

2021 State Latino GDP Report



Arizona

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Authors

Dan Hamilton, Ph.D. and Matthew Fienup, Ph.D.
California Lutheran University

David Hayes-Bautista, Ph.D. and Paul Hsu, Ph.D.
UCLA Geffen School of Medicine

California
Lutheran
University

UCLA Health

Center for the Study of
Latino Health and Culture



ABOUT THE AUTHORS

Dan Hamilton, Ph.D.

Principal Investigator
Director of Economics, Center for Economic Research & Forecasting
California Lutheran University

Matthew Fienup, Ph.D.

Executive Director, Center for Economic Research & Forecasting
California Lutheran University

Paul Hsu, M.P.H., Ph.D.

Faculty, Department of Epidemiology
UCLA Fielding School of Public Health

David Hayes-Bautista, Ph.D.

Director, Center for the Study of Latino Health & Culture
UCLA Geffen School of Medicine

Center for Economic Research & Forecasting (CERF)

CERF is a nationally recognized economic forecasting center, which provides county, state and national economic forecasts and custom economic analysis for government, business and nonprofit organizations. CERF economists Matthew Fienup and Dan Hamilton are members of the Wall Street Journal Economic Forecasting Survey, the National Association of Business Economics (NABE) Economic Outlook Survey, and the Zillow Home Price Expectations Survey (formerly, the Case-Shiller Home Price Expectations survey). CERF was awarded 2019 and 2020 Crystal Ball Awards for the Zillow Home Price Expectations Survey. CERF's U.S. home price forecast received multiple top-3 rankings among more than 100 forecasts included in the survey. CERF is housed at California Lutheran University, a federally designated Hispanic Serving Institution.

Center for the Study of Latino Health & Culture (CESLAC)

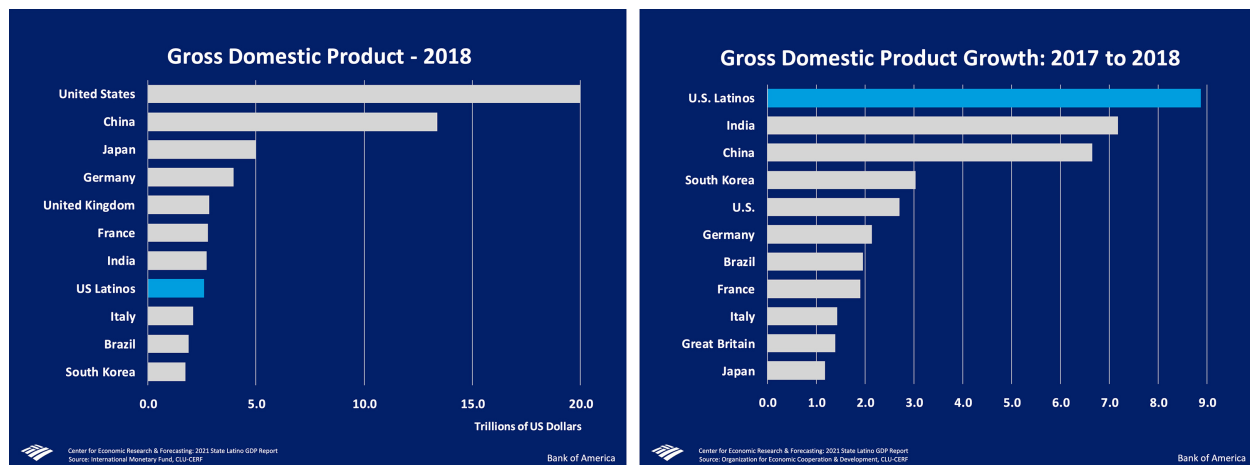
Since 1992, CESLAC has provided cutting-edge research, education and public information about Latinos, their health and their impact on California's economy and society. CESLAC is a resource for community members, business leaders and policy makers who want to gain insightful research and information about Latinos. It offers unparalleled insight into Latino issues through an approach that combines cultural research, demographic trends and historical perspective. In addition, it has helped the University of California meet its public service goal by increasing the effectiveness of their outreach to the Latino community.



U.S. Latino GDP

The *2020 LDC U.S. Latino GDP Report*¹ provides a factual view of the large and rapidly growing economic contribution of Latinos living in the United States. In that report, we estimate the U.S. Latino GDP based on a detailed, bottom-up construction which leverages publicly available data from major U.S. agencies. The most recent year for which the core building block is available is 2018. Thus, the report provides a snapshot of the total economic contribution of U.S. Latinos in that year².

As a summary statistic for the economic performance of Latinos in the United States, the 2018 Latino GDP is extraordinary. The total economic output (or GDP) of Latinos in the United States was \$2.6 trillion in 2018, up from \$2.3 trillion in 2017, and \$1.7 trillion in 2010. If Latinos living in the United States were an independent country, the U.S. Latino GDP would be the eighth largest GDP in the world. The Latino GDP is larger even than the GDPs of Italy, Brazil or South Korea.



While impressive for its size, the U.S. Latino GDP is most noteworthy for its extraordinary growth rate. Among the world's 10 largest GDPs in 2018, the Latino GDP was the single fastest growing. Latino real GDP grew 21 percent faster than India's and 30 percent faster than China's. Over the entire period from 2010 to 2018, the Latino GDP was the third fastest growing, while the broader U.S. economy ranked fifth. Latino GDP grew a remarkable 74 percent faster than non-Latino GDP from 2010 to 2018.

