

Regional forecast update

Population and employment growth to 2050

July 28, 2021

Presenting to Metropolitan Council



Overview of today's presentation

- Forecasts and the regional planning cycle
- Updated regional forecast, to 2050
- The main demographic trends
- Why forecasts change

Forecasts and the regional planning cycle

- Long-term forecasts of population and employment
- Provide a shared foundation for coordinated regional and local planning, systems, and services
- Authorized by Minnesota Statutes 473.146 and 473.859
- Local and regional
 - Complete update of local forecasts at start of regional planning cycle: 2014, and again in 2022-23
 - Regional forecast updated every two years

Why a forecast update now?

Past experience: the Great Recession upended the economy, development, and everyone's expectations

- Lesson: Keep the regional forecast fresh

Best practice: Forecast update acknowledges changes in the nation-level economy, context and assumptions

- Council staff have prepared updates in 2015, 2017, 2019, and now

Local forecasts are maintained on a separate track

- Adjusted one city at a time
- When local governments ask or when local plan changes necessitate

How we develop the regional forecast

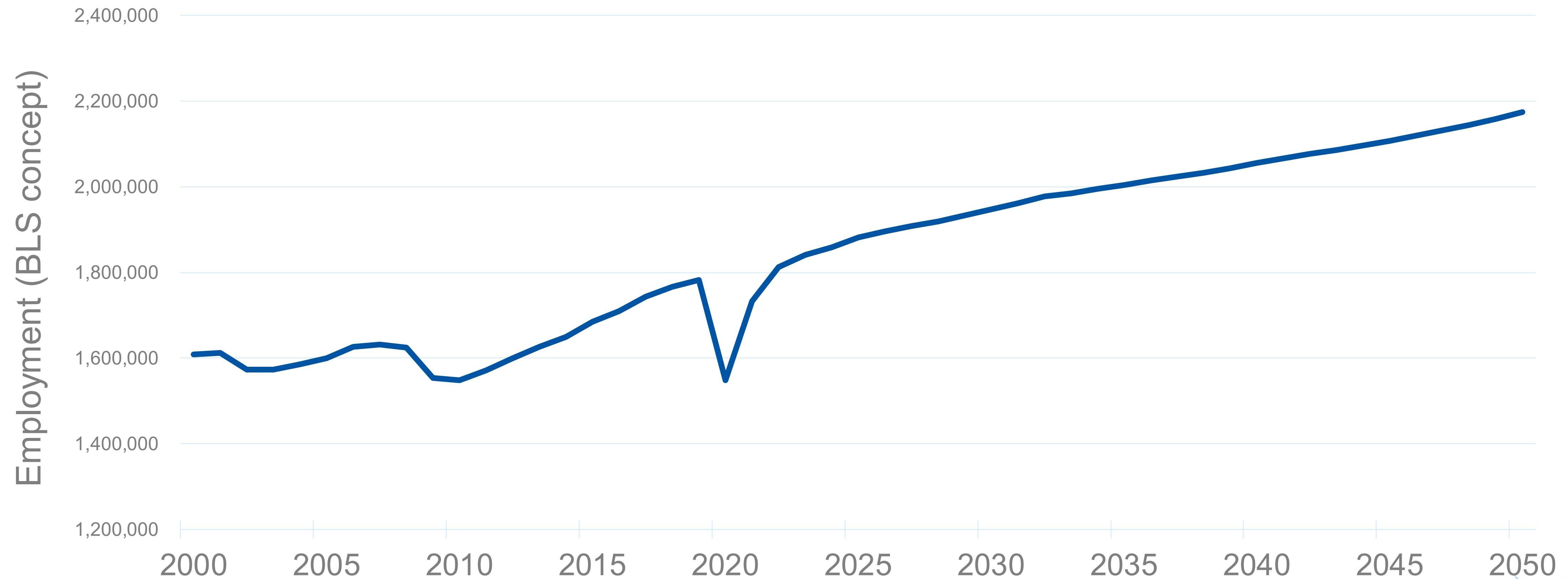
- Met Council and Minnesota DEED use REMI-PI, an integrated regional economic and demographic model
 - Computable general equilibrium solutions for projecting forward
 - The results are regional totals, regional averages, regional rates
- Key relationships:
 - REMI-PI understands MSP region as situated inside the national economy
 - Explicit relationships between jobs, workforce and population migration – and therefore consistent forecast results

Updated regional forecast to 2050

	2010	2020	2021	2030	2040	2050
Employment (BLS)	1,548,000	1,549,000	1,733,000	1,947,000	2,055,000	2,175,000
Share of US GDP	1.16%	1.19%	1.19%	1.21%	1.24%	1.28%
Population	2,850,000	3,183,000	3,213,000	3,476,000	3,746,000	4,001,000
Population Growth (10 years)	207,000	333,000		293,000	270,000	255,000

Source: 2010-2021 employment from Minnesota DEED; all remaining data from Metropolitan Council regional forecast (2021)

