

Economics Group

Special Commentary

Eugenio J. Alemán, Senior Economist
eugenio.j.aleman@wellsfargo.com • (704) 715-0314

An Update on the U.S. Hispanic Market

The U.S. Hispanic Market According to the 2010 Census

On April 1, 2010, the U.S. Census indicated that the count on U.S. population had increased by 27.3 million people, which means that the U.S. population rose 9.7 percent from 2000 to 2010, down from a growth rate of 13.2 percent during the previous decade. According to the Census Bureau, more than half of the 9.7 percent growth in the U.S. population was due to the increase in the Hispanic population, which grew from representing 13 percent of the total population in 2000 to 16 percent in 2010. In other words, there were 50.5 million Hispanics in 2010 compared with the 35.3 million counted during the 2000 census, or the Hispanic population grew by 15.2 million during the 10-year period.¹ This means that the Hispanic population grew 43.1 percent during the first decade of this century. However, of the 27.3 million rise in the U.S. population, the Hispanic population increase amounted to 55.7 percent of the total growth in the U.S. population during the decade. That is, more than half of the growth in the U.S. population was due to growth in the Hispanic population. This was the reason why the share of Hispanics in the overall U.S. population increased from 13 percent to 16 percent during the period.

Of course, growth in the U.S. Hispanic population was not homogeneous across the country during the past decade, with nontraditional Hispanic states receiving the largest influx of the Hispanic population compared to the 2000 population census. The top state in terms of percentage change (not absolute change) was South Carolina with a 148 percent increase in its Hispanic population. South Carolina's Hispanic population increased to 5 percent of the total population in 2010 from 2 percent in 2000. Coming in second was Alabama with an increase of 145 percent (going from 2 percent of total population in 2000 to 4 percent in 2010). Third was Tennessee with a 134 percent increase, from 2 percent to 5 percent of its total population. Kentucky was fourth, with an increase of 122 percent, or from 1 percent to 3 percent during the decade. Arkansas had an increase of 114 percent, followed by North Carolina with 111 percent and Maryland and Mississippi with 106 percent each. South Dakota rounded out the states with increases in the Hispanic population of more than 100 percent with an increase of 103 percent.

As we said before, this does not mean that the Hispanic population of these states is very large. It only means that these states received the largest influx of Hispanics compared to the Hispanic population living in those states during the previous decade.

Traditional Hispanic-attracting states such as California and Florida continued to attract Hispanics, but at a lower rate than other states. The Hispanic population count for California increased 28 percent during the decade, taking that segment of the population from representing 32 percent in 2000 to representing 38 percent in 2010. However, what is most impressive is that out of the 10 percent increase in California's total population during the decade, 90 percent of that increase was due to an increase in the Hispanic population. That is, out of the 3.382 million

Hispanics are contributing more than their fair share to U.S. population growth.

¹ "Overview of Race and Hispanic Origin: 2010," 2010 Census Briefs, March 2011. The U.S. Census Bureau.



increase in population during the decade, 3.047 million was due to an increase in the Hispanic population.

Figure 1

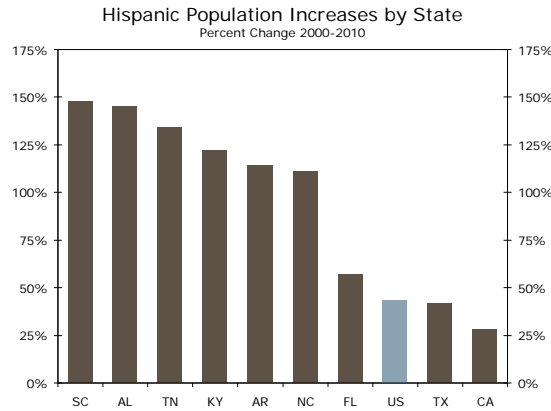
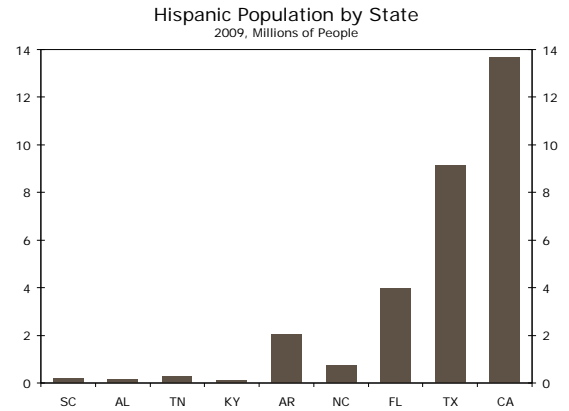