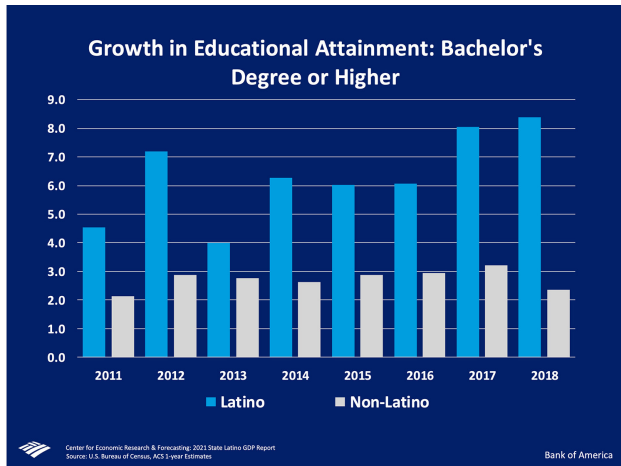
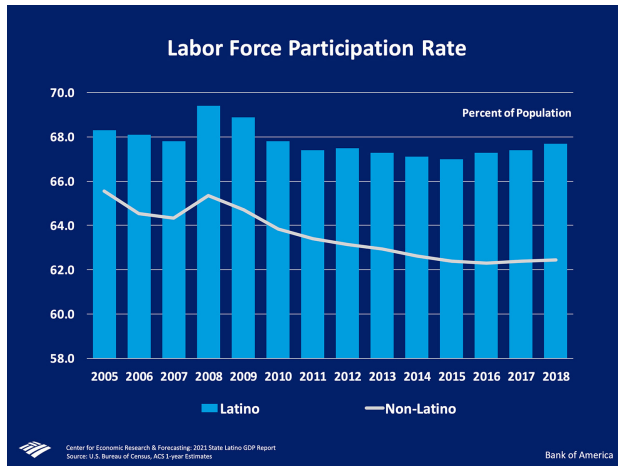
The single largest component of rapid Latino GDP growth since 2010 is personal consumption growth. From 2010 to 2018, Latino real consumption grew 135 percent faster than non-Latino consumption. This dramatic increase is driven by large gains in personal income, which naturally flow from Latinos' rapid gains in educational attainment and strong labor force participation. Whereas the U.S. had average wage and salary growth of just 5.1 percent over the previous five years, wage and salary growth for Latinos averaged 8.6 percent. From 2010 to 2018, growth in the number of people with a bachelor's degree or higher was 2.6 times more rapid for Latinos than Non-Latinos. And Latino labor

¹ 2020 LDC U.S. Latino GDP Report: <https://www.clucerf.org/2020/09/28/2020-ldc-u-s-latino-gdp-report/>

² Author's note: the estimates provided in this report are based on source data that are revised on a regular basis. As source data are revised, these U.S. and State level Latino GDP estimates will also be revised and updated to imbed the latest information.

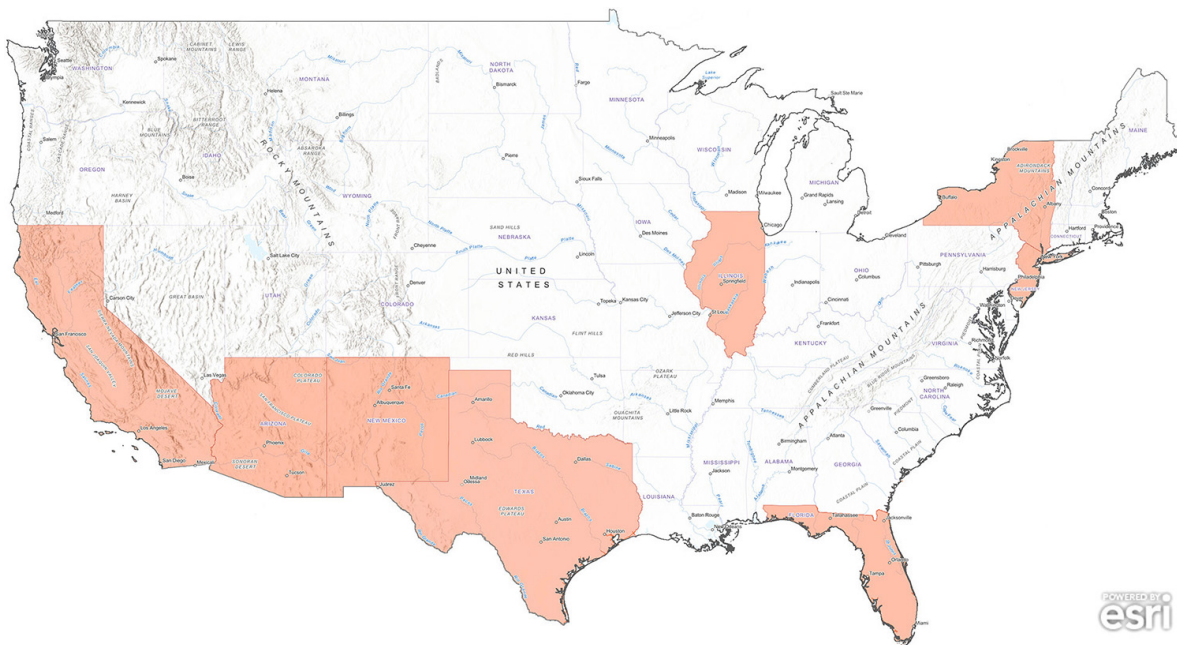


force participation in 2018 was 67.76 percent, more than five percentage points higher than non-Latino.



State Latino GDP: 8 Target States

The 2021 State Latino GDP Report builds on the U.S. Latino GDP report by providing detailed state-level analysis of the total economic contribution of Latinos, benchmarked against the broader U.S. Latino GDP. Arizona, California, Florida, Illinois, New Jersey, New Mexico, New York, and Texas collectively contain nearly three-quarters of the Nation's Latino population. The economic contribution of Latinos in these 8 states is even more impressive in a number of ways than that of the broader U.S. Latino cohort. The 8 had a combined 2018 Latino GDP of \$2.0 trillion dollars, representing 76% of the U.S. Latino GDP.