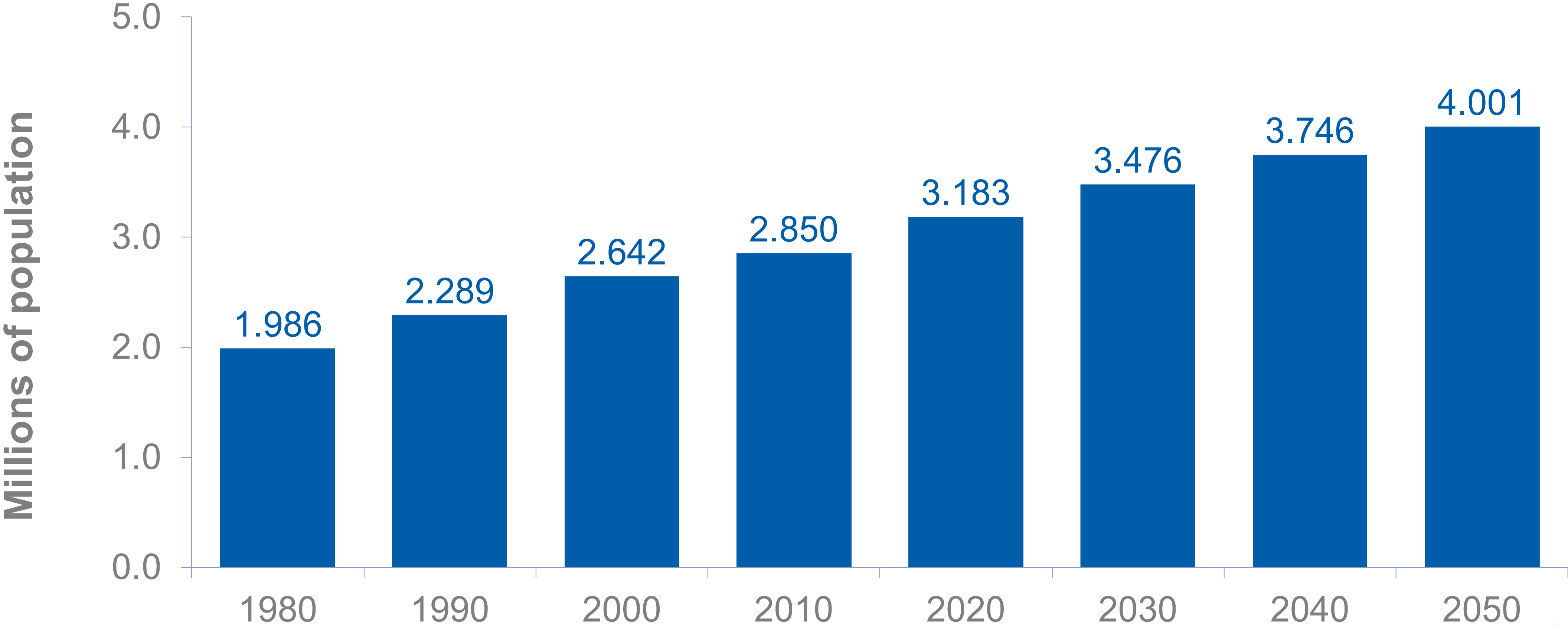
Employment: Rapid rebound now, steady growth going forward



Source: 2010-2021 employment from Minnesota DEED; all remaining data from Metropolitan Council regional forecast (2021)



Population growth: 4 million in 2050



Source: 1980-2010 population from Census Bureau; 2020-2050 from Metropolitan Council regional forecast (2021)

