

2019 Update of the Regional Forecast

November 13, 2019

Metropolitan Council



Overview of today's presentation

- Background: the Council's role in forecasting
- Updated regional forecast: Jobs, population, households
- The main demographic trends
- Why forecasts change

The Council's role in forecasting

- Long-term forecasts of population, households, jobs
- Provide a shared foundation for coordinated regional and local planning, systems and services
- Authorized by *Minnesota Statutes* 473.146 and 473.859
- Updated regularly to inform planning

Why a forecast update now?

- Past experience: A decade ago, the Great Recession upended our economy, development dynamics, and everyone's expectations
 - Lesson learned: Keep the regional forecast fresh, and aligned with related forecasts
- Updating regional forecasts regularly is a best practice
 - Council staff have presented updates in 2015, 2017, and 2019

How we develop the regional forecast

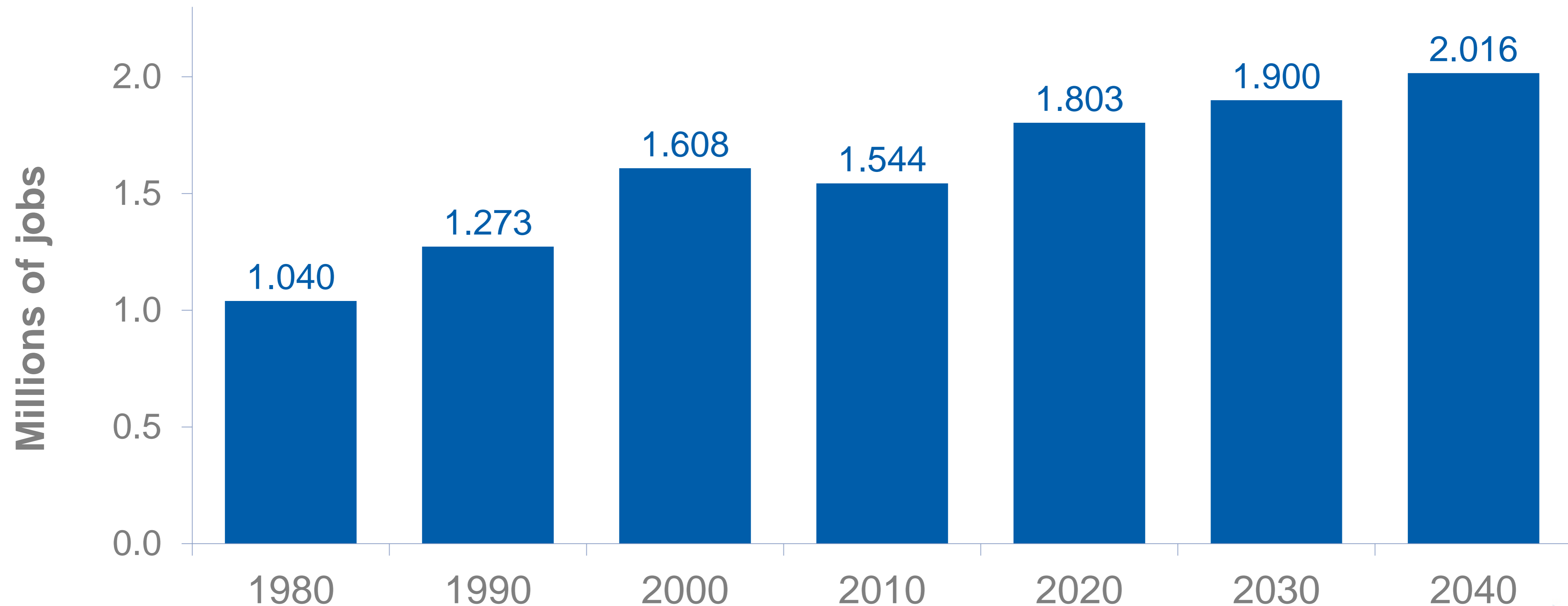
- Use REMI-PI, a regional economic model
- Key relationships:
 - The regional economic and population forecast recognize the region as situated inside of a larger national economic and population forecast
 - Integrated relationships between jobs, workforce and population – and an integrated forecast

Updated regional forecast to 2040

	2000	2010	2020	2030	2040
Population	2,642,000	2,850,000	3,168,000	3,451,000	3,653,000
Households	1,021,000	1,118,000	1,237,000	1,351,000	1,447,000
Employment	1,608,000	1,544,000	1,803,000	1,900,000	2,016,000

Source: 2010 data from Census Bureau and Minnesota Department of Employment and Economic Development; 2020-2040 forecasts from Metropolitan Council (2019)

