LONG-RUN REGIONAL ECONOMIC FORECASTING: A REVIEW OF THE METHODOLOGIES

Zsuzsanna Zsibók, Centre for Regional Studies of the Hungarian Academy Of Sciences, Hungary

In Hungary, regional inequalities are increasing fast, regarding their ranges of appearance and their spatial scope. Some authors even refer to this process as the tearing up of the country, and urge policy interventions. The political promises of eliminating the spatial inequalities and the rapid catching-up of the backward regions proved unrealistic, and effective spatial policy can work only on the basis of a comprehensive knowledge about the spatial processes. My research may constitute some contribution to this knowledge through investigating the methodologies of long-run regional economic forecasting.

In the presentation I intend to review, systemize and evaluate the literature on the practical implementation of regional economic forecasting methods. As suggested by the literature, long-run economic forecasting is best performed with the help of structural models which are able to provide valid forecasts even when the economic environment is subject to radical changes. At the same time, (macro)econometric models perform better in short-run forecasting, however, these are vulnerable to the Lucas critique. Regional economic processes are often studied with the help of computable general equilibrium (CGE) models, and their spatial version, the spatial computable general equilibrium (SCGE) models which will also be reviewed. Finally, the research will focus on the method of regional downscaling of a national level forecast. Here, a macro model provides forecast for the most important macro variables, then these data are downscaled to a regional level with the help of statistical methods, such as a factor model. This exercise suggests that a combination of different forecasting techniques may be useful to arrive at a plausible model based on the Hungarian regional data (preferably at the NUTS 2 level).