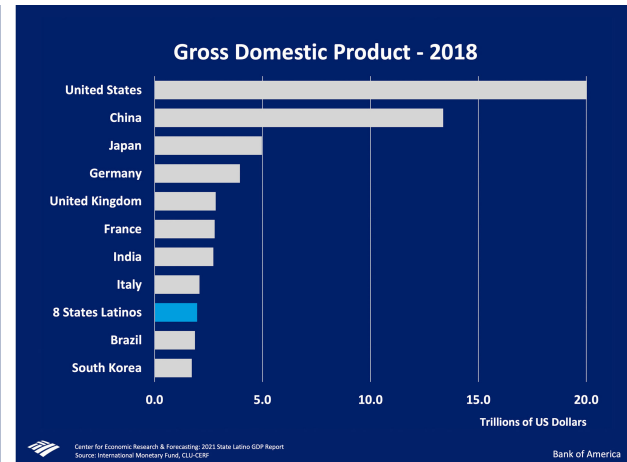
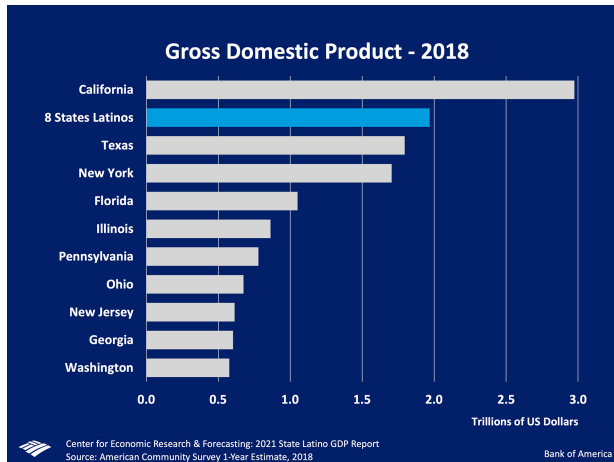


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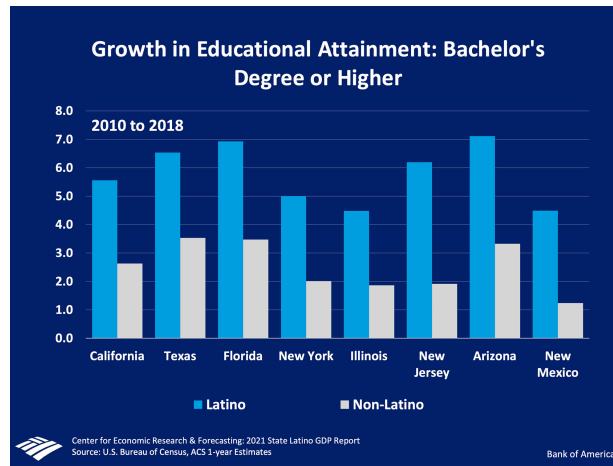
If these Latinos were a single state, they would produce the second largest State GDP in the nation. Second only to California, their GDP is 10 percent larger than the economy of Texas. These 8 state Latino GDPs are large even on the world stage. Treated as a single economy, Latinos in these 8 states produce greater economic activity than the entire country of South Korea (with a GDP of \$1.72 trillion) or Brazil (\$1.87 trillion). Latinos in these 8 states are the equivalent of the world's 9th largest GDP.



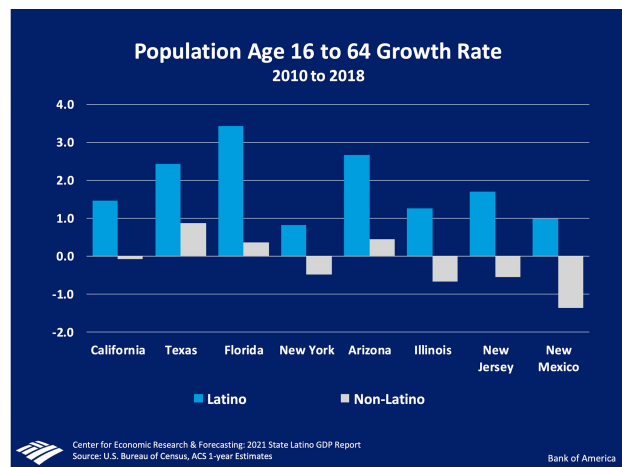
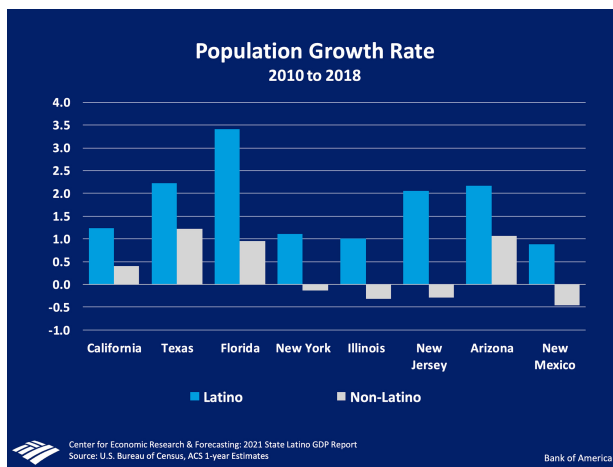
California's 2018 Latino GDP is \$707 billion. If it were its own state, the California Latino GDP would be the 7th largest state GDP, larger than the entire economic output of the state of Ohio. The Texas 2018 Latino GDP is \$476 billion, larger than the entire economy of Maryland, Colorado, or Minnesota. Florida's 2018 Latino GDP is \$259 billion, larger than the entire economy of Louisiana, Oregon or South Carolina. Even the smallest of the 8 target states is noteworthy. The Latino GDP of New Mexico is \$36 billion, larger than the entire economy of Vermont.

8 Target States		<i>Latino GDP</i>		<i>Statewide GDP</i>	
		Latino GDP	Share of U.S. Latino GDP	Statewide GDP	Share of U.S. GDP
		<i>billions of dollars</i>	<i>percent</i>	<i>billions of dollars</i>	<i>percent</i>
California		706.6	27.2	2,975.1	14.4
Texas		476.0	18.3	1,795.6	8.7
Florida		258.9	10.0	1,050.3	5.1
New York		202.3	7.8	1,705.0	8.3
Illinois		100.1	3.9	863.0	4.2
New Jersey		96.9	3.7	613.0	3.0
Arizona		91.9	3.5	350.7	1.7
New Mexico		36.0	1.4	100.1	0.5
United States		2,596.3	75.8	20,611.9	45.9

Sources: U.S. Bureau of Economic Analysis, Cal Lutheran University-CERF



As with the broader United States GDP and with the U.S. Latino GDP, the primary component of the 8-State Latino GDP is personal consumption. Aggregate consumption among Latinos in these states is \$1.36 trillion, representing a consumption market that is nearly 30 percent larger than the entire economy of the state of Florida. As with the broader U.S. Latino cohort, robust consumption is driven by rapid gains in income which result from human capital accumulation and strong labor force participation. Growth in Latino educational attainment in the 8 states is 2.6 times faster than Non-Latino, equal to the educational attainment growth premium enjoyed by U.S. Latinos.