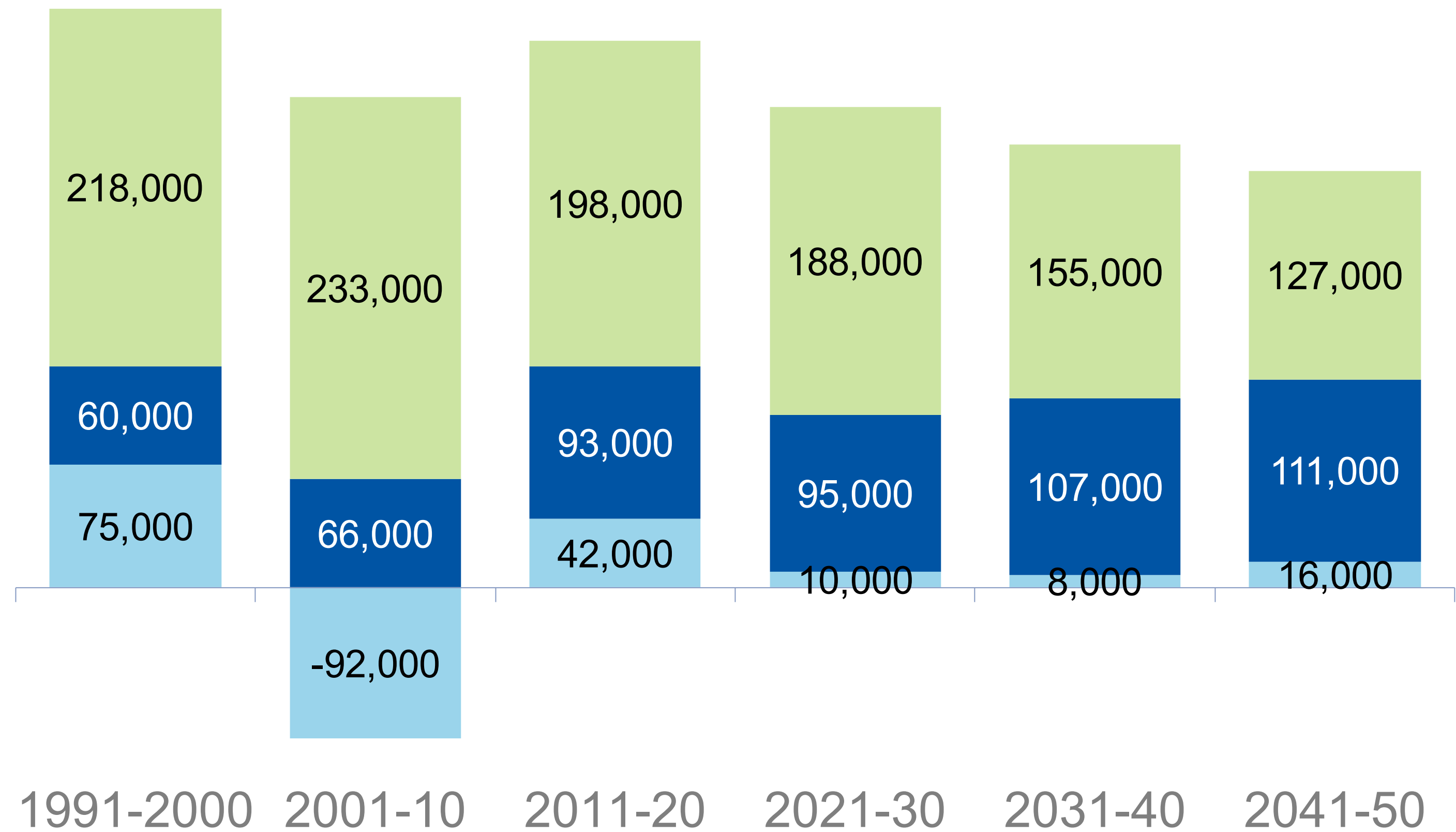


The forecast model highlights the main demographic trends

- The changing balance of natural growth and migration
- Growing racial and ethnic diversity
- Aging of the population
- Changing workforce supply sources

Twin Cities population growth components

- Natural Growth
- International Migrants
- Domestic Migrants



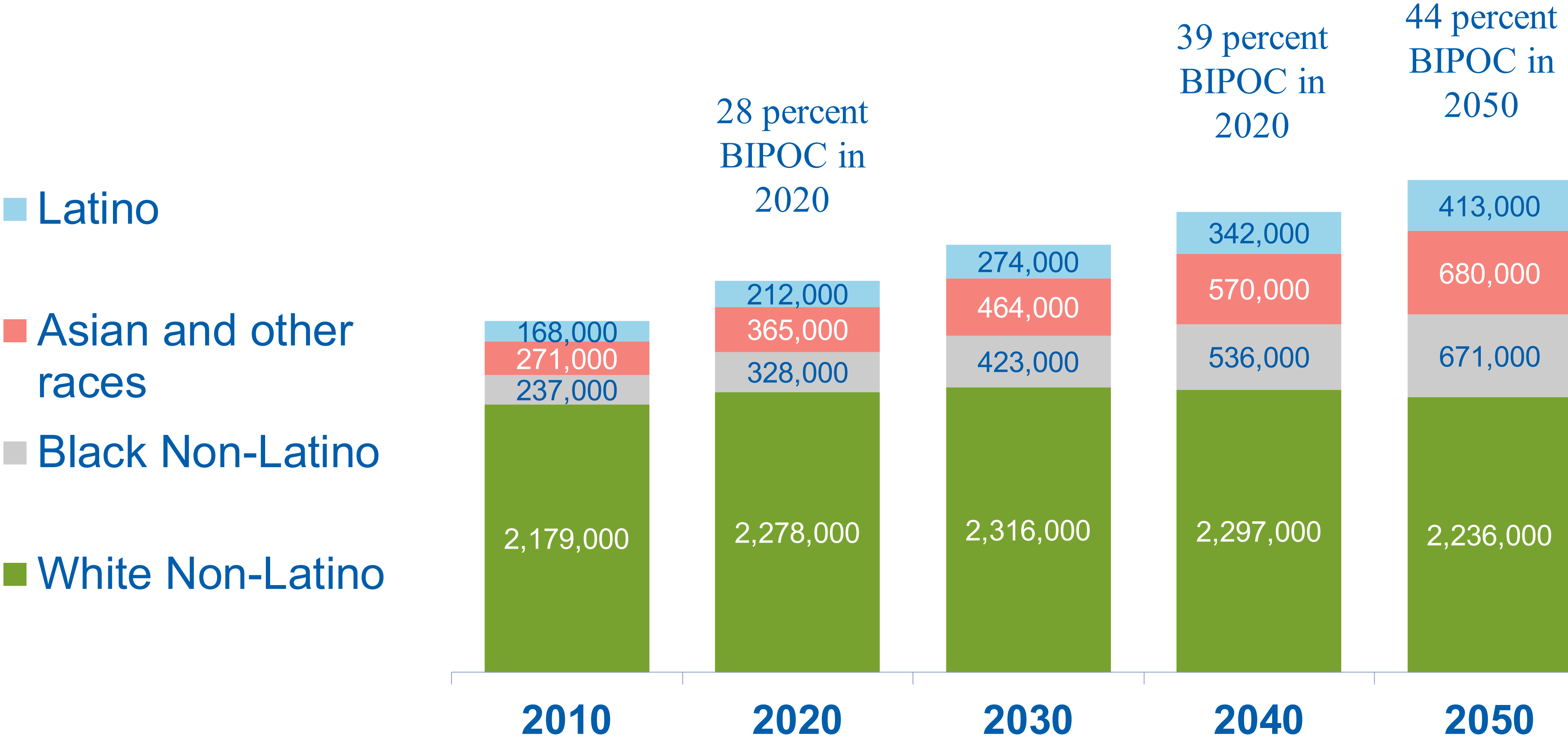
These data points express net change. The numbers can be positive or negative.