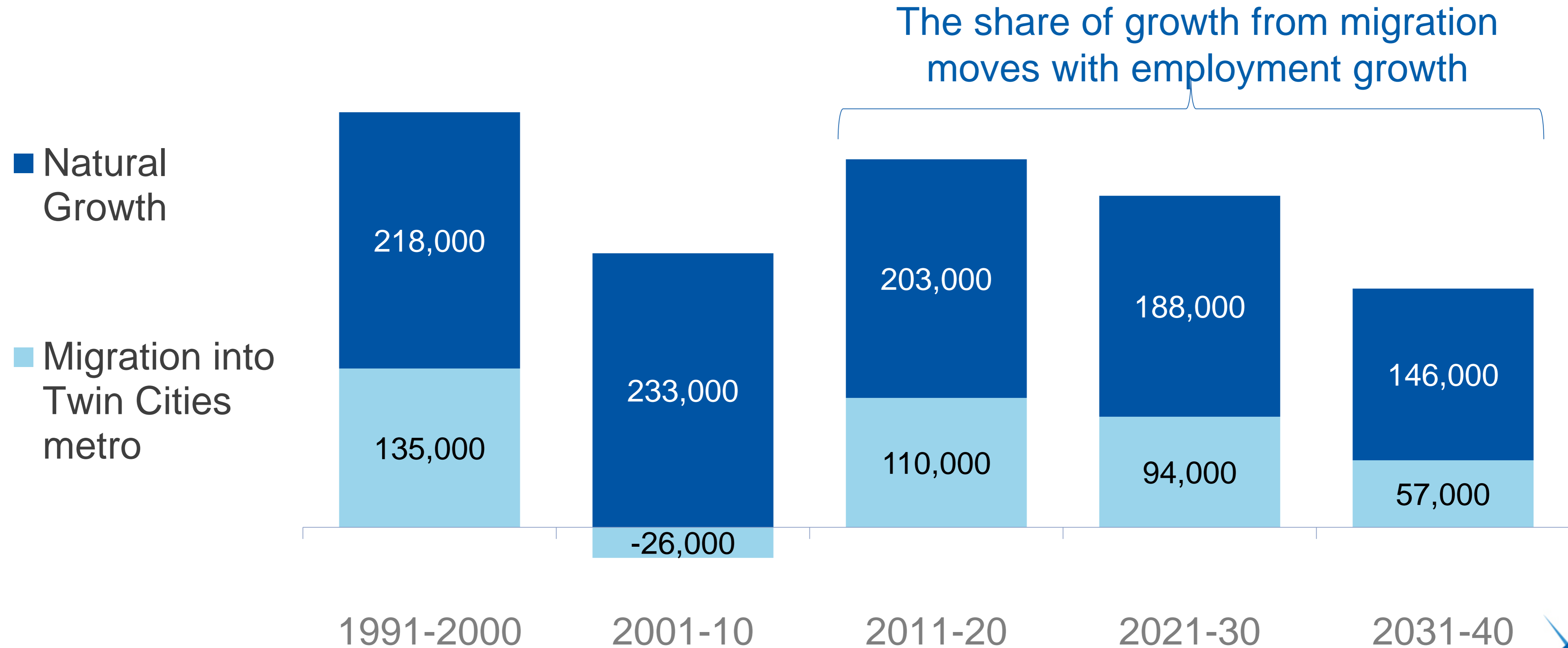
Over two million jobs by 2040



Source: 2010 data from Minnesota Department of Employment and Economic Development; 2020-2040 forecasts from Metropolitan Council (2019)

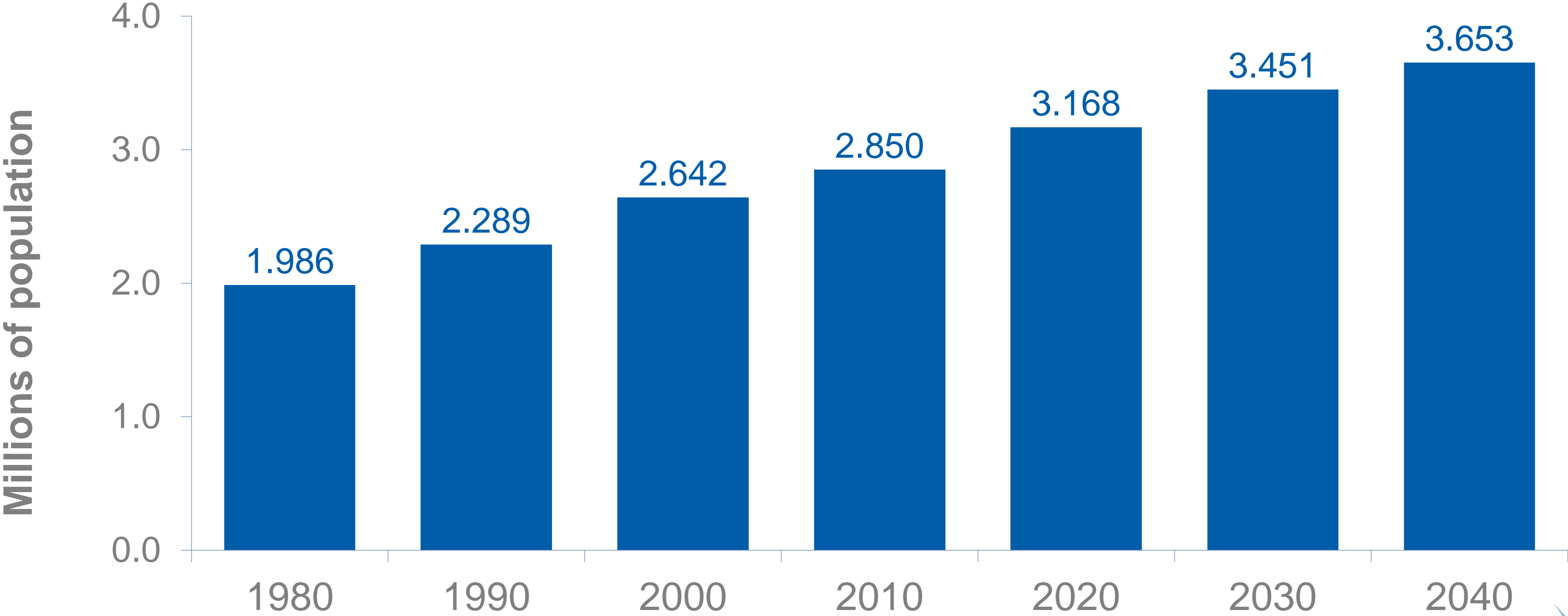


Twin Cities population growth components



Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)