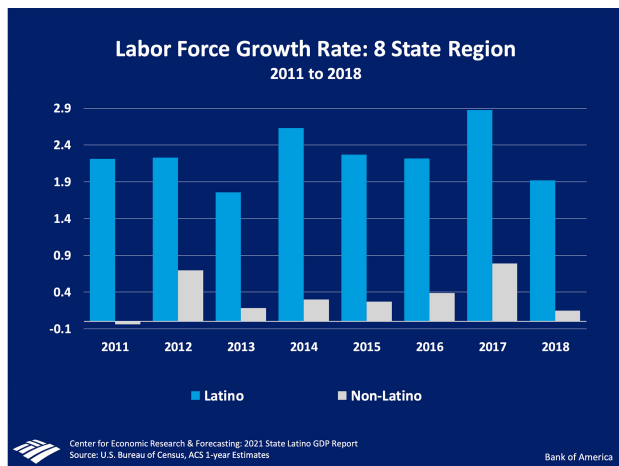
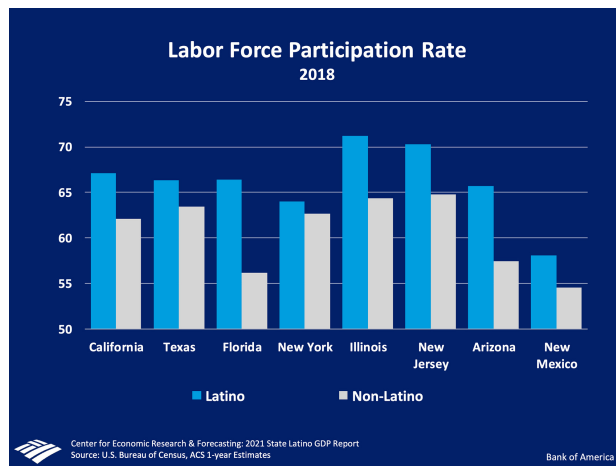
Latino population growth compares very favorably to that of Non-Latinos across all 8 states. Were it not for Latinos, the populations of New York, Illinois, New Jersey and New Mexico would have contracted. Non-Latino population growth was negative from 2010 to 2018 in each of these four states, but Latino population growth was strong enough to turn each state's population growth positive overall. Even in those states with strong Non-Latino population growth, Latino population growth enjoys a substantial growth premium. Across all 8 states, population growth among Latinos was 4.4 times faster than population growth among non-Latinos, between 2010 and 2018.

In addition to having a population that is growing more rapidly, Latinos have a younger median age than non-Latinos. In 2018, the Median Age for U.S. Latinos was 29.5 years. For Non-Latinos, it was



40.6 years. Due to their age distribution, Latinos are adding substantial numbers of people in each of the 8 states to the critical category of working age adults, defined as ages 18-64. Meanwhile, Non-Latinos are experiencing a high concentration of population in the 55-64 year age range, the cohort of near-retirees. Were it not for Latinos, the working age populations of California, Illinois, New Jersey, New Mexico, and New York would have actually contracted from 2010 to 2018. Only Arizona, Florida and Texas have growing Non-Latino working age populations.

In addition to contributing large numbers to the population of working age adults, Latinos are also significantly more likely to be actively working or seeking work than non-Latinos. Across all 8 states featured in this report, the Latino labor force participation rate is substantially higher than that of Non-Latinos. Four of the 8 states enjoy a labor force participation premium that is even larger than the 5.3 percentage point premium enjoyed by Latinos nationally. Florida Latinos are a remarkable 10.3 percentage points more likely to be actively working than their Non-Latino counterparts. Arizona's participation premium is an impressive 8.2 percentage points. In Illinois, the premium is 6.9 percentage points. In New Jersey, it is 5.5 percentage points.



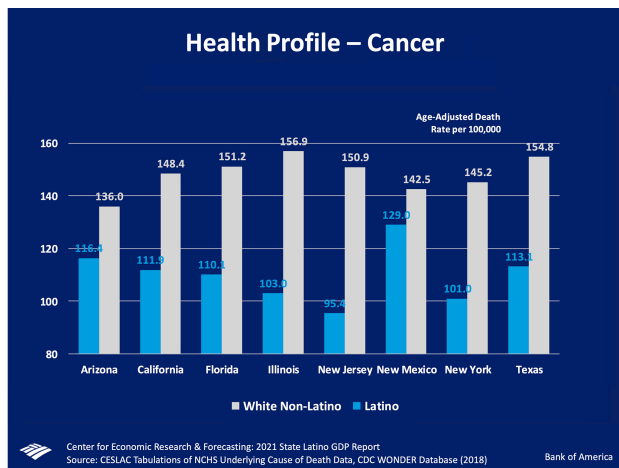
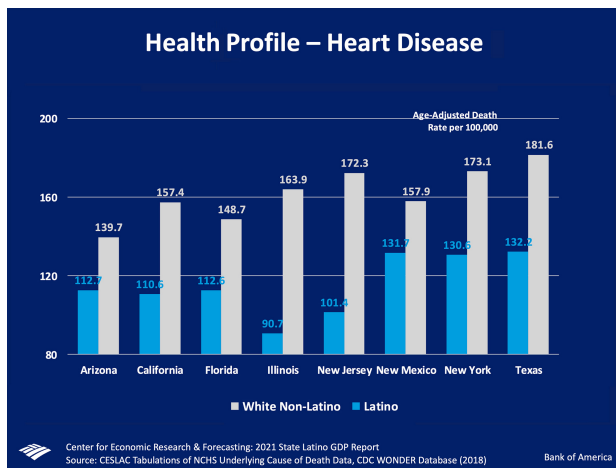
The younger age distribution, strong population growth, and higher labor force participation rate of Latinos in the 8 states has resulted in strong and consistent contributions to each state's labor force. Despite being only 31 percent of the population of the 8 states, Latinos are responsible for 72 percent of the growth of the labor force from 2010 to 2018.

