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## Bureau of Economic Analysis Regional Projections

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Every five years the Regional Economic Analysis Division at the Bureau of Economic Analysis prepares a consistent set of geographically detailed economic projections within a national framework. These projections are used by Federal, State and local government agencies and by private organizations to analyze economic trends, assess demand for future goods and services, and to provide baseline estimates with which to compare policy forecasts.

### **Areas, Years and Variables Projected**

The geographic areas projected include the United States, all 50 States and the District of Columbia, as well as the 8 geographic regions within the U.S. Projections are also prepared for 313 Metropolitan Statistical Areas (MSAs), 17 Consolidated Metropolitan Statistical Areas (CMSAs) and 172 BEA Economic Areas (EAs). On occasion, county projections are produced if an outside contract has been secured, however they are not a part of the regular projections cycle. The projections span 50 years and the 1995 set included projections for the years 2000, 2005, 2010, 2015, 2025, and 2045 (1998 is also published for some industries in the U.S., States and regions).

The variables projected for the U.S., States and regions include employment and gross state product at the 2-digit SIC level, earnings at the 1-digit SIC level, total population by three major age groups (0-17, 18-64, 65 and over), and total personal income by major component. The substate--or MSA, CMSA and EA--projections provide slightly less detail; employment and earnings are projected at the 1-digit SIC level, and only the totals are projected for population and personal income. There are no product projections at the substate level.

### **Brief Methodology**

The BEA regional projections are long-run baseline projections; changes in the business cycle are not projected. The projections are based on the assumption that past economic relationships will continue, and that the economy will remain at, or near, full employment. We do not assume any major policy changes during the projections period.

A "top-down" approach is utilized when preparing the projections, meaning that a national set of projections is prepared first, using data from other Federal agencies with expertise in projecting data at the national level, including:

- Census Bureau U.S. population projections;
- Bureau of Labor Statistics projections of non-institutional population, labor force participation rates, employment and output by industry;
- Energy Information Administration's mining projections;
- Congressional Budget Office's projections of the non-accelerating inflation rate of unemployment (NAIRU).

These national totals are then used as control totals for the subsequent State projections. Likewise, the substate piece projections (one or more counties in a state comprise a substate piece) are controlled to their respective state totals prior to summing the pieces to MSAs, CMSAs and EAs.

The BEA long-term projections model does not directly project absolute numbers. To ensure historical regional economic balances are maintained in the long-run, BEA projects linkage variables that fully realize the effects of a change in one variable on other variables in the local economy. The final step in the projections process is to solve the linkage variable equations for the absolute numbers.

### **Projection Uses and Data Users**

The BEA projections are used by regional planners in both government and private industry for a variety of purposes. The projections began in the mid 1960's when the Federal Government undertook an infrastructure and water resource planning initiative. The projects that resulted from this planning, such as dams and major roads, had life expectancies of 50 years or longer; although many states already had their own set of projections, simply adding them up did not yield a reasonable set of national totals. As a result, a consistent set of long-term regional economic projections were produced to aid the planners in their decision making.

The first set of projections was published in 1972, then another special set was published in 1977 under contract with the Environmental Protection Agency (EPA). Since 1980, the projections have been published every 5 years. The 1995 State projections were released in August, 1995 and the substate projections in May, 1996.

Today, the projections are used in various projects and studies, including:

- Airport construction projects in Denver, Minneapolis and Salt Lake City
- State pollution projections (as mandated by the EPA)
- Water resource planning, dam construction
- Highway projects
- Marketing/Real Estate studies
- Plant location decisions
- University research.

## **Projection Data Sources**

The BEA regional projections are available from the following sources:

### **1. U.S./Region/State projections**

- Publication available from GPO. (\$13, #003-010-00256-5)
- Diskette, contains a Windows and DOS extraction program (\$40, to order call 202-606-3700)
- Survey of Current Business (July, 1995 issue) - Summary data only

### **2. MSA/CMSA/EA projections**

- Diskette, contains a Windows and DOS extraction program (\$40, to order call 202-606-3700)
- Survey of Current Business (June, 1996 issue) - Summary data only

### **3. All Projections**

- REIS CD-ROM (\$35, to order call 202-606-5360)
- STAT-USA On Line Service <http://www.stat-usa.gov>, for prices and information call 202-482-1986
- BEA home page <http://bea.doc.gov>
- Economic Bulletin Board (for prices and information call 202-606-1986).