Population growth: +803,000 over 30 years



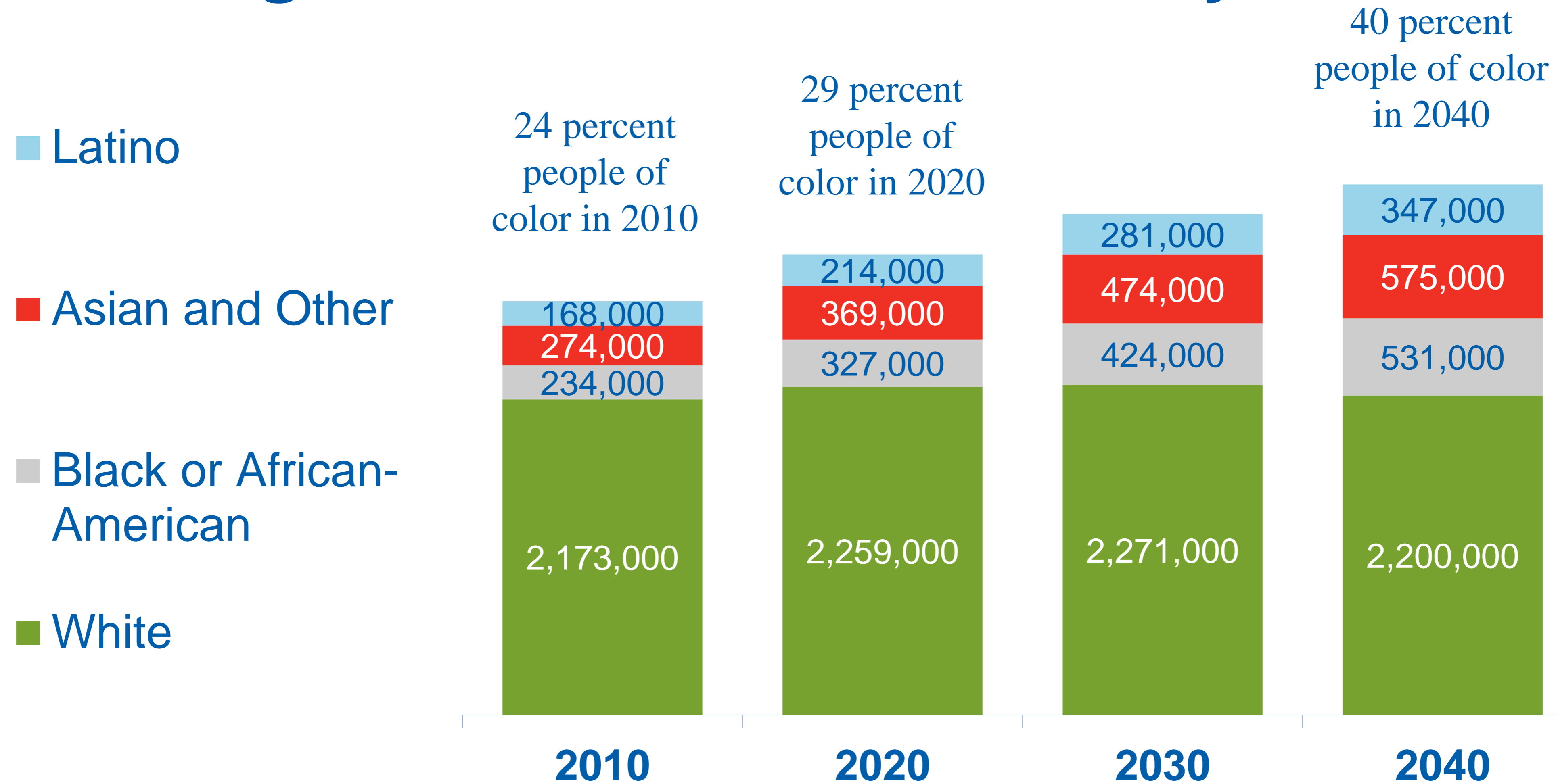
Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)



The forecast model highlights the main demographic trends

- Growing racial and ethnic diversity
- Aging of the population
- Changing mix of households
- All these will drive change in housing demand – changing where and what new housing are needed
- A workforce supply challenge that could last 20 years