The importance of labor force growth cannot be overstated. According to Federal Reserve economists, the number of people retiring in the U.S. is forecasted to peak in 2022 at close to 350,000 mostly non-Latino Baby-Boomers retiring each month. This dangerous shortage of workers is a demographic crisis which threatens the country's ability to maintain even modest economic growth over the next two decades. Fortunately, Latinos are already well on their way to rescuing these 8 states and the broader nation from this demographic time bomb.

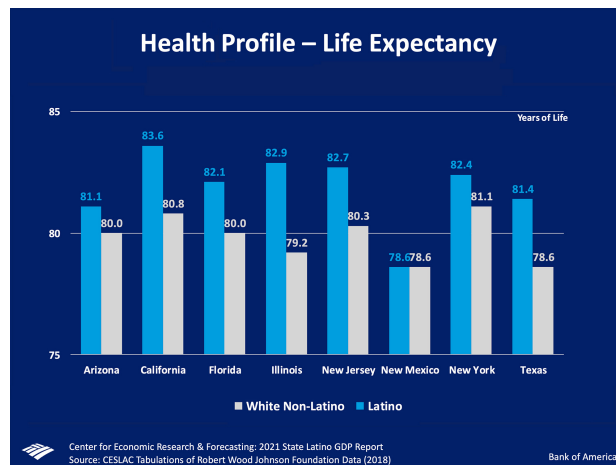
On top of more rapid population and labor force growth, more rapidly increasing educational attainment and incomes, Latinos in both the 8 states and the broader country enjoy stronger health outcomes than their non-Latino counterparts. Currently, the top four causes of death in the U.S. are heart disease, cancer, unintentional injuries (accidents), and chronic lower respiratory diseases



(CLRD). Compared to non-Hispanic whites, Latinos in each of the 8 target states have an age-adjusted death rate that is significantly lower for each of these causes of death.



Life expectancy is one of the key summary statistics for the health of a population. In the 8 target states, the average life expectancy for Latinos ranges from being equal to that of non-Latino Whites to being three years longer. For the entire U.S., Latinos can expect to live an average of 81.8 years compared to 78.5 years for non-Latino Whites. Illinois boasts the largest Latino Life Expectancy premium. At birth, a Latino living in Illinois can expect to live a full 3.7 additional years than a non-Latino White counterpart.



A healthy population is often an economically productive population. An unhealthy population, however, can actually reduce productivity as well as drive up healthcare expenditures. The National Center for Chronic Disease Prevention and Health Promotion estimates that heart disease and stroke cost the US economy \$138 billion every year in lost productivity and incur \$214 billion in healthcare expenditures.⁴

⁴ Centers for Disease Control and Prevention. Health and economic costs of chronic diseases. <https://www.cdc.gov/chronicdisease/about/costs/index.htm>



Lower mortality for chronic and other noncommunicable causes of death and longer life expectancy – the strong Latino health profile provides a foundation for decades of Latino GDP growth.

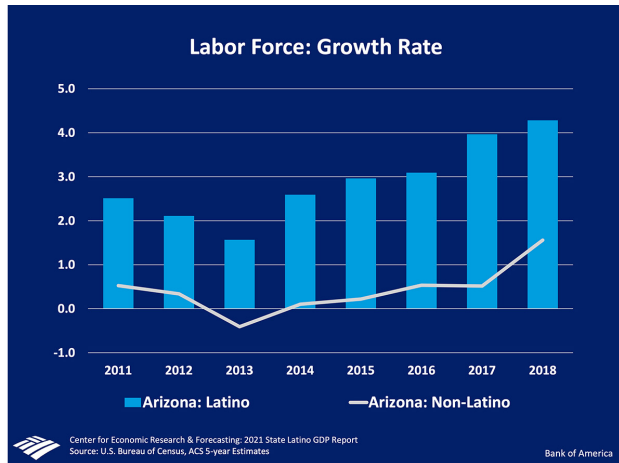
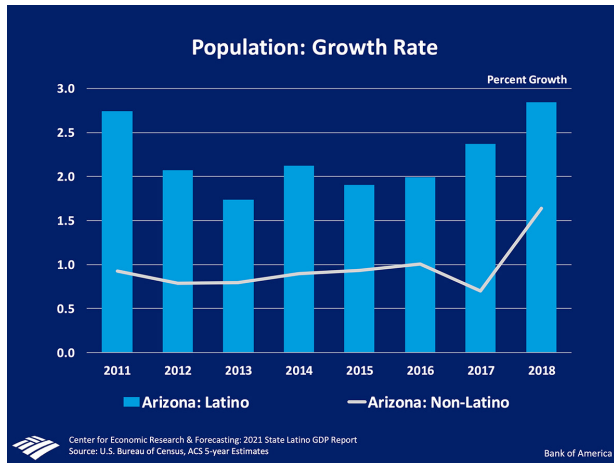
State Latino GDP: ARIZONA

Arizona’s 2018 Latino GDP is \$91.9 billion, larger than the entire economic output of the state of New Hampshire. The state’s top five 2018 Latino GDP sectors are: Education & Healthcare (16.9% share of the Arizona Latino GDP), Finance & Real Estate (12.9%), Professional & Business Services (11.8%), Government (9.7%), and Leisure & Hospitality (8.4%). The largest component of Arizona’s Latino GDP is personal consumption. Latino consumption totaled more than \$60.7 billion in Arizona in 2018.

