# Local Economic Assessments – Progress Meeting

## Forecasting

3rd February 2010

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- *“Forecasting is like driving a car blindfolded with help from someone looking out of the rear window”*

- *“It is far better to foresee even without certainty than not to foresee at all”*

(Henry Poincare)

# Overview

- Overview of standard methodology
  - Approaches to forecasting
  - Modelling framework
  - Short and long-term drivers of national, regional and sub-regional forecasts
  - Supply side factors (long-term)
  - LAD/UA projections
- Spatial forecasting model
  - Structure (key relationships)
  - Scope and outputs
  - Timetable
- Forecast accuracy

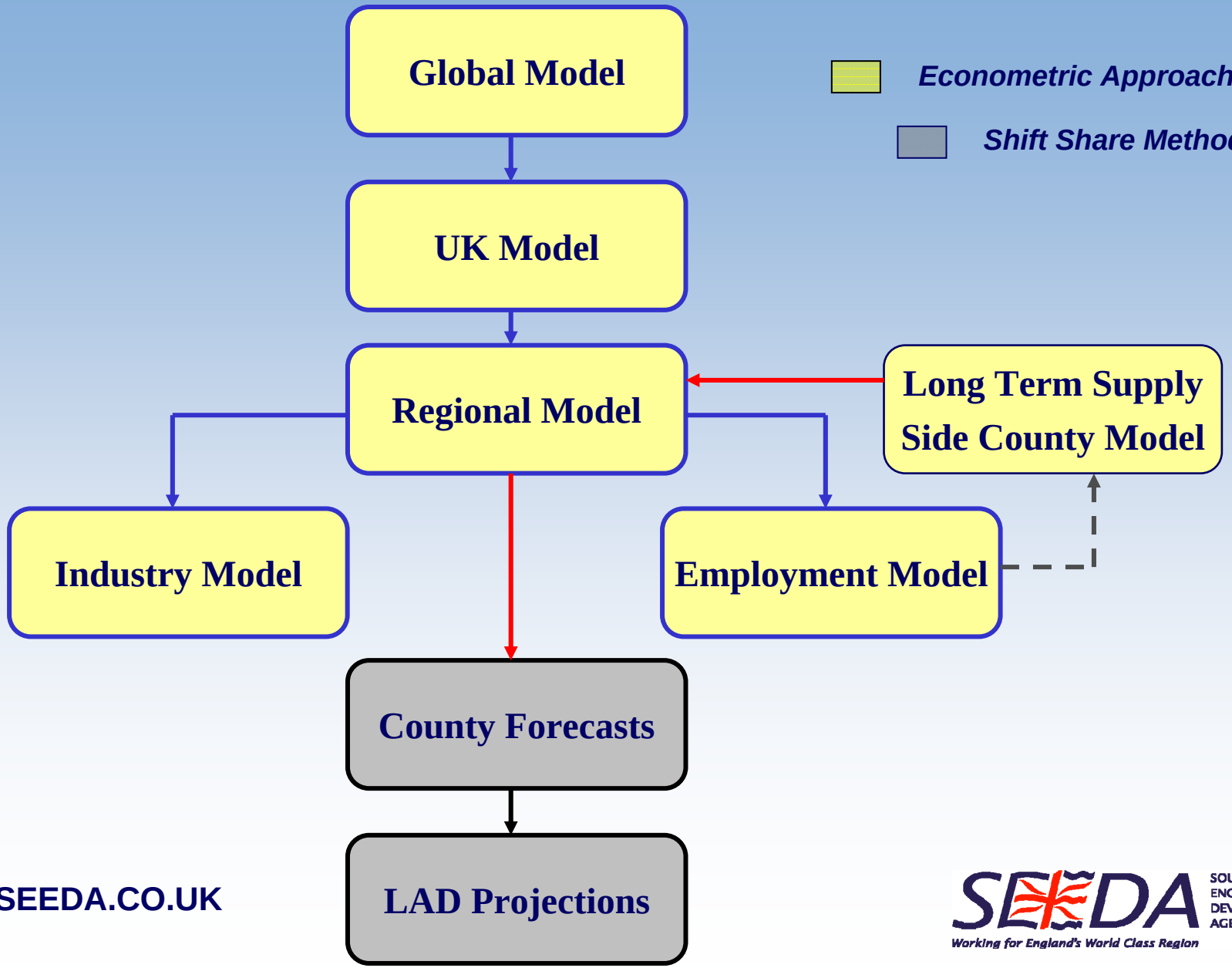
# Approaches to economic modelling

- Top down
- Bottom up

- Demand-side
- Supply side

- Integrated approaches
- Etc.

