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?

<table>
<thead>
<tr>
<th>Past experience: the Great Recession upended the economy, development, and everyone’s expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lesson: Keep the regional forecast fresh</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Best practice: Forecast update acknowledges changes in the nation-level economy, context and assumptions</th>
</tr>
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<tbody>
<tr>
<td>• Council staff have prepared updates in 2015, 2017, 2019, and now</td>
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</table>

<table>
<thead>
<tr>
<th>Local forecasts are maintained on a separate track</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Adjusted one city at a time</td>
</tr>
<tr>
<td>• When local governments ask or when local plan changes necessitate</td>
</tr>
</tbody>
</table>
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

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

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

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

- **Latino**
- **Asian and other races**
- **Black Non-Latino**
- **White Non-Latino**

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Latino</strong></td>
<td>168,000</td>
<td>212,000</td>
<td>274,000</td>
<td>342,000</td>
<td>413,000</td>
</tr>
<tr>
<td><strong>Asian and other races</strong></td>
<td>271,000</td>
<td>365,000</td>
<td>464,000</td>
<td>570,000</td>
<td>680,000</td>
</tr>
<tr>
<td><strong>Black Non-Latino</strong></td>
<td>237,000</td>
<td>328,000</td>
<td>423,000</td>
<td>536,000</td>
<td>671,000</td>
</tr>
<tr>
<td><strong>White Non-Latino</strong></td>
<td>2,179,000</td>
<td>2,278,000</td>
<td>2,316,000</td>
<td>2,297,000</td>
<td>2,236,000</td>
</tr>
</tbody>
</table>

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

- **Ages 75+**: 11 percent in 2010
- **Ages 65-74**: double by 2030
- **Ages 65-74 and 75+ triple by early 2040s**
- **Ages 65+**: 22 percent in 2050

Source: 2010 population from Census Bureau; 2020-2050 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)
Where will the next 442,000 workers come from? MSP region workforce supply, 2021-2050

- US-born young adults, ages 16-24: 250,000
- US-born workforce, ages 25-64: 750,000
- Foreign-born workforce: 1,250,000
- Older adult workforce, ages 65+: 1,750,000
- US-born workforce, ages 16-24: 2,250,000
- US-born workforce, ages 25-64: 2,500,000
- Net commuters from outside region:
- Remote teleworkers outside region, not elsewhere counted:
- Second jobs held by workforce:
- Unemployed:

Year:
- 1990
- 2000
- 2010
- 2020
- 2030
- 2040
- 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

<table>
<thead>
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<th>Model component or dynamic</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>National macroeconomic forecast</td>
<td>Same approach, updated history and forecast</td>
</tr>
<tr>
<td>Employment by industry for nation and region</td>
<td>Same approach, updated history and forecast</td>
</tr>
<tr>
<td>Net international immigration to US</td>
<td>Short-term adjustments; otherwise same forecast 2023-2050</td>
</tr>
<tr>
<td>Net international immigration to region</td>
<td>Vendor’s forecast update; stronger results this update</td>
</tr>
<tr>
<td>Labor force participation rates for nation</td>
<td>Vendor’s forecast update, and short-term adjustment to 2023</td>
</tr>
<tr>
<td>Death rates for nation and region</td>
<td>Vendor’s forecast update, and short-term adjustment to 2023</td>
</tr>
<tr>
<td>Birth rates for nation and region</td>
<td>Vendor’s forecast update provides trend; same adjustment approach; stronger results this update</td>
</tr>
<tr>
<td>Domestic migration to region</td>
<td>Off-model adjustment to balance workforce supply and demand; added climate change-induced migration using Hauer (2017) projections</td>
</tr>
</tbody>
</table>
Employment growth: +507,000 during 2010-40

+485,000 jobs /30 years in 2015
+491,000 in 2017 forecast
+468,000 in 2019 forecast

Source: Historical data from Minnesota DEED; forecasts from Metropolitan Council
Population growth: +896,000 during 2010-40

+802,000 people /30 year in 2015
+888,000 in 2017 forecast
+803,000 in 2019 forecast

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 metrocouncil.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

- Local model improved, data refreshed + regional policy scenarios: Now-2022
- All cities’ forecasts updated and discussed. Council approval: 2023

- Census data: 2021-22
- Regional forecast of pop, households, jobs: 2021

One-city-at-a-time adjustments with Plan Updates, CPAs: As needed
Regional forecast update

Population and employment growth to 2050

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