Figure 2



Source: Pew Hispanic Center and Wells Fargo Securities, LLC

In Florida, another state that Hispanics have chosen in the past as a preferred state in which to settle, the story was very different than that of California. While Florida’s Hispanic population increased 57 percent during the first decade of the 21st Century, the Hispanic population growth accounted for “only” 55 percent of the total increase in Florida’s population. Florida’s Hispanic population increased by 1.541 million people during the first decade compared to an increase of 1.278 million in the non-Hispanic population. Florida’s population increased 18 percent during the decade, well above the national and the California population growth rate of close to 10 percent. Florida’s Hispanic population went from 17 percent of the total population in 2000 to 22 percent during the first decade of the century.

Meanwhile, the Texas Hispanic population increased 42 percent during the decade with 2.791 million new Hispanics in the state, taking the Hispanic population to 38 percent of the total population from 32 percent during the previous decade. Out of the growth in the total population, which was 21 percent over the decade, the Hispanic population contributed with 65 percent of that growth. New Mexico’s population grew 13 percent during the first decade of this century with growth of 25 percent of its Hispanic population. This increase in New Mexico’s Hispanic population pushed the Hispanic population participation on the state to 46 percent from a 42 percent during the previous decade, the highest Hispanic participation rate in any U.S. state. If this trend continues during this decade, New Mexico could become the first state in the United States where Hispanics are the absolute majority.

Another state that saw its Hispanic population increase considerably was Arizona where the Hispanic population increased 46 percent during the decade, according to the census. However, Arizona attracted Hispanics as well as non-Hispanics as the total population of the state surged 25 percent during the decade, the second-largest increase in total population after the state of Nevada, with a population that grew 35 percent. Arizona’s Hispanic population contribution to the total growth of the state’s population was “only” 48 percent versus a 52 percent contribution from non-Hispanics.

As mentioned above, Nevada topped the scale in terms of total population growth with an impressive 35 percent during the decade. Within this growth, the Hispanic population rose 82 percent and represented a contribution of 46 percent to the growth in total population of the state during the decade. This means that Nevada’s population increased 322,500 compared to the 2000 Census.

Hispanic populations in agricultural southern states are exploding.

Michigan and Other Outlier States

Out of the 50 U.S. states, five were outliers in the sense that, had it not been for the influx of Hispanic population, their population growth rates would have been negative during the decade, which was the case in Michigan.

Michigan was the only state in the United States that lost population during the first decade of the century. Michigan's drop in population for that period was 0.6 percent, or 54,800 individuals. However, the only reason why Michigan's population did not fall by more was because the state's Hispanic population increased by 112,500 individuals. Without the increase in the Hispanic population, Michigan's population would have dropped by 1.7 percent. Thus, even with the increase in the Hispanic population the state lost population during the period.

The other five states were Illinois, Louisiana, Massachusetts, New York and Rhode Island. For these states, the increase in Hispanic population prevented them from posting negative rates of population growth during the first decade of the century. In Illinois, the Hispanic population increased by 497,300 with an increase in the total population of 3.3 percent during the decade. However, if the Hispanic population had remained flat, the state's population would have dropped 0.7 percent. For Louisiana, the total population increased 1.4 percent during the decade but would have dropped 0.5 percent had it not been for the 84,800 increase in the Hispanic population. Massachusetts' population, on the other hand, would have dropped 0.006 percent had it not been for the 198,925 increase in the Hispanic population. Meanwhile, New York's population increased 2 percent over the decade, but, had the Hispanic population not increased by 549,339, the state's population would have dropped 0.8 percent. The most affected state was Rhode Island, with a population that increased 0.4 percent during the decade but would have dropped 3.4 percent had it not been for the increase of 39,800 from the Hispanic population.