# Modelling Framework

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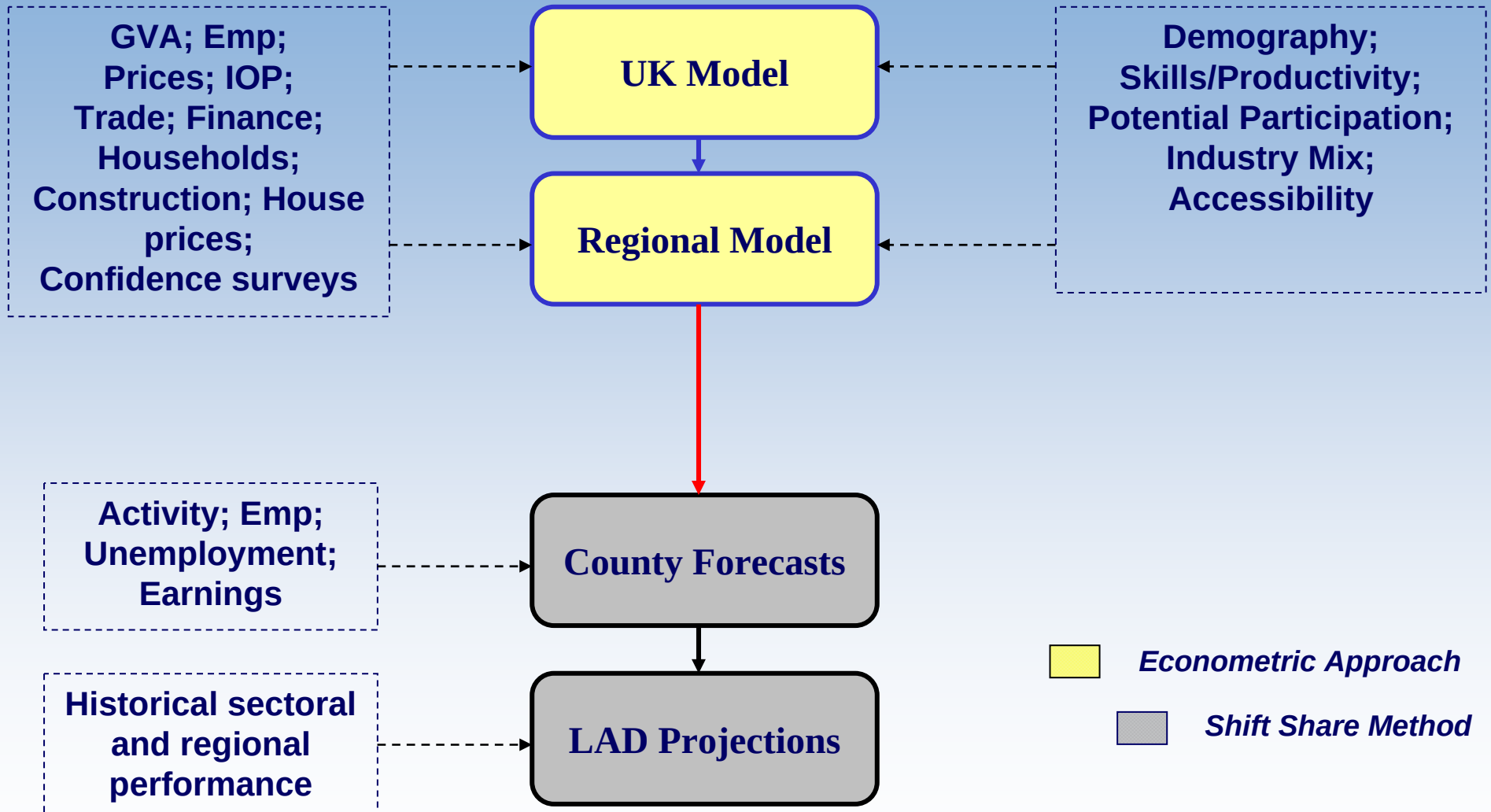
# Short and long-term drivers of national, regional and sub-regional forecasts

