

## **Empirical Evidence on the Use of the FLQ Formula for Regionalizing National Input-Output Tables: The Case of the Province of Córdoba, Argentina**

Topic: Regional Input-Output Modeling

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Regional input-output tables are a very useful tool for regional planning, yet constructing a survey-based regional table can be a complex, expensive and lengthy task. As a result, regional tables based primarily on survey data are rare. An exception is the province of Córdoba in Argentina, which is fortunate in having a detailed survey-based table for the year 2003 with 124 sectors. Our primary aim is to make full use of this rich data set in assessing the relative performance of alternative non-survey methods for constructing regional tables. Our focus is on the application of the FLQ formula for regionalizing national input-output tables.\* Particular attention is paid to the problem of choosing a value for the unknown parameter  $\theta$  in this formula. Along with regional size, the value of  $\theta$  plays a crucial role in determining the adjustment for interregional trade in the FLQ approach. The paper seeks to add to the limited amount of empirical evidence that exists on the choice of an appropriate value for this parameter. Two alternative approaches that have been proposed in the literature are evaluated. The results indicate that one of these, which is based on a regression model that attempts to capture key regional characteristics, offers a promising way forward. A test is also carried out of differences between regional and national technology, and a way of making suitable adjustments for technological differences is examined.

\* See, for example, Flegg, A.T. and T. Tohmo (2013) Regional Input-Output Tables and the FLQ Formula: A Case Study of Finland. *Regional Studies*, 47, 703-21, first published on 25 August 2011 (iFirst), doi:10.1080/00343404.2011.592138.