Hispanic population growth prevented some states from experiencing negative overall population growth.

Hispanics in the United States: Economic and Overall Conditions²

While results have been mixed, overall economic conditions for the U.S. Hispanic population have improved somewhat during the past several years. Using data compiled by the PEW Hispanic Center from the American Community Survey (ACS), the median personal earnings for full-time Hispanic employees increased from \$26,161 during the 2006 ACS survey to \$29,000 during the 2009 ACS survey. Native-born Hispanics fared better than foreign-born Hispanics as their median earnings increased from \$30,689 to \$34,000 compared to \$23,545 to \$25,000 for foreign-born Hispanics. However, overall, Hispanics did not improve their standing compared to Whites-non Hispanics. By 2006, median earnings by Hispanics represented 65 percent of Whites-non Hispanic earnings, whereas by 2009 Hispanic median earnings represented just 64.4 percent of Whites-non Hispanic earners. Native-born Hispanic earnings represented 76.2 percent of Whites-non Hispanic earnings in 2006 while they represented 75.6 percent in 2009. However, the deterioration in earnings was more pronounced for foreign-born Hispanics, whose earnings went from representing 58.5 percent of in 2006 to only 55.6 percent in 2009.

Native-born Hispanics seem to fair better than foreign-born Hispanics in terms of income.

Interestingly enough, when looking at personal income by persons, the improvement in earnings is even clearer. According to the ACS, the percentage of Hispanics earning less than \$20,000 was 48.4 percent in 2006 while it was 46.2 percent during the 2009 survey. The percentage of Hispanics in the \$20,000 to \$50,000 earnings range stayed mostly unchanged, at 39.7 percent in 2006 to 39.6 percent in 2009. Meanwhile, there was a large improvement in those that earned more than \$50,000. This measure went from 11.9 percent during the 2006 survey to 14.2 percent during the 2009 survey.

However, not everything has been good news for the U.S. Hispanic population during the past several years. The percentage of Hispanic households below the poverty line increased between the 2006 and 2009 surveys. During the 2006 ACS, 21.7 percent of all Hispanic households were below the poverty line, whereas 23.3 percent of all Hispanic households fell below the poverty line during the 2009 survey. Thus, while Hispanic personal conditions seem to have improved when

² All the data in this section comes from the PEW Hispanic Center's "Statistical Portrait of Hispanics in the United States" for 2006 and 2009.

looking at it from a personal earnings perspective, the conditions of Hispanic households, which include more than one person sharing a home, deteriorated between 2006 and 2009.

In terms of educational attainment, Hispanic overall conditions were mixed between the two ACS surveys. Hispanics with less than a ninth grade education dropped from 23.8 percent during the 2006 survey to 23.5 percent during the 2009 survey. The improvement came from the educational attainment of the native-born segment of Hispanics in that group, whose percentage went from 9.8 percent during the 2006 survey to only 8.9 percent during the 2009 survey. However, the foreign-born Hispanic segment with less than ninth grade schooling deteriorated from 34.0 percent to 34.6 percent during the period. This probably reflects the immigration patterns of Hispanics into the United States and the low schooling of those that are coming to the United States.

