

Local Economic Assessments – Progress Meeting

Forecasting

3rd February 2010

Ivan Perkovic
Head of Economic Research

WWW.SEEDA.CO.UK

- *“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

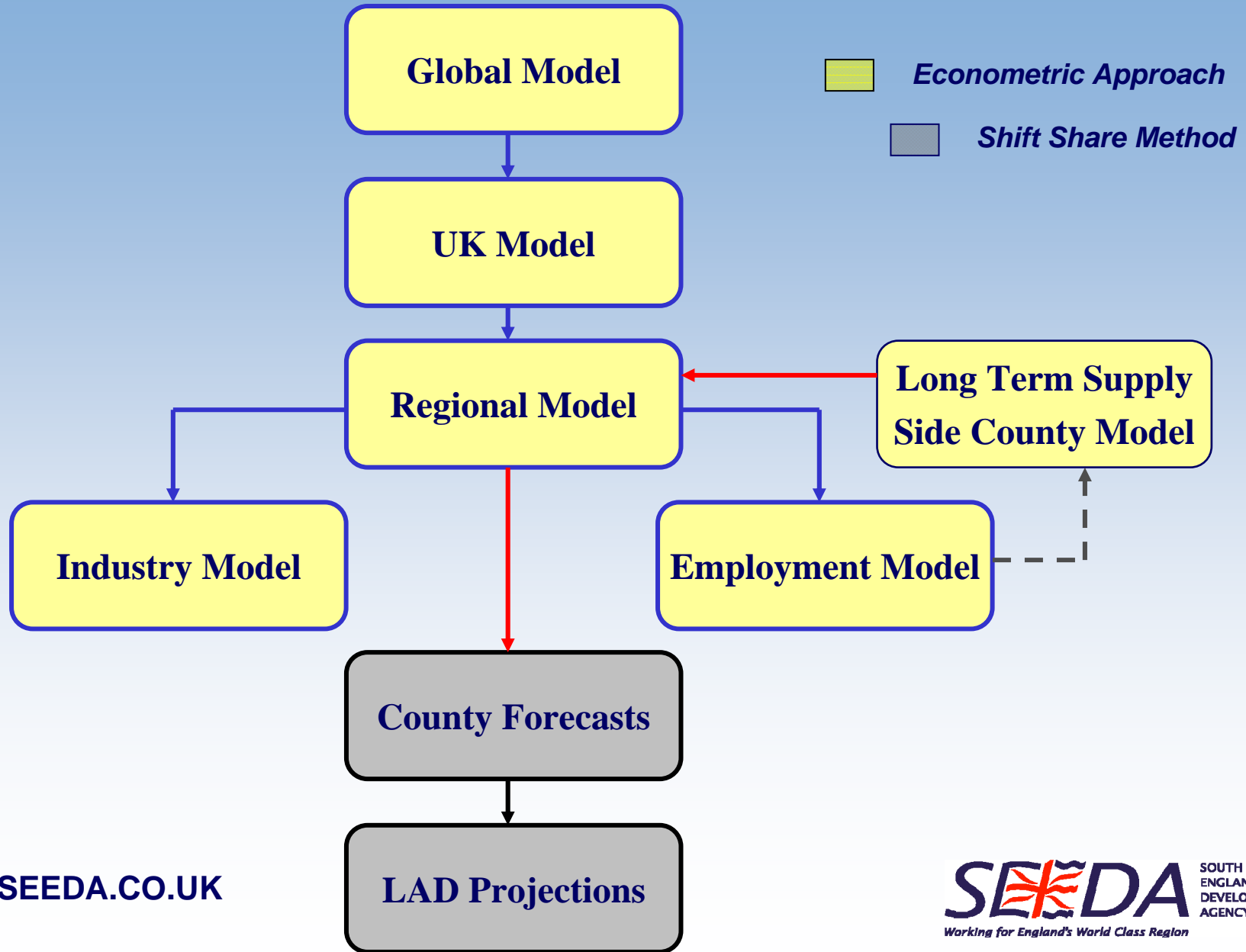
Approaches to economic modelling

- Top down
- Bottom up

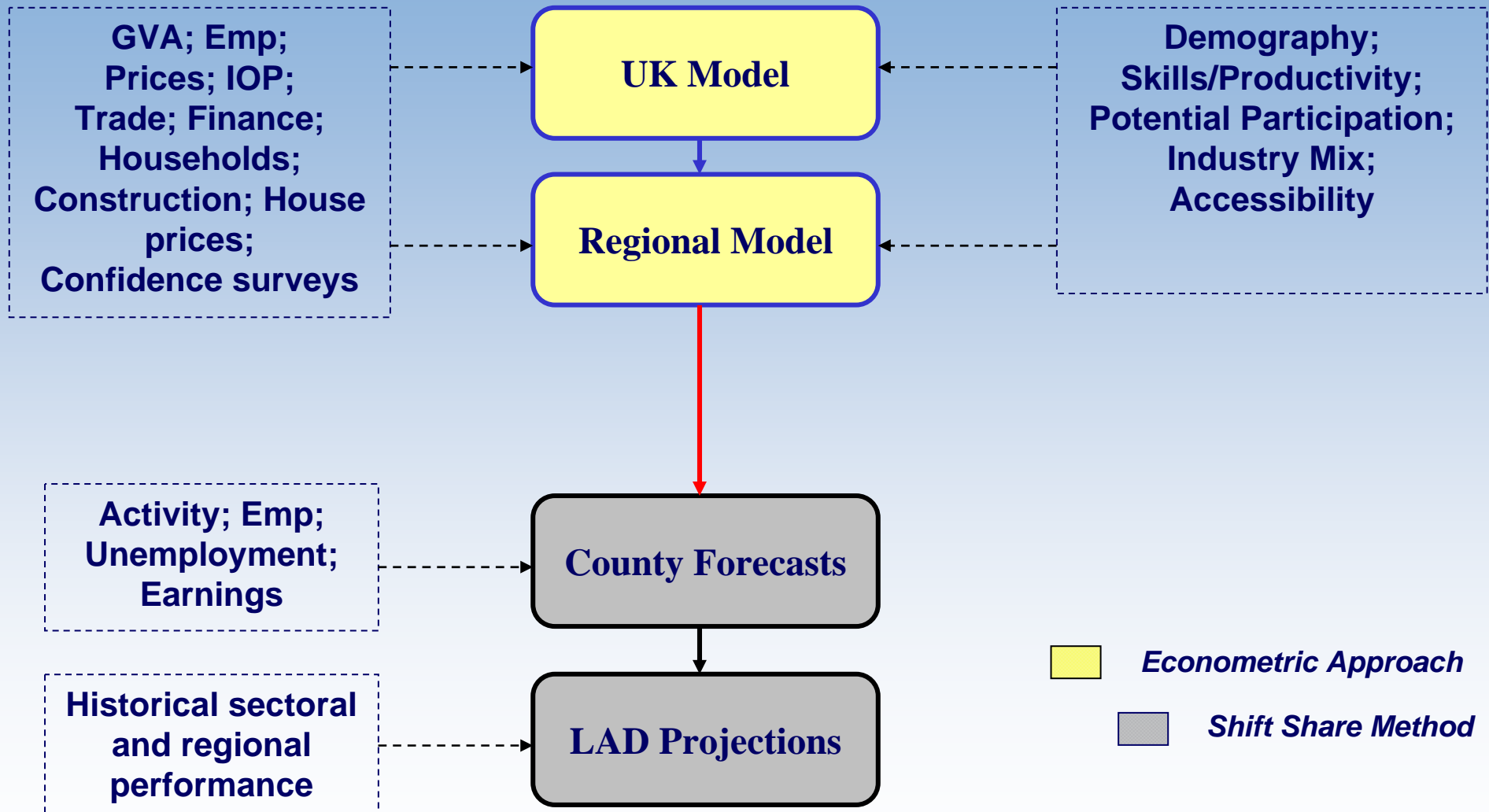
- Demand-side
- Supply side

- Integrated approaches
- Etc.