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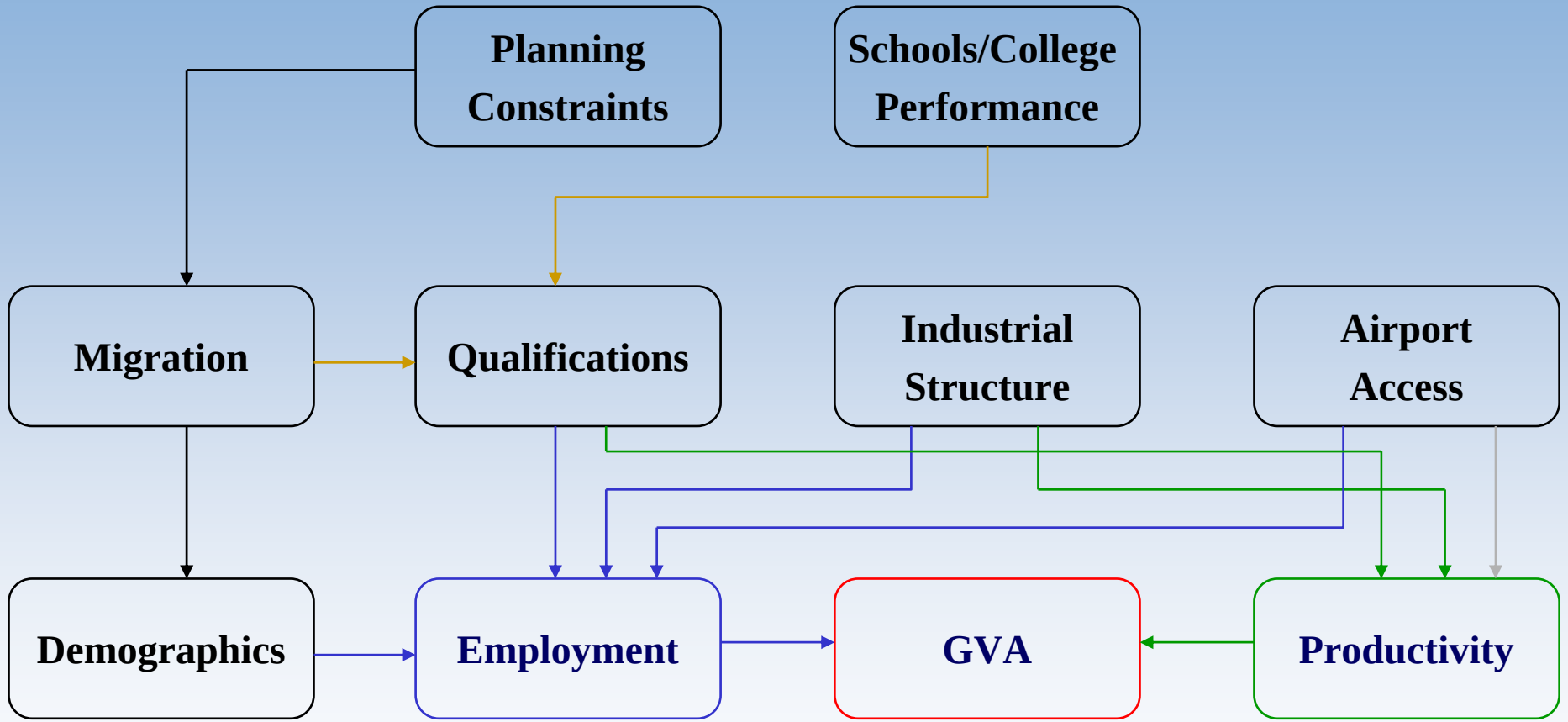
# Long term (supply side) factors



# LAD Projections

- Constant Share vs Shift Share
  - Some local industries will grow faster than reference region (specialisation due to new infrastructure and facilities)

- If a district D has accounted for a steady rising share of a sector S in county Y, then its share will continue to increase into the future.