Net growth from migration varies with employment growth.

Source: 1991-2010 domestic migrants from IRS summary migration flows; all remaining data from Metropolitan Council regional forecast (2021)



Growing racial and ethnic diversity

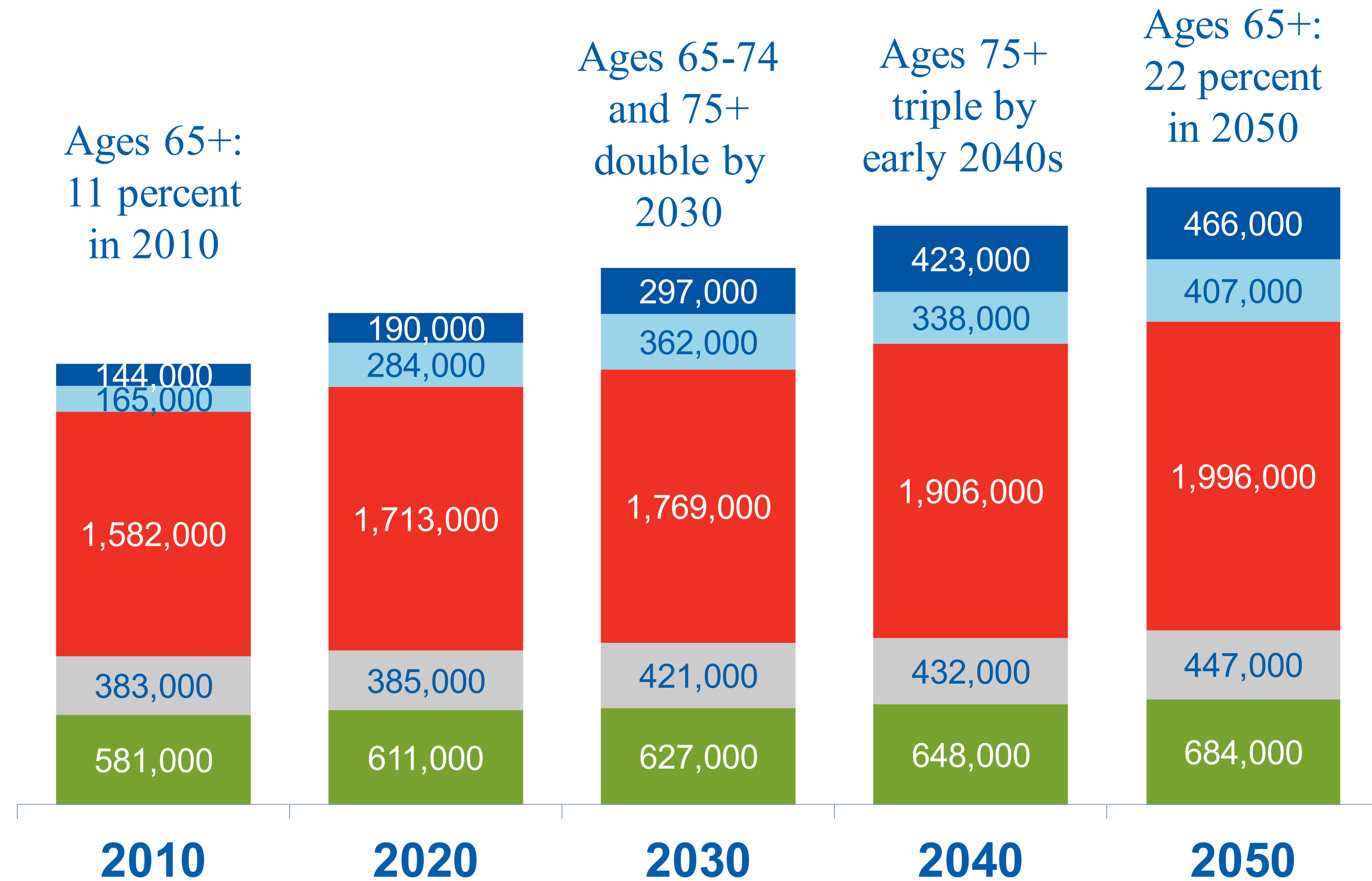


Source: 2010 population from Census Bureau; 2020-2050 from Metropolitan Council regional forecast (2021)