Figure 3

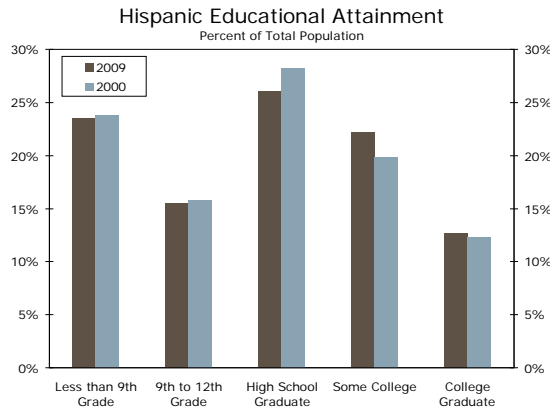
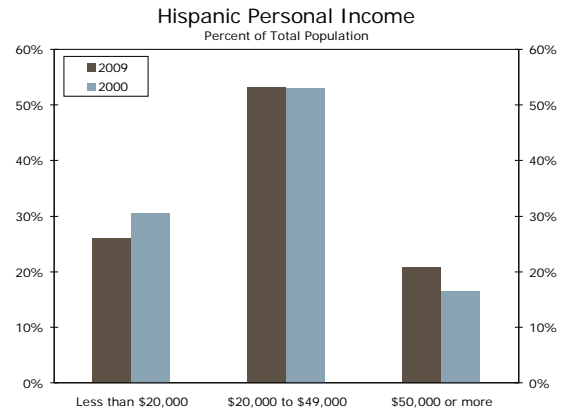


Figure 4



Source: Pew Hispanic Center and Wells Fargo Securities, LLC

Hispanics within the segment of ninth-twelfth grade schooling deteriorated marginally from a reading of 15.8 percent during the 2006 survey to 15.5 percent during the later survey. What is most concerning is that the percentage of high school graduates dropped from 28.2 percent in 2006 to only 26.0 percent in 2009. This means that the rate of school dropouts continues to increase and remains one of the biggest problems faced by the Hispanic community in the United States. Both the native-born Hispanics and the foreign-born Hispanics sectors saw their dropout rates increase during the period.

Educational attainment is probably one of the most important determinants of whether an individual is employed or unemployed in a normal economy, but it is even more important in the current economic conditions. Thus, the lack of educational attainment by the Hispanic population is probably taking a toll on the prospects for Hispanics landing jobs. This can be seen by the rate of unemployment for Hispanic individuals. Today, that rate is at 11.8 percent, which is 2.8 percentage points higher than the U.S. unemployment rate for the month of April. It is true that we cannot compare the Great Recession with the 2001 recession. However, one important lesson that this recession has shown us is that the employment rate is negatively correlated to the educational level attained. That is, the more education you have the lower will be your unemployment rate. Thus, if the Hispanic community wants to improve within the U.S. economy, educational attainment should be the No. 1 priority.

The best news for educational attainment occurred for those with some college education and college graduates. Hispanics with some college improved from 19.9 percent during the 2006 survey to 22.2 percent during 2009 with both native-born and foreign-born Hispanics improving their level of educational attainment. Meanwhile, Hispanics with college degrees also improved but by a lower percentage, from 12.3 percent of all Hispanics to 12.7 percent. Within this group, native-born Hispanics improved their educational attainment from 15.3 percent to 16.6 percent

A larger portion of the Hispanic population has attended college than in 2000.

while that of foreign-born Hispanics dropped from 10.1 percent of all Hispanics in 2006 to 9.7 percent in 2009.

In terms of the housing market and as expected, the percentage of Hispanics that owned their homes dropped during the period 2006-2009. However, that percentage is still higher than in 2000. The homeownership rate for Hispanics was 46.3 percent in 2000, 49.3 percent in 2006 and 48.1 percent in 2009, all according to the PEW Hispanic Center using Census data and ACS data for the different years. The 48.1 percent homeownership rate for Hispanics is still well below the 72.9 percent homeownership rate for Whites non-Hispanic and the 59.6 percent homeownership rate for Asians. Still, the 48.1 percent rate for Hispanic homeownership is better than the 44.7 percent rate for non-Hispanic Blacks.

The future of homeownership for the Hispanic segment is not very bright, as is probably the case for all sectors of U.S. households. Our expectation is that the Hispanic homeownership rate, as well as that for other races and ethnic groups, will continue to decline as the housing market crisis continues over the next several years. Many of the efforts put forward before the Great Recession to “ease” Hispanic households’ path toward homeownership have probably been abandoned, and credit institutions and regulations remain very stringent in this new economy.