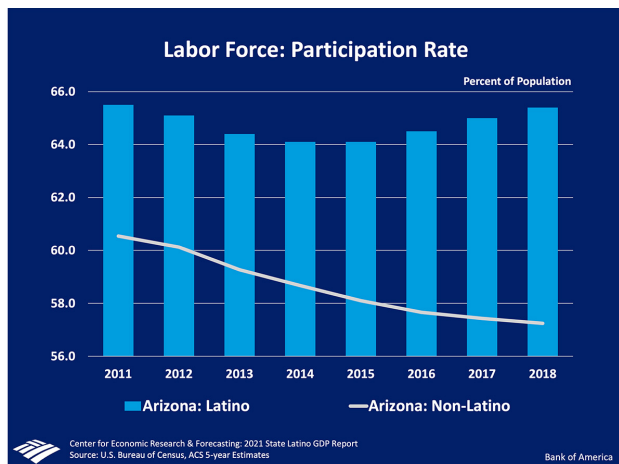
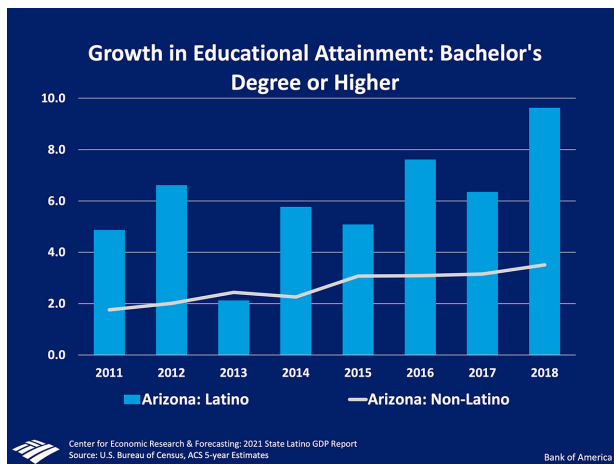
Arizona: Gross Domestic Product		
	Latino GDP Industry Share <i>percent</i>	Statewide GDP Industry Share <i>percent</i>
Agricultural/Natural Resources	1.6	0.7
Mining/Quarrying	1.8	1.5
Construction	7.6	4.8
Durables Manufacturing	5.1	6.9
Non-Durables Manufacturing	2.7	1.4
Wholesale Trade	5.1	5.6
Retail Trade	5.3	7.0
Transportation/Warehousing/Utilities	5.6	5.2
Information/Technology	3.1	3.5
Finance/Insurance/Real Estate	12.9	23.0
Professional/Business Services	11.8	11.3
Education/Healthcare/Social Assistance	16.9	9.7
Leisure/Hospitality	8.4	4.8
Personal/Repair/Maintenance Svcs	2.4	2.0
Government Services	9.7	12.6
Total All Industries	100	100

Sources: U.S. Bureau of Economic Analysis, Cal Lutheran University-CERF

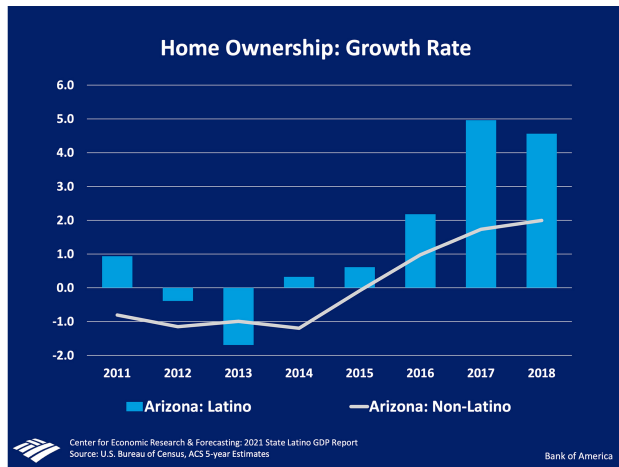
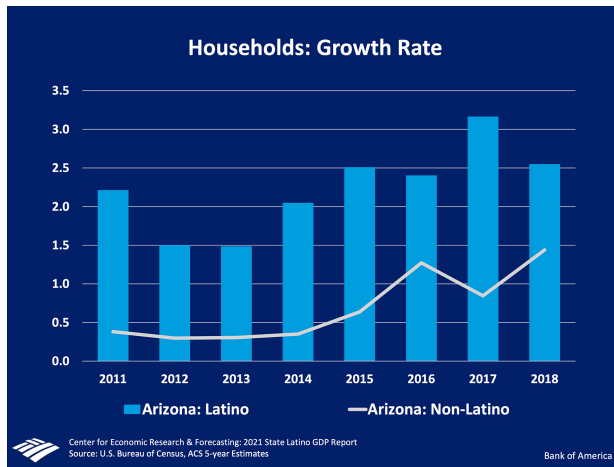
Four different industry sectors account for out-sized shares of the state’s Latino GDP. For example, while Education & Healthcare accounts for only 9.7 percent of Arizona GDP, it accounts for 16.9 percent of the Arizona Latino GDP. Three other industry sectors account for a substantially larger share of the Arizona Latino GDP than the corresponding share of the broader state GDP. These include Construction, Non-Durable Manufacturing, and Leisure & Hospitality. In general, Arizona’s Latino economy is highly diversified. In this way, not only are Latinos an engine of economic growth, but they also provide a broad foundation of support for the state’s economy.



Latinos are making strong and consistent contributions to Arizona's population and labor force. While the population of Arizona increased steadily from 2010 to 2018, Latino population growth was nearly two and a half times that of Non-Latinos. From 2010 to 2018, Arizona's Non-Latino population grew by just less than 8 percent. Over that same period, the state's Latino population grew by 19 percent. The Latino labor force growth premium is even more impressive. From 2010-18, Arizona's Latino labor force grew nearly seven and a half times as quickly as the Non-Latino labor force (25.5 percent growth for Latinos compared to 3.4 percent for Non-Latinos).