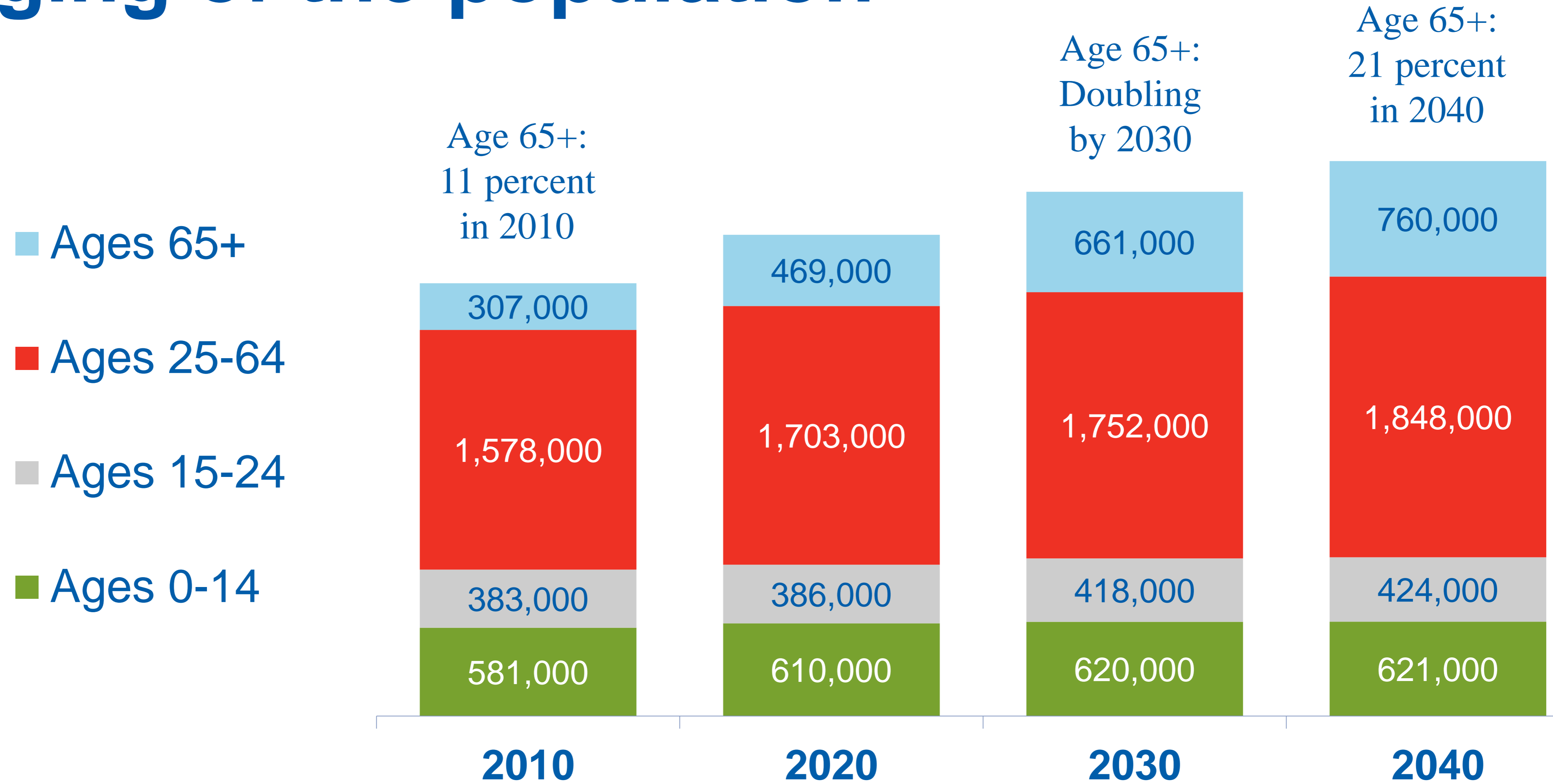
Growing racial and ethnic diversity



Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)



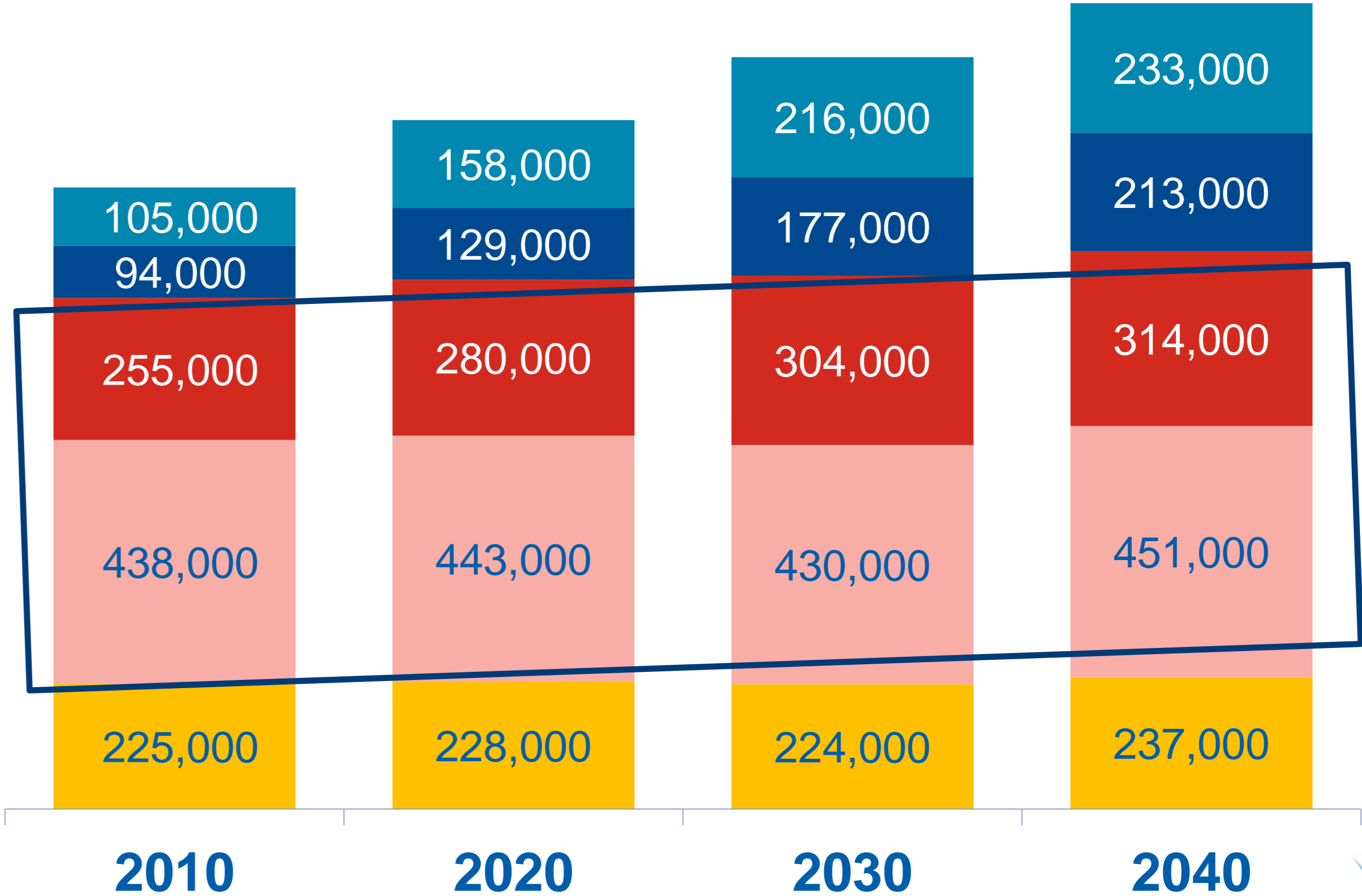
Aging of the population



Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)