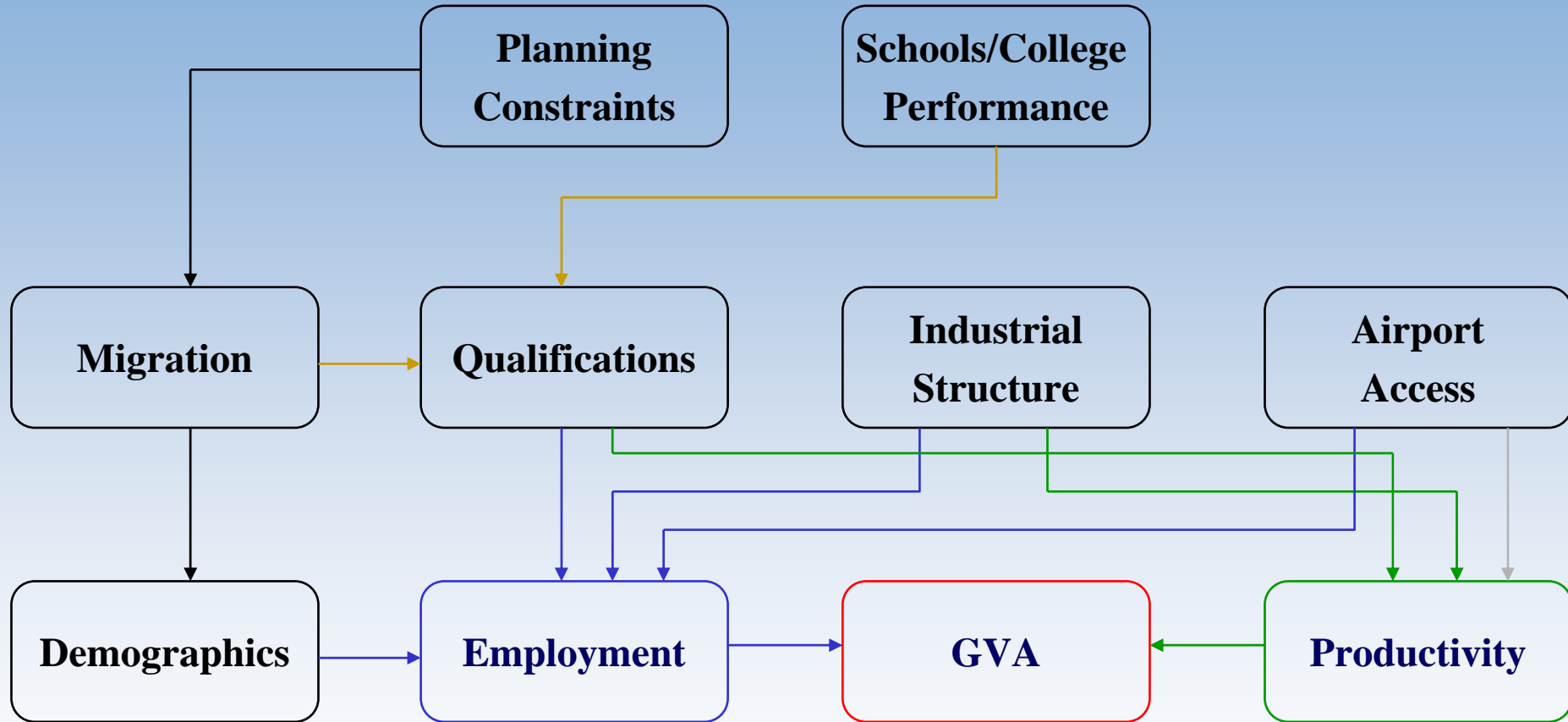
Modelling Framework



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



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

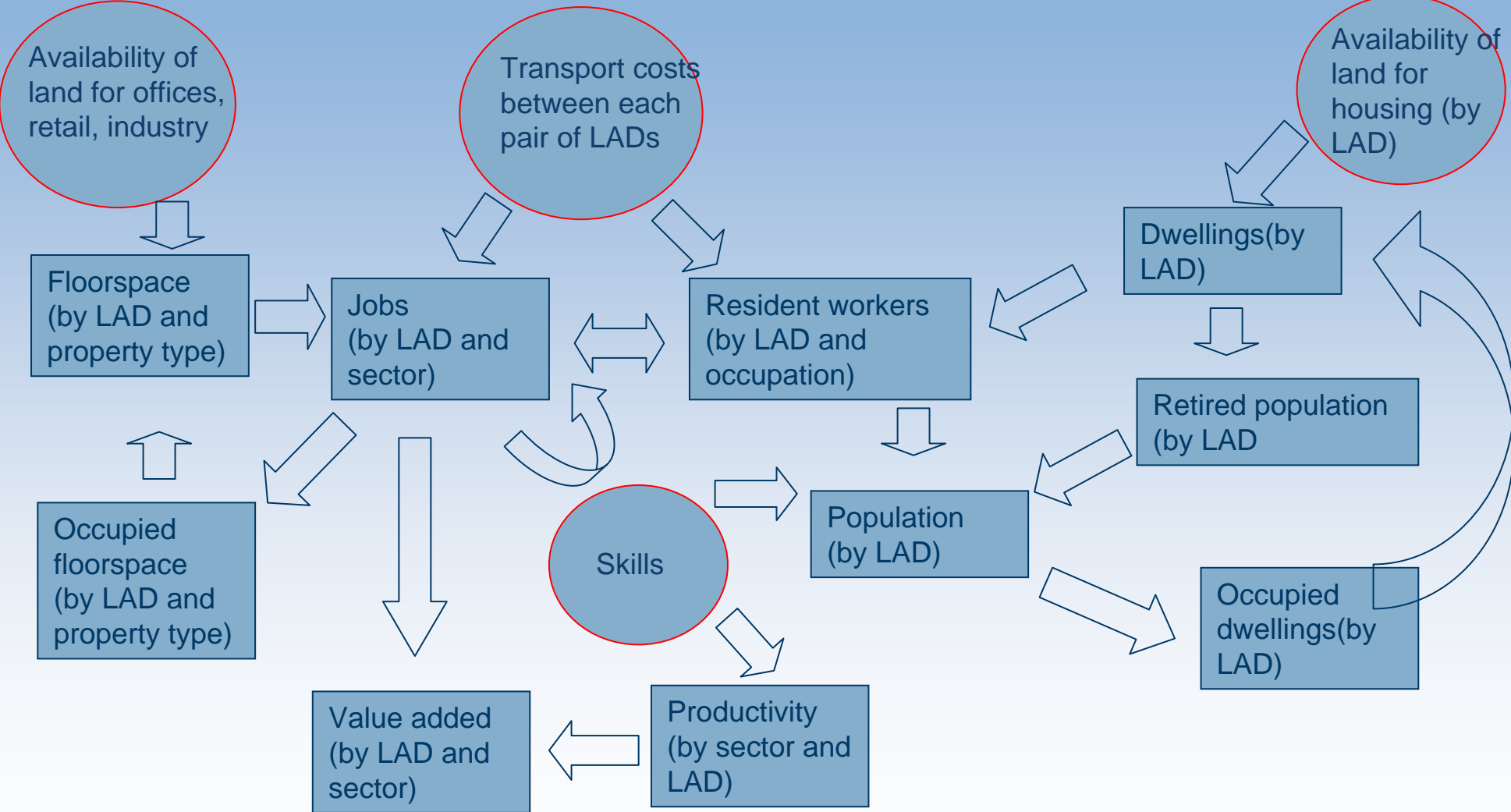
Integrated Spatial Forecasting Model

- Why spatial forecasting model?
 - SE Plan EIP
 - robust and defensible
 - 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



The Timetable