- Sources of growth

  - National Growth; Industry Mix; Regional Shift Component

# Integrated Spatial Forecasting Model

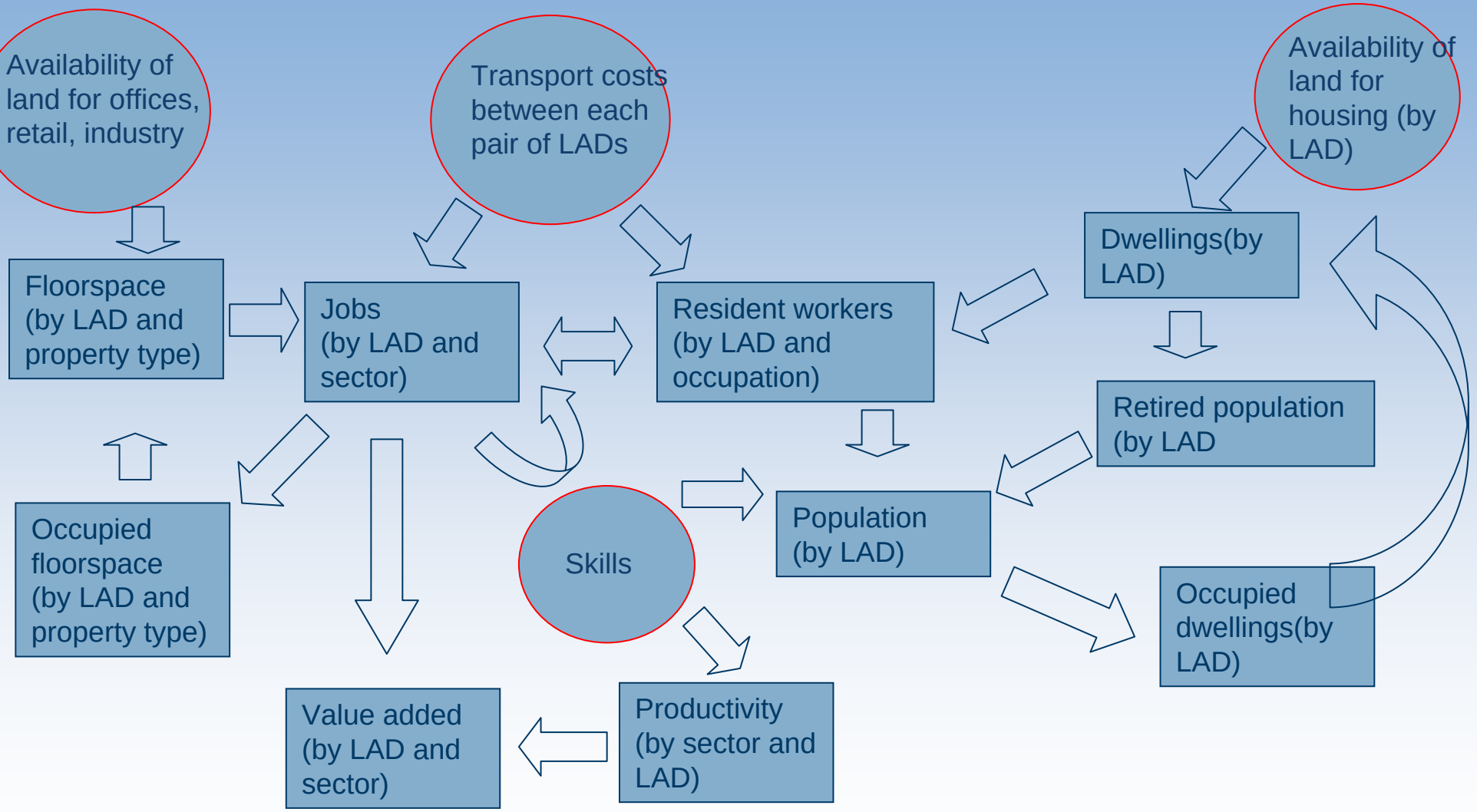
- Why spatial forecasting model?
  - SE Plan EIP
  - robust and defendable
  - understanding between dwellings and population, employment & population, employment & commuting.
  - that can perform analysis at district, county and sub-regional levels

- Apply the model
  - generate a common set of economic forecasts to inform the IRS, sub-regional plans etc.

