The term investment multiplier refers to the concept that any increase in public or private investment spending has a more than proportionate positive impact on aggregate income and the general economy. The multiplier attempts to quantify the additional effects of a policy beyond those that are immediately measurable. Km multiplier is calculated as the ratio of income growth ΔY to the increase in investment ΔI:

$KM = \Delta Y / \Delta I$

The formula is based on a multiplier of the provision according to which Income is the sum of Consumption and Savings. Since the increase in Investment is the difference between the increase in Y and C, then this ratio can be represented as follows:

$KM = \Delta Y / \Delta I - \Delta C$ or

$KM = 1 / (1 - \Delta C / \Delta Y)$

The multiplier is always greater than 1.