Figure 5

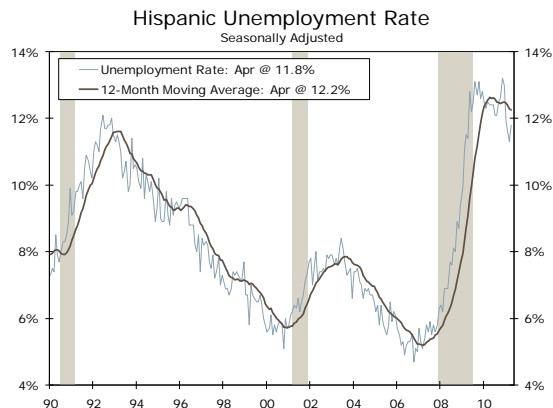
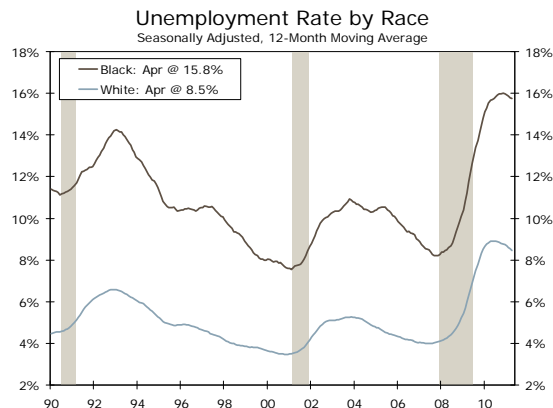


Figure 6



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The fact that Hispanic individuals earning more than \$50,000 increased from 11.9 percent of all Hispanics to 14.2 percent between the 2006 and the 2009 survey could be related to the improvement in percentage of Hispanics with “some college” and with “college degrees.” Furthermore, the Hispanic population’s unemployment rate will probably remain above that for the U.S. economy as a whole and this will limit any improvement in homeownership for Hispanics in the United States. As we said before, in this economic environment, much of the improvement in the rate of unemployment for Hispanics will be highly correlated to educational attainment and, as this process takes a long time, any improvements will be slow in coming.

Summary

The U.S. Hispanic population continues to increase not only in terms of the number of Hispanics in the U.S. population but also as a percentage of the U.S. population, reaching 50.5 million individuals according to the 2010 census. This was a 43 percent increase from the 35.3 million count reported by the 2000 Census. This means that today the U.S. Hispanic population represents 16 percent of the U.S. population versus 13 percent in 2000. But what is more important to note is that Hispanics are no longer staying in the states that were considered to be “traditional” Hispanic states such as California, Florida, Texas and Arizona. They have settled all over the United States.

The Hispanic population is growing in both absolute and relative terms.

While Hispanics still represent a very small percentage of the population in these new, nontraditional Hispanic states, their presence and importance will continue to increase because they have high fertility rates compared to the rest of the U.S. population.

At the economy level, Hispanic advances over the past decade have been mixed, with earnings per person increasing, but household income deteriorating. The results have also been mixed in terms of educational attainment as recent immigrants seem to bring lower levels of education and are therefore pushing the educational attainment for the whole sector down. However, the biggest concern has to do with the very high rates of high school dropouts within the Hispanic community, something that has been happening for many decades. This issue is something the community will have to address if Hispanics want to progress in the United States.

Meanwhile, homeownership rates have improved somewhat compared to 2000, but our expectations are for those rates to deteriorate as the U.S. housing crisis continues and while unemployment remains high and credit access remains limited during the next several years.

Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
Paul Jeanne	Associate Director of Research & Economics	(443) 263-6534	paul.jeanne@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(704) 715-0314	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Michael A. Brown	Economist	(704) 715-0569	michael.a.brown@wellsfargo.com
Tyler B. Kruse	Economic Analyst	(704) 715-1030	tyler.kruse@wellsfargo.com
Joe Seydl	Economic Analyst	(704) 715-1488	joseph.seydl@wellsfargo.com
Sarah Watt	Economic Analyst	(704) 374-7142	sarah.watt@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A, Wells Fargo Advisors, LLC, and Wells Fargo Securities International Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2011 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

**WELLS
FARGO**

SECURITIES