Aging of the population

- Ages 75+
- Ages 65-74
- Ages 25-64
- Ages 15-24
- Ages 0-14

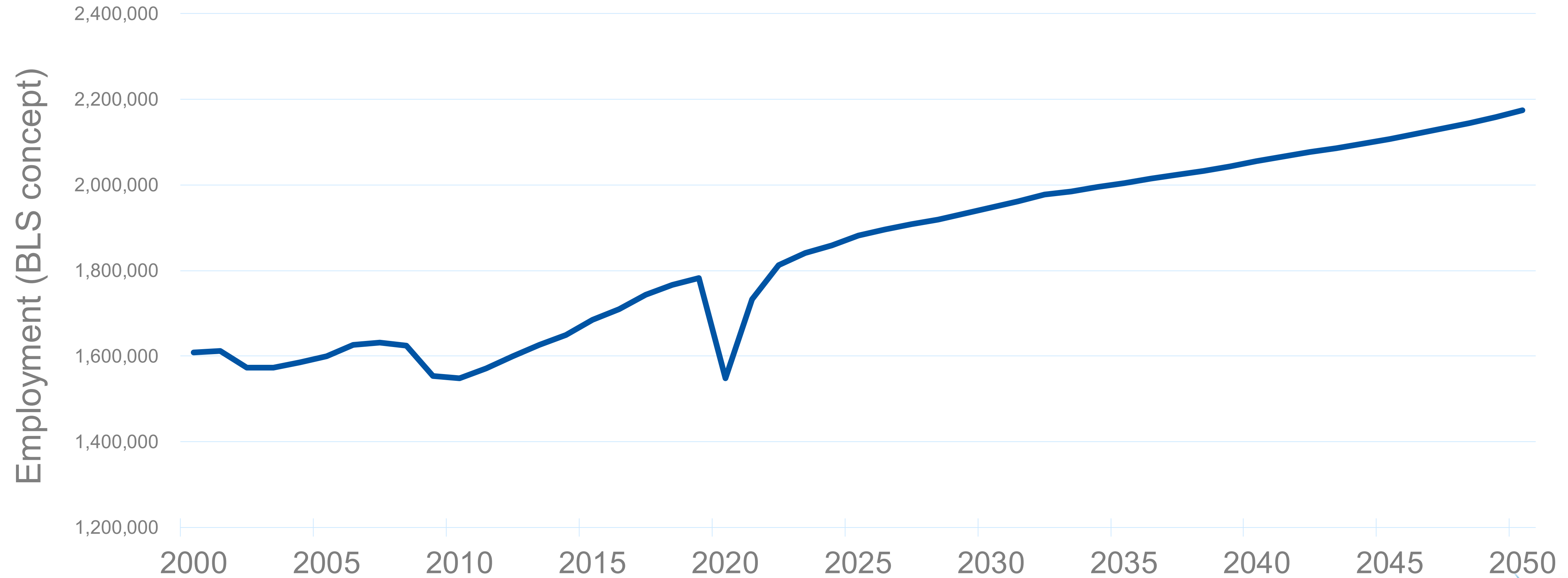


Source: 2010 population from Census Bureau; 2020-2050 from Metropolitan Council regional forecast (2021)



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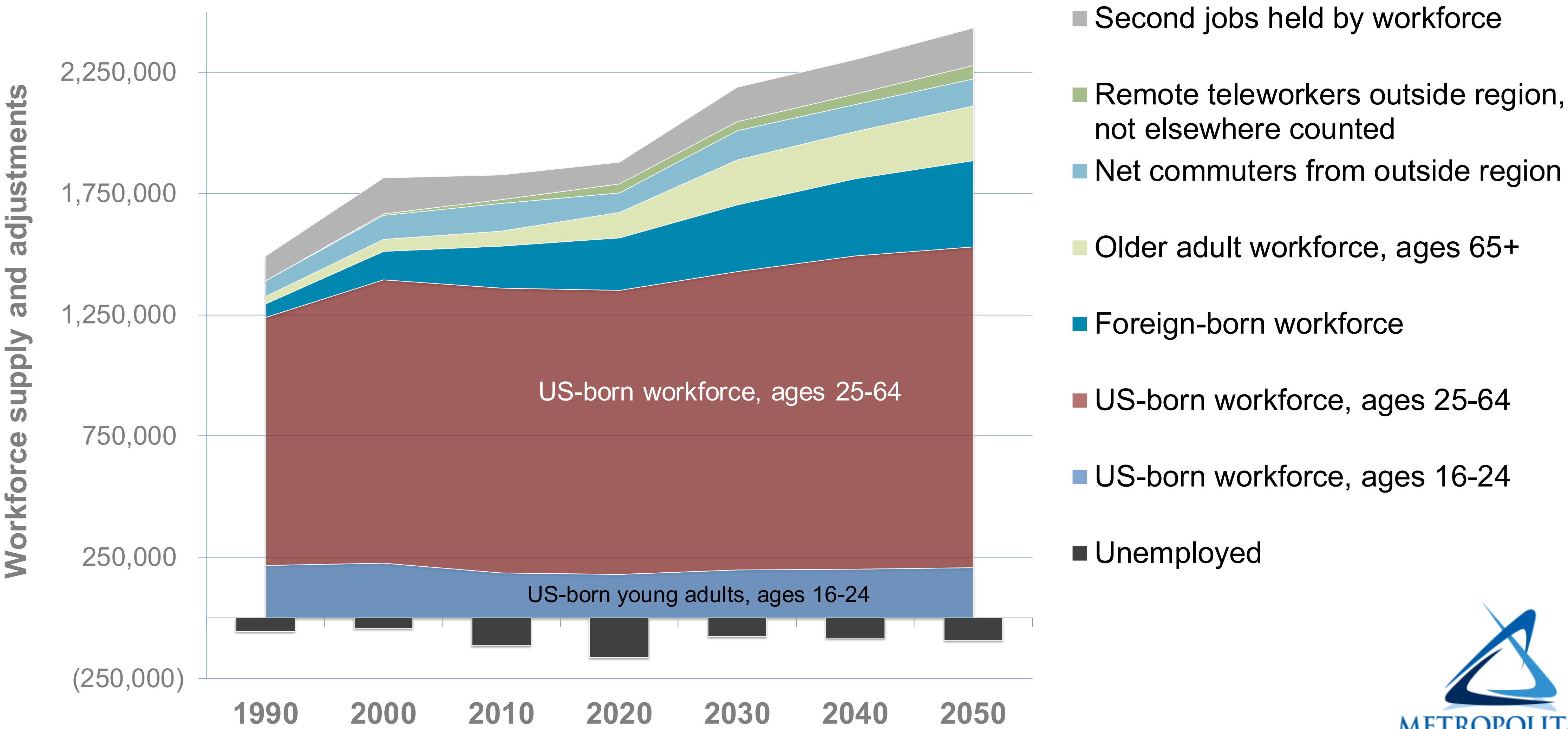
Employment: Rapid rebound now, steady growth going forward



