

COLORADO – 2020 ECONOMIC IMPACT OF THE EQUIPMENT RENTAL INDUSTRY



THE EQUIPMENT RENTAL INDUSTRY

The equipment rental industry in the Colorado can be divided into three broad categories –rental of construction and industrial equipment, general tool, and party and event equipment. The total size of the CO rental market was estimated to be \$1,197 million in 2020. The construction and industrial equipment segment had the largest share (71% or \$849 million), followed by the general tool (26% or \$314 million) and party and event (3% or \$34 million) segments.

THE ECONOMIC IMPACT

The economic impact of an industry in a particular region is defined as the contribution of that industry to the overall economic activity. It is possible to assess the effect the Colorado equipment rental industry has on the total employment, output and value added.

The total economic impact of the equipment rental industry on the Colorado economy includes direct, indirect and induced effects (see definitions section). The table below presents a summary of the CO equipment rental industry's economic impact for 2020.

ECONOMIC IMPACT SUMMARY*			
Rental Revenue: \$1,197 million (2020)			
EMPLOYMENT	11,137		
INDUSTRY OUTPUT (MILLION US\$)	2,228		
VALUE ADDED (MILLION US\$)	1,272		
Labor Income	667		
Indirect Business Taxes	119		
Business Income	530		

To summarize, in 2020 the equipment rental industry in the Colorado:

- Created 11,137 jobs for the economy, including both full-time and part-time employees, as well as the self-employed;
- Contributed \$2,228 million to the economy's total production (output);
- Resulted in \$667 million in labor income – wages and salaries, benefits (such as health insurance) and payment to the self-employed;
- Generated \$119 million in indirect taxes (excise taxes, property taxes, fees, sales taxes, etc.) for local, state and federal governments; and
- Created \$530 million worth of business income in form of rents, royalties, dividends and profits earned by corporations.

* Estimated based on data available as of February 2021.

DEFINITIONS

Rental Segments

Construction and Industrial Equipment

Construction equipment is almost exclusively rented by construction firms or contractors, e.g., earthmoving equipment, access equipment, pumps and generators. Earthmoving equipment includes loaders, excavators and articulated dump trucks; access equipment includes aerial work platforms, scaffolding and telehandlers. Industrial equipment comprises a broad range of equipment used in the production or movement of other goods and services. It is often mechanical and controlled by trained operators, although this need not always be the case. Examples of the wide range of equipment include oil field and refinery equipment, manufacturing machinery, transportation (such as airfields and warehousing) equipment and medical equipment as well as rental equipment and tools used for plant maintenance and repairs. It is rented by both construction and industrial end users.

General Tool

The general tool segment includes items usually rented by professional contractors and do-it-yourself homeowners for light construction, including building renovations and additions, concrete work and landscaping. Examples include small hand-held tools, yard-care equipment, jackhammers, concrete and tile saws, pressure washers, small generators, scaffolding, walk-behind trenchers and small skid-steers.

Party and Event

This segment covers rental of products to homeowners and consumers for celebrations such as weddings, graduations and private parties, and to corporations for promotional, recreational and special events such as product launches, company celebrations and groundbreaking ceremonies. It includes such items as linens and tableware, tents, tables and chairs, and other equipment specifically rented for a party or special event.

Economic Impacts

Direct Effect

Direct effect refers to the response of the economy to the change in the final demand of the rental industry. For example, if a firm in the construction rental segment rents an excavator to a building construction company and pays indirect taxes on its profit, then these indirect taxes are considered to be part of the direct economic effect of the rental industry.

Indirect Effect

Indirect effect refers to the response of the economy to the change in the final demand of the industries that are dependent on the rental industry for their input. In the example presented for direct effect, the building construction company uses the excavator it rented and makes profit on such activities. Any indirect taxes paid by the building construction firm are regarded as the indirect effects of the rental industry.

Induced Effect

Induced effect refers to the response of the economy to changes in household expenditure as a result of income generated by the direct and indirect effects of the rental industry. In the example presented, the employees in both firms receive wages in return for their services. They spend their wages on various items such as groceries, which contributes to the profit of grocery retailers. The indirect taxes paid by grocery retailers as a result of the profit made are an example of an induced effect.

Value Added

Value added is payment to labor and capital used in the production of an industry. It is defined as the sum of labor income, indirect business taxes and business income.