Smaller households, older households on rise

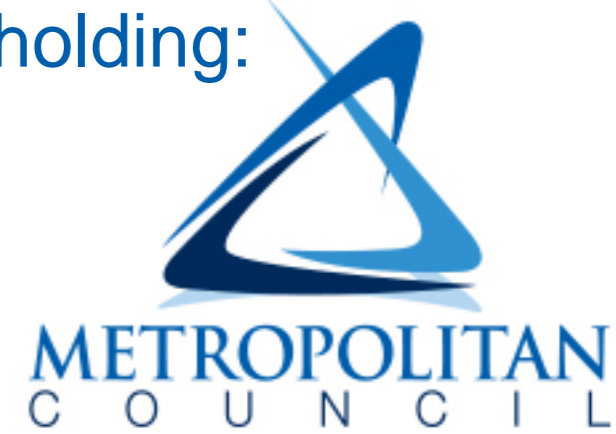
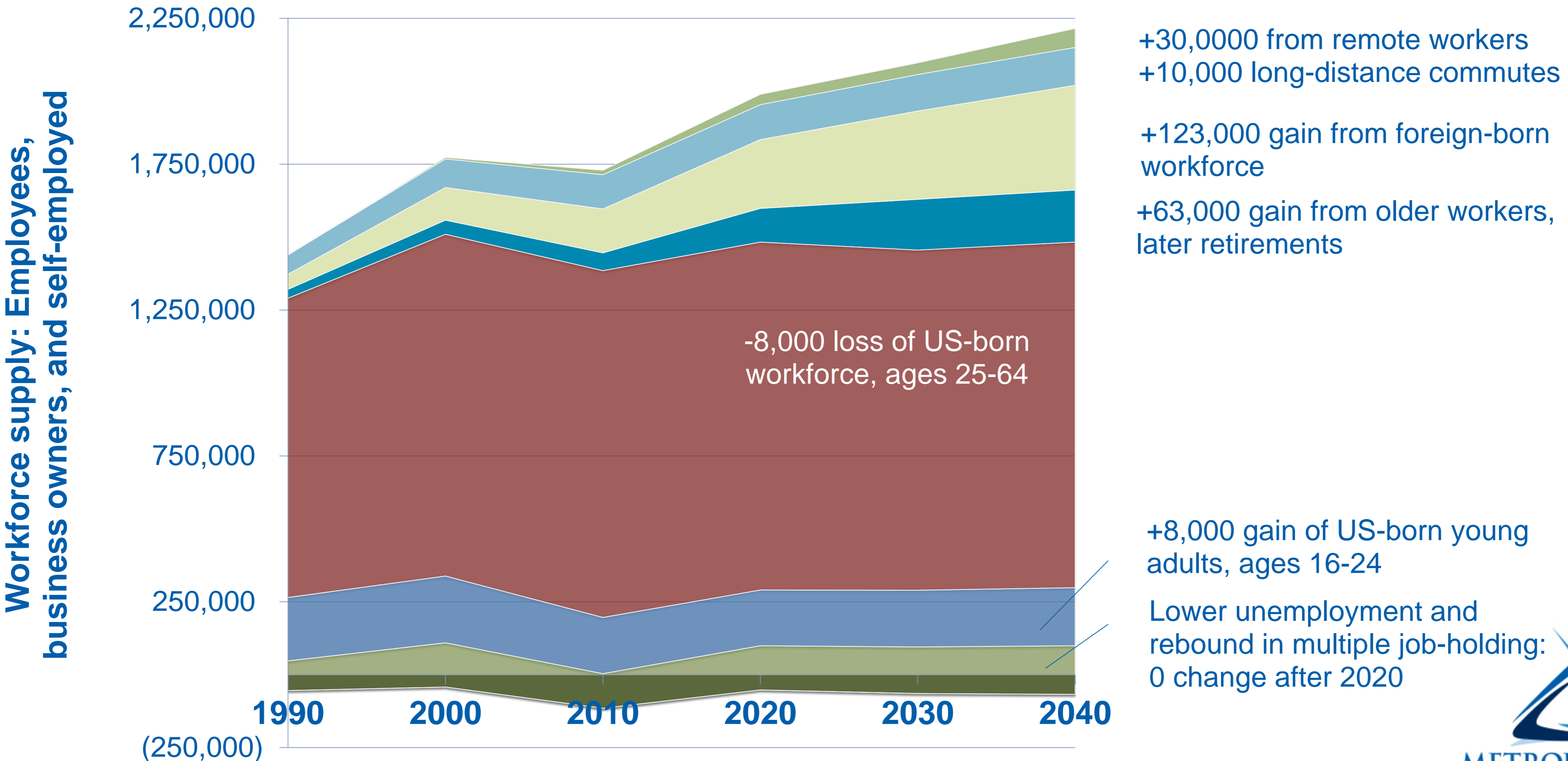
- Age 65+: 2+ persons
- Age 65+: 1 person household
- Under 65: 4+ persons
- Under 65: 2-3 persons
- Under 65: 1 person household



Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)



