

Construction of regional input-output tables using non-survey methods: CHARM and the FLQ

Topic: Regional input-output modeling 1

Author: Anthony Travers Flegg

Co-Authors: Timo Tohmo

This paper examines the effectiveness of a new non-survey regionalization method: Kronenberg's Cross-Hauling Adjusted Regionalization Method (CHARM). This aims to take into account the fact that regions typically both import and export most commodities. Data for Uusimaa, Finland's largest region, are employed to carry out a detailed empirical test of CHARM. This test gives very encouraging results. CHARM is suitable for studying environmental questions but it can only be applied in situations where foreign imports have been included in the national input-output table. Where the focus is on regional output and employment, location quotients (LQs) can be used for purposes of regionalization. On both theoretical and empirical grounds, the FLQ appears to be the most suitable LQ currently available. It should be applied to conventional national input-output tables, which exclude foreign imports. Both types of table are available at the national level for all European Union members, as well as for some other countries.

Keywords: regional input-output tables; cross-hauling; location quotients; CHARM; FLQ