

Methodology for the estimation of interregional trade coefficients from the approach of the supply and use tables: a multiregional approach at the subnational level.

Topic: Regional trade

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The construction of regional input-output matrices is required in Mexico for the diagnosis and territorial analysis that contributes to the understanding of spatially differentiated economic phenomenon and with it, to design policies in order to reduce inequality.

In the construction of regional input-output matrices based on the supply and use tables, the methodology used to identify trade flows between regions is a crucial and complex stage, since it constitutes the estimation of economic interactions between regions. This specific phase is barely treated in the regional product input literature from a perspective that recognize regional attributes.

The objective of this article is to present a methodological proposal for the estimation of inter-regional trade coefficients. For this, the approach of the supply and use tables will be used, which together with hybrid methods will estimate the commercial flows between the economic activities across regions, starting with the identification of productive chains by means of principal components, to later estimate trade coefficients from a multiregional interaction index at the subnational level. The research question is: What is the ideal procedure for the estimation of commercial coefficients based on hybrid methods, in order to recognize the economic interaction between regions within the framework of a multiregional model at the subnational level?

The formalized methodological proposal will be presented for the northern central region of Mexico for 2008, using the information on the 2008 input-output matrix and economic censuses. The paper is organized into four general sections in addition to the problem statement: 1. Literature Review , 2. Methodological proposal and 3. Multiregional subnational application, and 4. Conclusions

The novelty of the work consists in the approach used from the spatial dimension of the economy to estimate inter-regional trade coefficients based on regional economic interaction index.