Where will the next 200,000 workers come from? MSP Region, 2020-2040



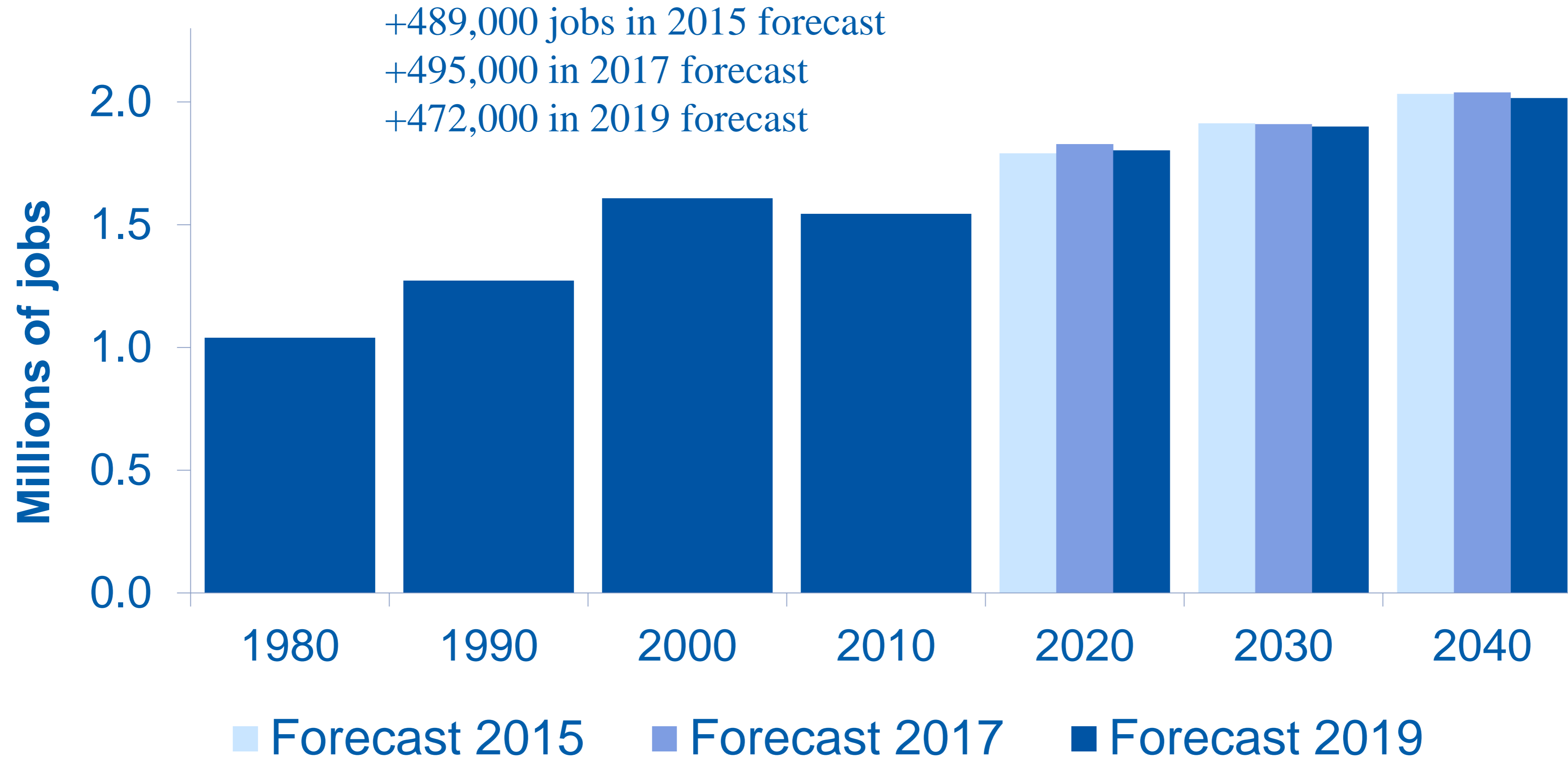
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Why forecasts change

- Annual updating of time-series on demographic and economic conditions – we're filling in timepoints
- Programming refinements from the forecast model vendor
- Changing data inputs and assumptions
- Regional forecast is aligned with national forecasts – as national numbers change, so do the region's

