	11.6%

(all dollar amounts in millions)

DID YOU KNOW!!

The total amount spent on food purchased from a restaurant (a sub-category of the food chart above) is roughly \$4.3 million, this calculates to about \$38 / week per household. Over \$3.3 million of this amount is spent outside of Kahnawake, meaning the community as a whole is spending about \$64,000 per week on food purchased from a restaurant, outside of Kahnawake.