Source: 2010-2021 employment from Minnesota DEED; all remaining data from Metropolitan Council regional forecast (2021)

Where will the next 442,000 workers come from?

MSP region workforce supply, 2021-2050



The forecast model highlights the main demographic trends

- The changing balance of natural growth and migration
- Growing racial and ethnic diversity
- Aging of the population
- Changing workforce supply sources
 - All these will drive change in activity patterns, housing demand, and workforce development pipelines
- Note: This week's release does **not** yet include a households forecast series

Why forecasts change

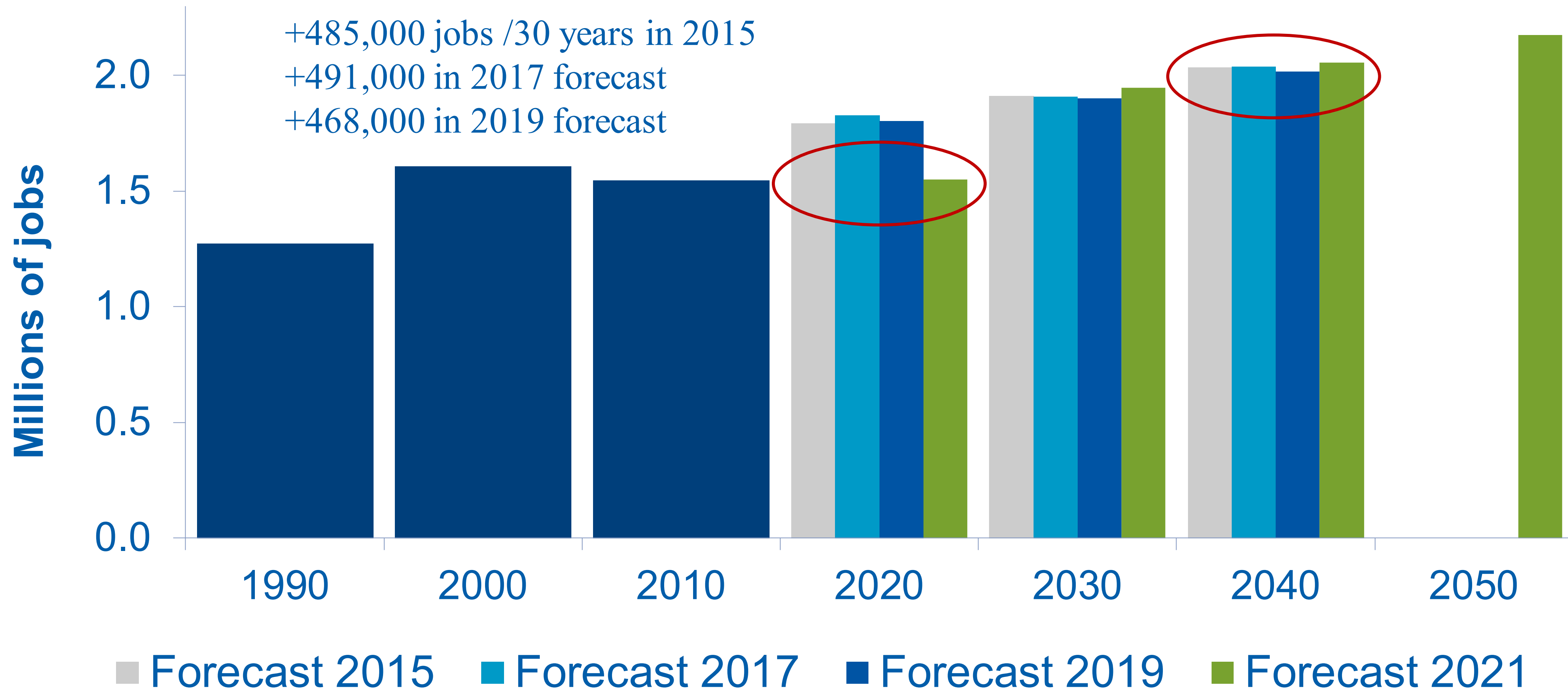
- Some changes in results are due to solution equations, programming
 - In this cycle, not an issue
- Or due to adjustment of demographic assumptions
- Or due to refresh of data inputs – filling in recent “actual” data
- Or... it’s not the model, but the world we live in changed