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

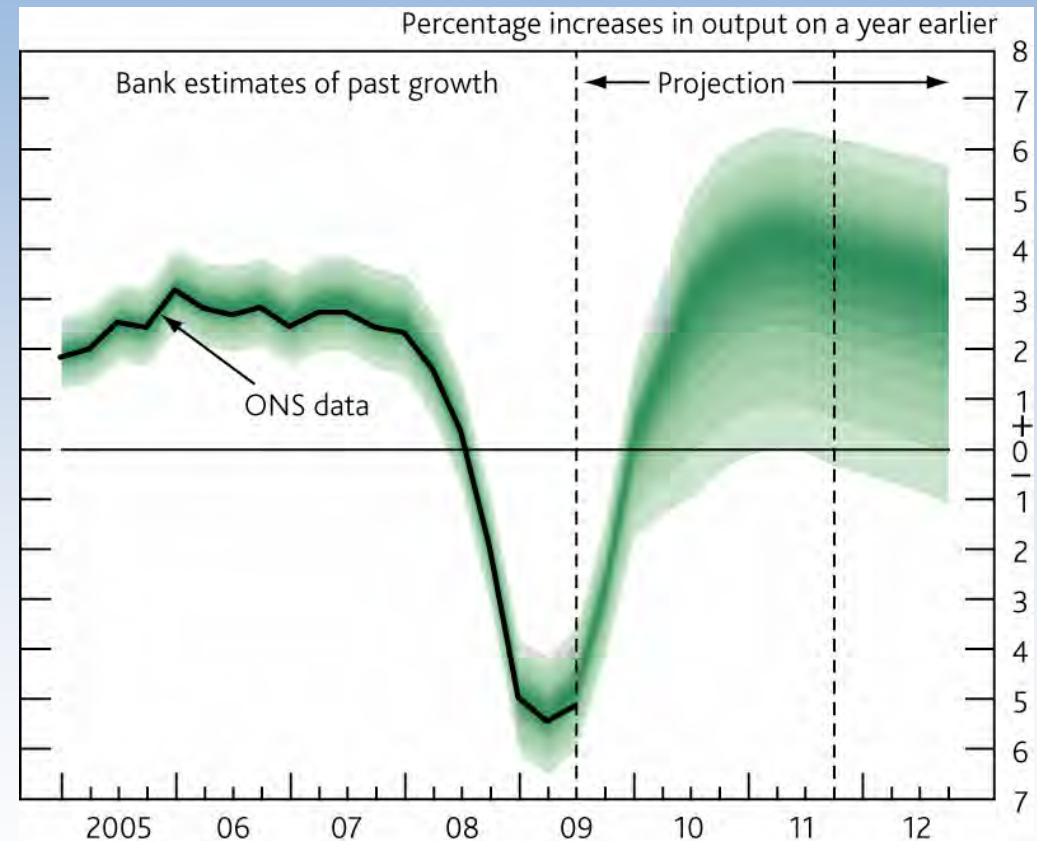
Forecast accuracy

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

**“If you have to forecast,
forecast often”**
(Edgar R. Fiedler)

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



Thank you

SEEDA Research & Economics

Email: research@seeda.co.uk

Website: www.seeda.co.uk

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