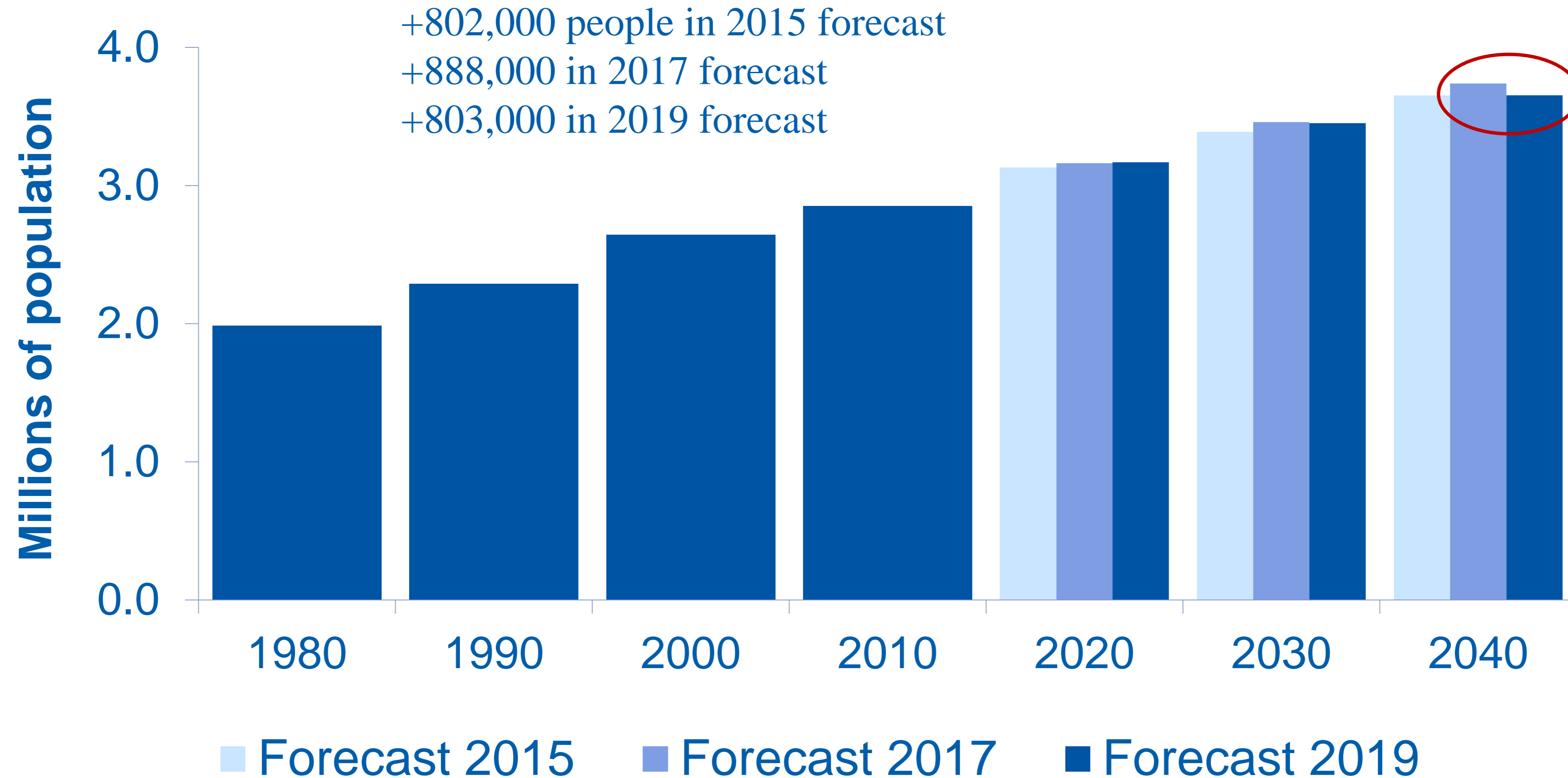
Over two million jobs by 2040



Source: 2010 data from Minnesota Department of Employment and Economic Development; 2020-2040 forecasts from Metropolitan Council (2019)



Population growth: +803,000 over 30 years



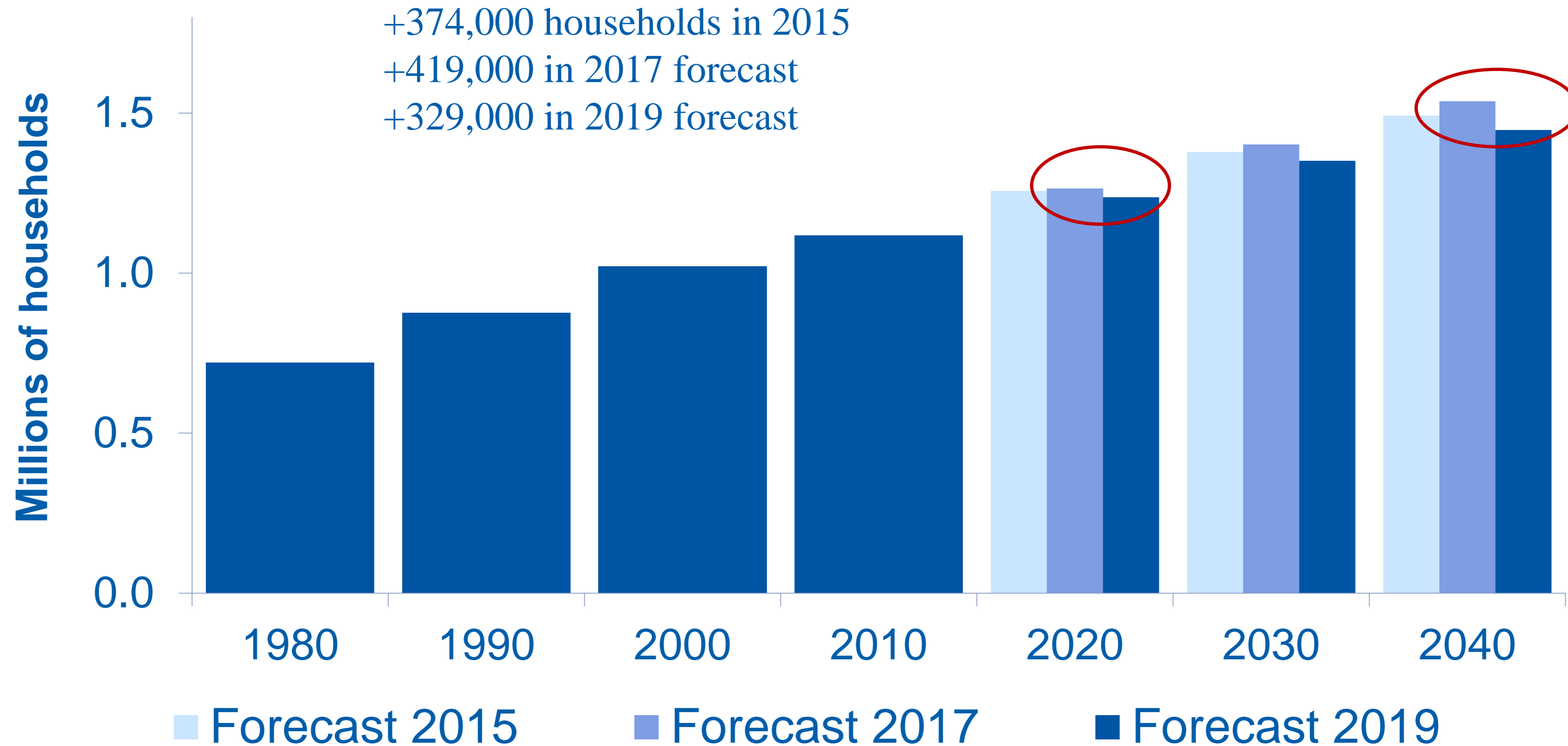
Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)