We've remained consistent on how we forecast

- Most settings and assumptions are the same now as in 2019
- Same approach, but with updated linked forecasts and other updated data inputs

Model component or dynamic	Notes
National macroeconomic forecast	Same approach, updated history and forecast
Employment by industry for nation and region	Same approach, updated history and forecast
Net international immigration to US	Short-term adjustments; otherwise same forecast 2023-2050
Net international immigration to region	Vendor's forecast update; stronger results this update
Labor force participation rates for nation	Vendor's forecast update, and short-term adjustment to 2023
Death rates for nation and region	Vendor's forecast update, and short-term adjustment to 2023
Birth rates for nation and region	Vendor's forecast update provides trend; same adjustment approach; stronger results this update
Domestic migration to region	Off-model adjustment to balance workforce supply and demand; added climate change-induced migration using Hauer (2017) projections

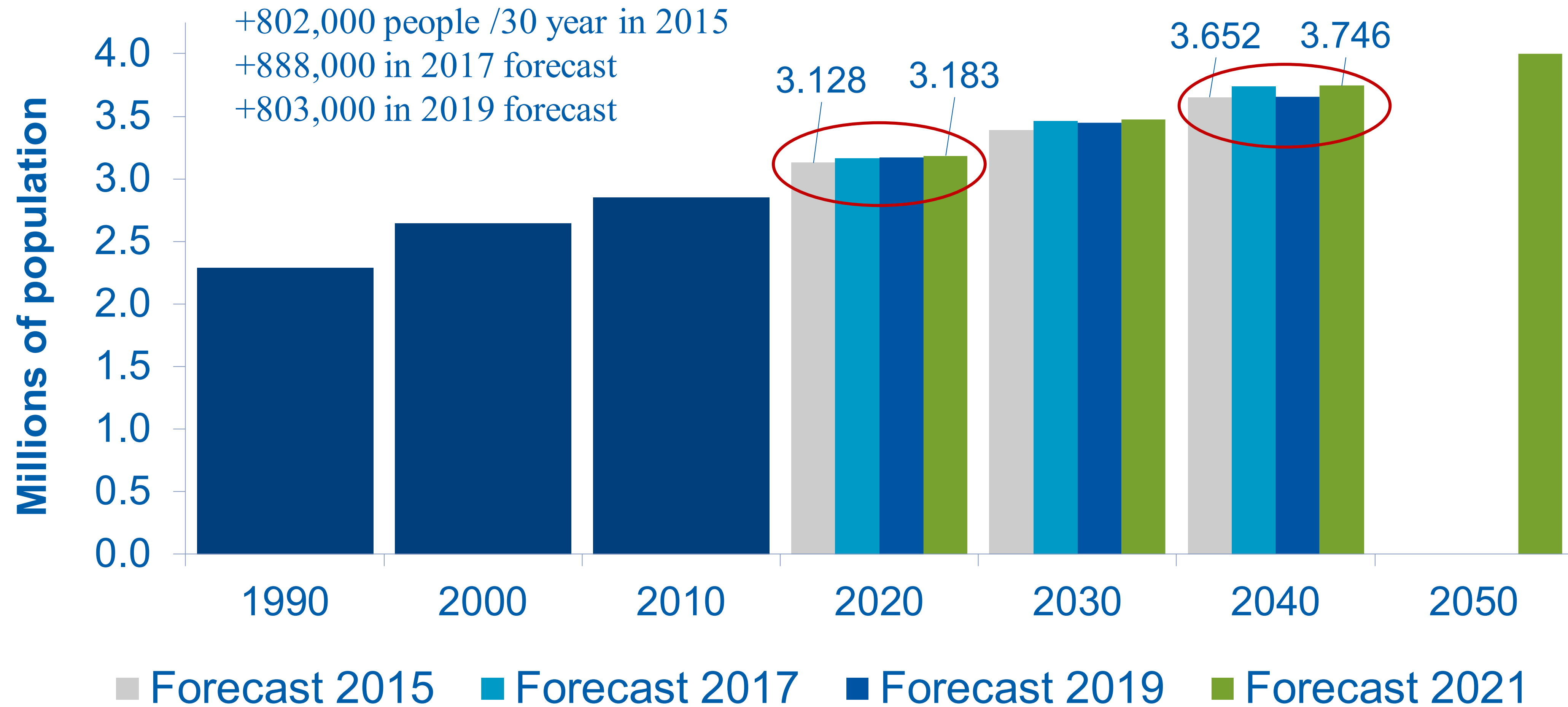
Employment growth: +507,000 during 2010-40