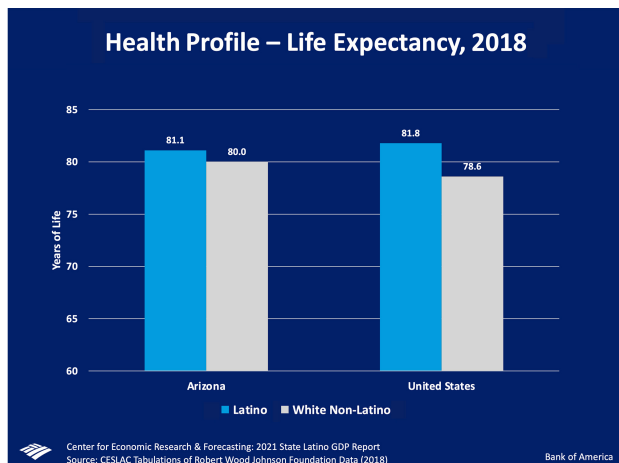
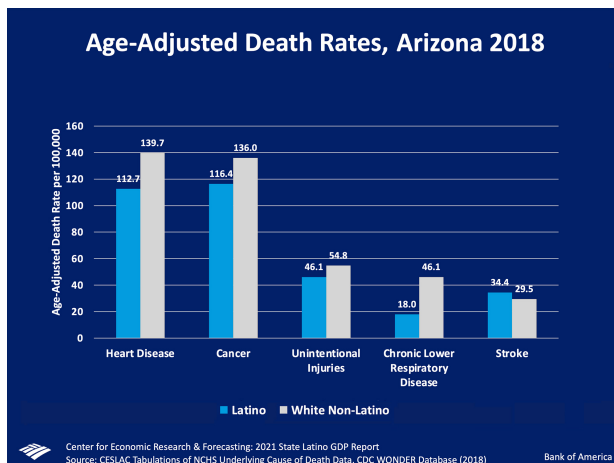


The economic contribution of Latinos in Arizona, as with U.S. Latinos broadly, is driven by rapid gains in human capital, strong work ethic, and a positive health profile. From 2010 to 2018, Latino educational attainment grew at a rate 2.5 times faster than the educational attainment of Non-Latinos. Over those 9 years, Arizona Latinos' labor force participation rate was an average of 6.0 percentage points higher than Non-Latinos. In 2018, Latino labor force participation was a full 8.2 percentage points higher.



Latinos provide a very large and positive demographic punch in Arizona through both the addition of workers and the formation of households. The number of Latino households grew at a rate 3.4 times that of Non-Latinos. From 2010 to 2018, the number of Latino households in Arizona grew nearly 19.3 percent, while the number of Non-Latino households grew just 5.7 percent. A healthy rate of household formation is vital to economic growth, as new households increase current and future economic activity.

The growth of Latino households is accompanied by strong growth of Latino home ownership. While both Latino and non-Latino home ownership declined during the years following the Great Recession, since 2014, growth of Latino home ownership has been consistently positive and significantly higher than that of Non-Latinos. By comparison, the number of Non-Latino homeowners in Arizona was essentially flat between 2010 and 2018. From 2010 to 2018, the number of Latino homeowners in Arizona grew by 11.9 percent. During those same years, homeownership among Non-Latinos grew by only 0.4 percent.



Latinos in Arizona also boast stronger health outcomes than their non-Latino counterparts. In the United States in 2018, the top causes of death were heart disease, cancer, unintentional injuries, chronic lower respiratory disease and stroke. In Arizona, the Latino age-adjusted mortality rates for four of the five top causes of death are lower than Non-Hispanic White rates. Latino rates range from approximately 14 to 61 percent lower. Arizona Latinos' age-adjusted mortality rate is 14.4



percent lower than the state’s White Non-Latinos for cancer and 19.3 percent lower for heart disease. Latinos’ rate of respiratory disease is a remarkable 61.0 percent lower. Arizona Latinos also enjoy greater longevity, with a life expectancy that is more than one year longer than Non-Hispanic Whites (81.1 years compared to 80.0).

The family values, hard work, and strong health profile of Latinos in Arizona and in the U.S. are a tremendous source of economic vitality.

Arizona: Headline Characteristics		Arizona		
	Latino Measure	Statewide Measure	Latino Share of Statewide (percent)	
Gross Domestic Product (\$-billions)	91.9	350.7	26.2	
Personal Consumption Expenditures (\$-billions)	60.7	264.4	23.0	
Population (thousands)	2,266.3	7,171.6	31.6	
Labor Force (thousands)	1,062.7	3,417.0	31.1	
Employment (thousands)	999.0	3,232.5	30.9	
Households (thousands)	608.7	2,614.3	23.3	
Home-Owning Households (thousands)	327.5	1,694.4	19.3	
Education of BA/BS or higher (thousands)	172.0	1,438.5	12.0	

Sources: U.S. Bureau of Census (1-yr ACS), Cal Lutheran University-CERF



AZ’s Largest Latino Metro-Area

Arizona’s largest metropolitan area by Latino population is the Phoenix – Mesa – Scottsdale Metropolitan Statistical Area (MSA). In 2018, there were more than 1.5 million Latinos living in the Phoenix MSA, accounting for 31 percent of the total metro area population. From 2010 to 2018, Latino population growth was 1.7 times that of Non-Latinos. The Latino population grew 21.6 percent compared to 12.7 percent for Non-Latinos