Why forecasts change: 2019 update

- Population growth in the future clawed back due to changes in national projections
- 2040 national population from US Census Bureau is reduced -5 million, *entirely due to reduced immigration assumptions*
- Lower national numbers mean lower numbers in immigration gateway regions, like Twin Cities
 - Instead of 3,738,000, we now forecast 3,653,000 people in 2040

Households growth: +329,000 over 30 years



Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)

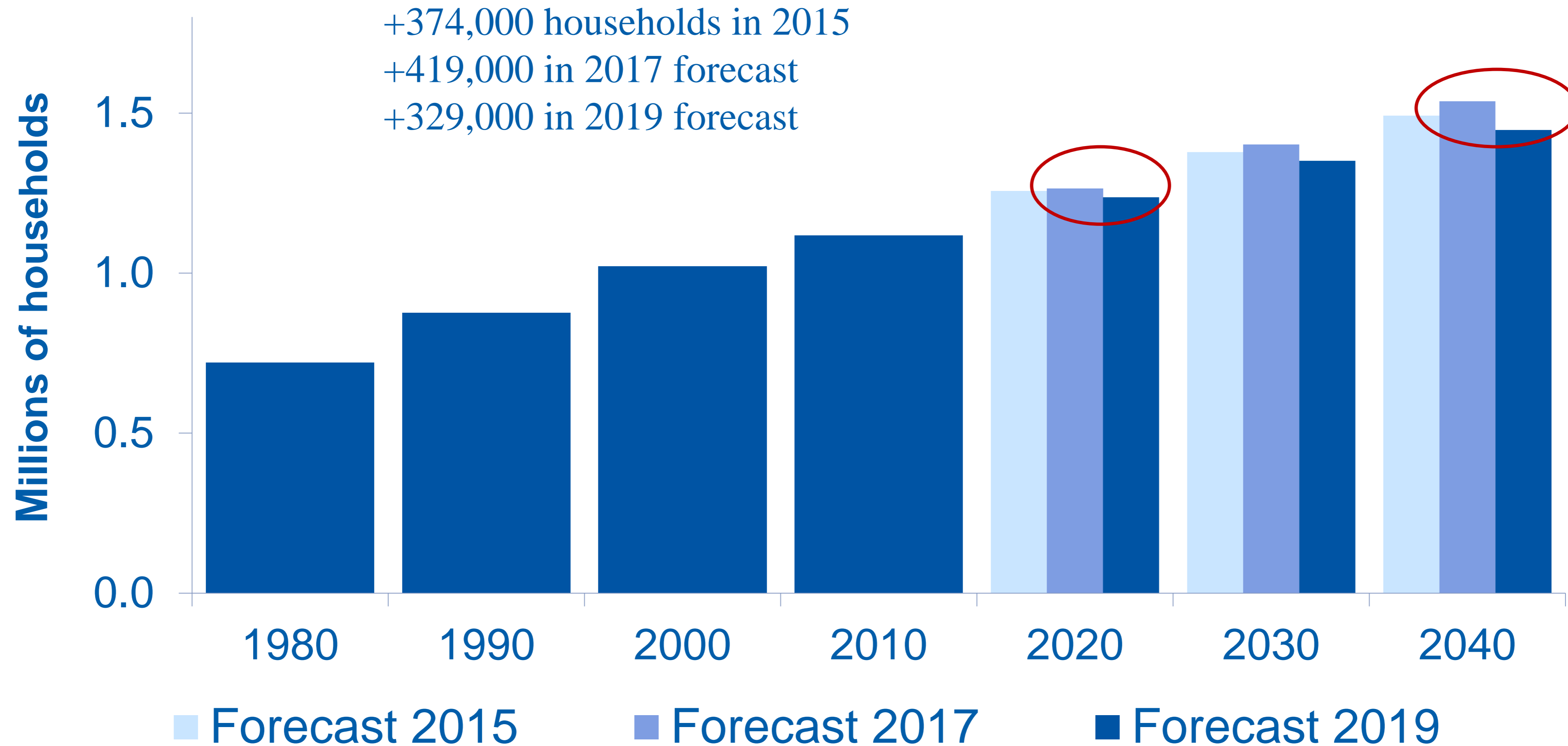
A rethinking of how we convert forecasted population into households

- Past practice: unchanging age-specific household rates
- If age-specific household rates had remained unchanged, average household size would have declined to 2.46
- But households composition has changed
 - We have observed “doubling up,” more extended family situations, delays in adult children leave parents’ households
 - The average household size did not decline to 2.46, but instead has leveled off at 2.51 = **a 2% shift**

Reduced households formation and depressed housing production

- A household economics problem
 - Household income growth has lagged far behind the run-up in housing prices
 - And housing production has suffered because of slack demand
- What we see already, 2010 to 2018:
 - Builders added only 76,000 housing units (supply) during 2010-18
 - Twin Cities metro added **96,000 households** (observed demand)
 - Short of the 2015-vintage forecast: 112,000 new households, 2010-18
 - Short of the result if household formation rates returned to 2010 levels: 120,000 households

Households growth: +329,000 over 30 years



Source: 2010 data from Census Bureau; 2020-2040 forecasts from Metropolitan Council (2019)

No local forecast changes at this time

- Last complete update of local forecasts was in 2015, prior to System Statements issuance
- Next complete update of local forecasts, in 2023, will inform the next Metro Development Guide
- In the interim, adjust local forecasts one-at-a-time, in response to local requests
 - January-October 2019, we've adjusted 2040 forecasts for 16 cities and townships. Still more have changes pending.

For more information

Online at metro council.org/forecasts

- Regional Forecast highlights report
- Metropolitan Council's Forecasts Methodology report
- Excel workbook of Regional Forecast time-series data

2019 Update of the Regional Forecast

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