Source: Historical data from Minnesota DEED; forecasts from Metropolitan Council



Population growth: +896,000 during 2010-40



Source: Historical data from Census Bureau; forecasts from Metropolitan Council

Why forecasts change: 2021 update

- The adjustment of demographic assumptions
- The refresh of data inputs – filling in recent “actual” data
- And the world we live in changed
 - Black Swan event: 2020 recession was not what we expected in Nov. 2019
- The longer tail of disrupted trends, post-2020:
 - Relative regional competitiveness is being re-set. Regions may perform differently.
 - Our model (and others) evaluating regional economies differently. This is seen in the +2% bump in MSP region employment forecast results.

For more information

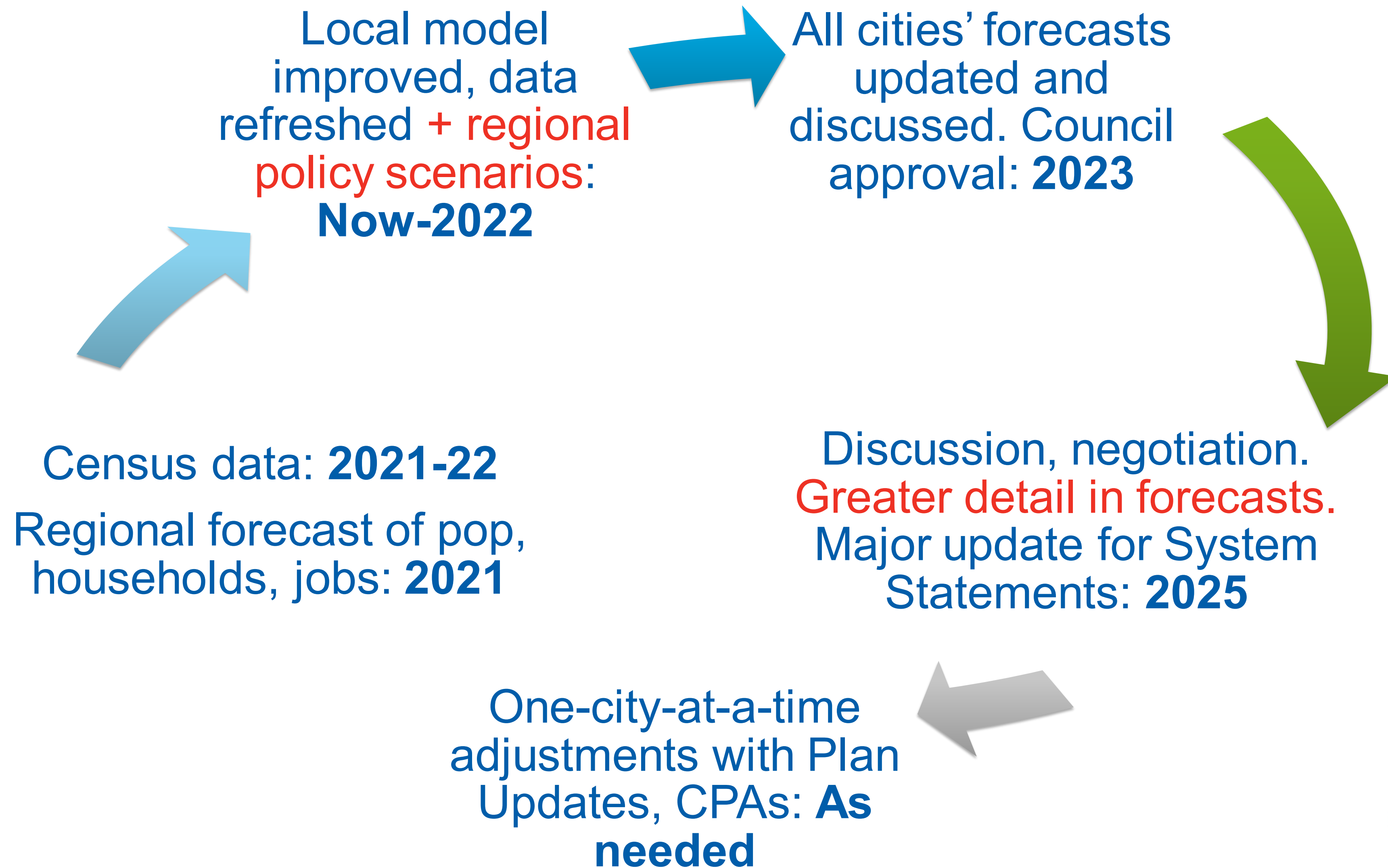
Online at metro council.org/forecasts

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

Local forecasts maintained on a separate track

- Last complete update of local forecasts was in 2014-2015, prior to System Statements issuance
- Next complete update of local forecasts, in 2022-2023, will inform the Metro Development Guide
- The regional forecast provides totals for the forthcoming local forecasts
 - Adding the context of where 820,000 new residents will live

We'll discuss forecasts further as we begin planning for 2050



Regional forecast update

Population and employment growth to 2050

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