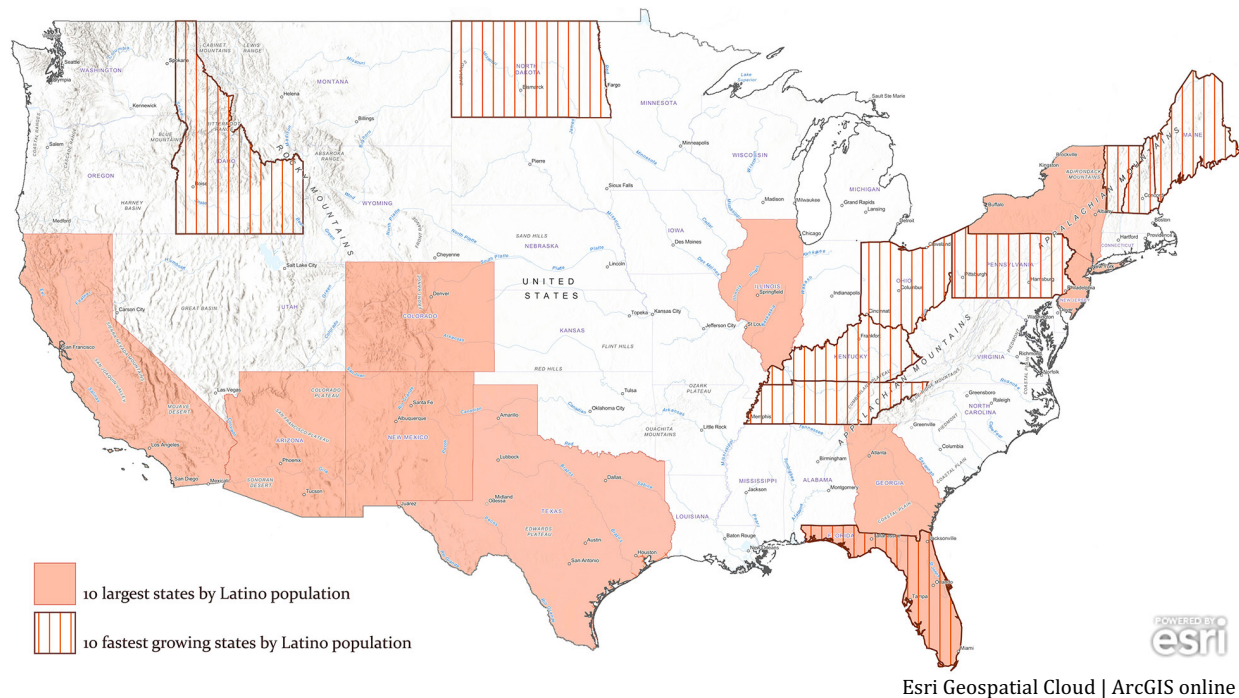


The Geography of the Latino GDP

Seeing the dramatic economic impact of Latinos living in Arizona and the other 7 states, one might be misled to think that this extraordinary impact must be concentrated within a narrow geographic region of the country. In fact, these 8 states are merely examples of nationwide phenomenon.

As we have noted for years, the story of the dramatic economic contribution of Latinos in the U.S. is foremost a story of extraordinary growth. The largest states by Latino population, in many instances, are adding the largest numbers of Latinos on an annual basis. In terms of people added, the fastest growing Latino populations are Texas, California and Florida. Texas added 852 thousand Latinos from 2015 to 2019. Florida added 700 thousand, and California added 390 thousand⁵. But ranked by percentage growth, we see that the fastest growing state Latino populations are spread far and wide across the United States. Comparing all 50 states, the three fastest growing states by Latino population are New Hampshire, Vermont and North Dakota. These three, along with Tennessee and Kentucky have Latino populations which grew 15 percent or more between 2015 and 2019. Of the ten fastest growing states by Latino population, only Florida (the ninth fastest growing) is among the 10 largest states by Latino population.

Largest & Fastest Growing States by Latino Population



With the exception of Florida, the major hotspots for the growth of Latino population and thus the growth of the Latino GDP are *outside* of the 8 states featured in this report. Thus, Latinos will continue to drive economic growth and be a source of economic resilience in places like California, Arizona and Texas. But the biggest impact of Latinos in the years ahead is likely to be seen in places less obvious, places like Idaho, North Dakota, Ohio and Tennessee.

⁵ U.S. Bureau of Census, ACS 1-year Estimates



Methodology

The starting point for the state-specific Latino GDP estimates in this report is the U.S. Latino GDP calculations undertaken by Hamilton, Fienup, Hayes-Bautista, and Hsu in the LDC U.S. Latino GDP Report (Hamilton et al. 2019, 2020). Those calculations are based on publicly available national economic data as well as a wide set of nation-wide measures of Latino-specific demographics and economic activity. The state-specific Latino GDP calculations start with the U.S. Latino GDP estimates and add standard state-level economic datasets, along with a wide set of state-specific measures of Latino demographics and Latino economic activity.

For national and state Latino GDP, we compute Latino versions of seven major expenditure components across many commodity definitions of economic activity. The level of detail includes 71 categories of commodities for the U.S. analysis. Those categories are aggregated into 21 broader commodity categories for the state-level analysis.⁶ Our analysis requires detailed data from the U.S. Bureau of Economic analysis on GDP, income, expenditure, employment, and prices across all of the states and the nation. We also utilize the U.S. Input-Output (I-O) table, the foundation for the national income accounting system that produces GDP breakouts by expenditure type, income type, and industry sector. This effort also requires data on economic and demographic activity broken out by ethnicity, so that we can compute Latino shares of expenditures at a detailed industrial sector level. The Latino-specific data are sourced from the American Community Survey (BOC-ACS), integrated public use microdata series (BOC-UMN-IPUMS), the American Housing Survey (BOC-AHS), the Current Population Survey (BOC-CPS), the Population Estimates program (BOC-POPEST), the Housing Vacancy Survey (BOC-HVS), and the Consumer Expenditure Survey (BLS-CEX). The Latino GDP is calculated as the sum of Latino-specific measures of the seven major expenditure categories.

To compute the industry breakdowns of Latino GDP, for the states and the nation, we utilize BEA measures of income by type for all ethnicities, along with IPUMS data on Latino income by type. These data provide a way to calculate Latino-specific versions of three major income categories across 21 industries. The sum of these major income categories provides the industry breakdown of Latino GDP.

As with standard GDP estimates by the BEA, our Latino GDP estimates are based on a detailed bottom-up calculation. The State Latino measures can be decomposed to seven major expenditure components, and they can be split out into 21 separate industrial sectors. The seven expenditure categories are: Personal Consumption, Residential Investment, Nonresidential Investment, Change in Inventories, Exports, Imports, and Government Consumption and Investment. The 21 industrial sectors are provided in the following table:

⁶ Commodities and industries both follow the NAICS classification scheme, but are conceptually different in that industries are the outputs of the production processes by sector, and commodities are the inputs to the production process by sector.



Table 1: Latino GDP Industry Categories

Agricultural/Natural Resources
Mining/Quarrying
Utilities
Construction
Durables Manufacturing
Non-Durables Manufacturing
Wholesale Trade
Retail Trade
Transportation/Warehousing
Information/Technology
Finance/Insurance
Real Estate, Rental, Leasing
Professional, Scientific, Technical Services
Management of Establishments
Administrative, Waste Remediation
Educational Services
Health Care and Social Assistance
Arts, Entertainment, Recreation
Accommodation and Food Services
Personal, Repair, Maintenance Services
Government Services

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