# Scope and Outputs

- Local authority districts (and above)
  - value added and jobs by 9 sectors
  - occupied floorspace
  - population and households
- Baseline
- Scenarios, sensitivity to (for example)
  - housing supply limits, floorspace limits
  - skills investment
  - economic activity, productivity
  - growth outside of the region
- Time horizon: annual to 2031

# Key Relationships in the Model



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# The Timetable

- Setting up the model: Spring-Summer 2009
- Baseline projections: Spring 2010
- Sensitivity testing: Spring 2010
- Final report & model: Summer 2010

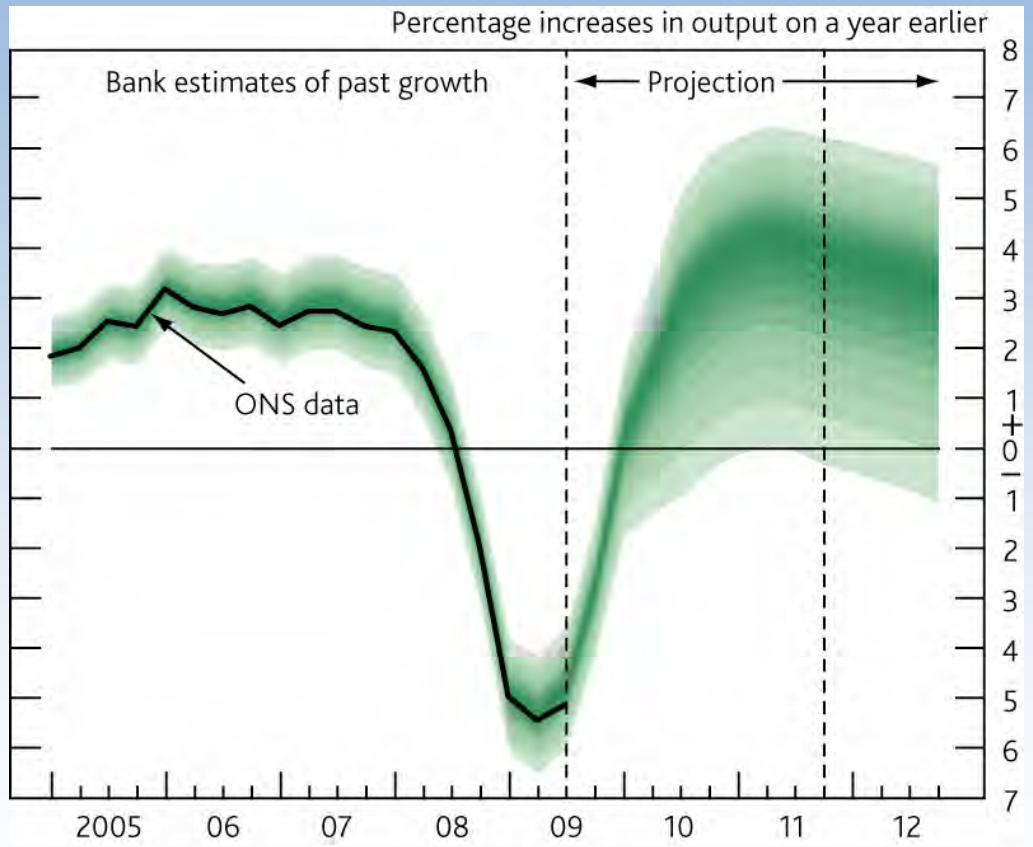
# Forecast accuracy

- Short-term vs. long term
- Region vs. sub-region
- Forecast evaluation

**“If you have to forecast, forecast often”**

(Edgar R. Fiedler)

**GDP projection based on market interest rate expectations and £200 billion asset purchases**

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**Thank you**

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