

Despite recession, Hispanic and Asian buying power expected to surge in US

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Although the Great Recession has hit Hispanics and Asians particularly hard, their buying power is expected to grow rapidly during the next several years, according to the annual minority buying power report released today by the Selig Center for Economic Growth in the University of Georgia Terry College of Business.

"Despite the recession, the underlying growth trends for [Hispanics](#) and Asians in the U.S. are still very strong," said Jeff Humphreys, director of the Selig Center and the author of the report. "Minorities have a lot of economic clout, and these groups in particular are experiencing growth in buying power that greatly exceeds that of the general population."

The percentage gains in buying power during the past decade have varied considerably by race and ethnicity: 108 percent for Hispanics; 98 percent for Asians; 69 percent for Native Americans; and 60 percent for [African Americans](#). The study projects minority markets will continue to grow much faster than the majority market, where buying power increased by 49 percent during the past decade.

The report projects the combined buying power of [racial minorities](#) (African Americans, Asians and Native Americans) will rise from \$1.6 trillion in 2010 to \$2.1 trillion in 2015, accounting for 15 percent of the nation's total buying power. The buying power of Hispanics, which are an ethnic group but not a racial group, will rise from \$1 trillion in 2010 to \$1.5 trillion in 2015, accounting for nearly 11 percent of the nation's total buying power.

The report defines buying power as disposable income or money that is available for spending after taxes. Humphreys said the report provides businesses with a valuable planning tool for judging start-up or expansion opportunities and for tailoring advertising, products and media to individual market segments.

"The Hispanic market alone, at \$1 trillion, is larger than the entire economies of all but 14 countries in the world—smaller than the GDP of Canada but larger than the GDP of Indonesia," Humphreys notes.

Total buying power

The Selig Center report projects that during the past decade, the nation's total buying power rose from \$7.3 trillion to \$11.1 trillion, a 52 percent increase that far outstrips inflation. The report forecasts moderate growth beginning in 2010 and persisting through 2015. Total buying power in 2015 is projected to be \$14.1 trillion, for an increase of 27 percent during the next five years.

Hispanic and Asian Buying Power

The report notes the heavy concentration of Hispanics in construction and hospitality industries and the concentration of Asians in the manufacture of durable goods, such as automobiles, made them particularly vulnerable to job losses during the 2007-2009 recession.

From its peak in 2008, the number of employed Hispanics has dropped by 624,000, which signifies the loss of nearly 13 percent of the new jobs held by Hispanics created in the previous eight and a half years.

During the same time period, the number of employed Asians dropped by 288,000, which signifies a loss of more than 20 percent of the new

jobs held by Asians created in the previous eight and a half years.

Yet Humphreys said that the outlook for buying power in both groups is positive. Hispanic buying power is expected to grow 50 percent in the next five years, from \$1 trillion in 2010 to \$1.5 trillion in 2015. The report notes that the rate of growth in Hispanic buying power tops all other racial and [ethnic groups](#) as well as the rate of growth in overall buying power.

Favorable demographic forces are primarily responsible for the anticipated growth in Hispanic buying power, Humphreys notes. Population growth is expected to continue, and the relatively young Hispanic population means that proportionally more young Hispanics are starting their careers and moving up their career ladders. Increased entrepreneurial activity and a rising level of educational attainment also illustrate the upward mobility of Hispanics, the report finds.

The Selig Center report notes the Asian population also is growing faster than the total population and is relatively young. As a group, Asians are much better educated than the average American and therefore hold many top-level jobs in management, professional and scientific specialties. During the next five years, Asian buying power is expected to grow 42 percent, from \$544 billion in 2010 to \$775 billion in 2015.

"The Hispanic and Asian markets in particular are expected to grow at an exceptional rate," Humphreys said. "For businesses, the message is you don't always have to look overseas to find fast-paced growth."

Humphreys notes that while Hispanic and Asian populations are still geographically concentrated in border states and traditional ports of entry, such as New York and Florida, their buying power is reaching a critical mass in several states. In Georgia, for instance, Hispanics have \$17 billion in buying power. The share of buying power controlled by

Asian consumers rose in almost every state during the past decade.

African-American Buying Power

From its pre-recession peak in January 2007 through July 2010, the number of employed African Americans dropped by more than 1.3 million, and unemployment among African Americans soared from 8 percent to 15.6 percent. In the past decade, the number of jobs held by African Americans actually decreased by 270,000, meaning the [recession](#) has erased more than a decade's worth of job growth.

The report notes that the relatively low median age of African Americans makes the group particularly vulnerable to recessions, since young adults are more exposed to economic downturns compared to those who are more established in their careers or retired.

Yet, the report notes that the youthful demographic profile of African Americans combined with increasing levels of educational attainment and a high rate of business formation will result in an increase in African-American buying power. The report projects during the next five years, African-American buying power will rise from \$957 billion to \$1.2 trillion, an increase of 25 percent.

"One characteristic that sets the African-American consumer market apart from the Hispanic and Asian markets is that it is not concentrated in a handful of states," Humphreys noted. "African Americans also are consumer trendsetters, which isn't surprising considering that a sizable proportion of the population is under 18."

Native American Buying Power

Native Americans comprise one percent of the population and control

\$67.7 billion in disposable income. Their buying power is expected to grow to \$90.4 billion in 2015, an increase of 34 percent.

The Selig Center report notes that the growth in Native American buying power is supported by rapid population growth and growth in the number of Native-American-owned businesses. Despite the fast-paced growth, however, [Native Americans](#) account for 0.6 percent of the nation's buying power, which is up slightly from the 0.5 share in 1990.

State-level data

The minority buying power report also contains state-level data with a number of notable findings:

The 10 states with the largest Hispanic markets, in order, are California (\$265 billion), Texas (\$176 billion), Florida (\$107 billion), New York (\$81 billion), Illinois (\$44 billion), New Jersey (\$39 billion), Arizona (\$34 billion), Colorado (\$22 billion), New Mexico (\$20 billion) and Georgia (\$17 billion).

The top 10 states, as ranked by the rate of growth of Hispanic buying power during the past decade, are South Dakota (253 percent), North Dakota (237 percent), Arkansas (229 percent), Alabama (228 percent), South Carolina (226 percent), Maine (222 percent), Tennessee (220 percent), West Virginia (211 percent), Mississippi (206 percent) and Maryland (204 percent).

The 10 states with the largest African-American markets, in order, are New York (\$91 billion), Texas (\$72 billion), Georgia (\$66 billion), California (\$64 billion), Florida (\$63 billion), Maryland (\$57 billion), Illinois (\$46 billion), North Carolina (\$44 billion), Virginia (\$42 billion) and New Jersey (\$36 billion).

The 10 states with the largest Asian consumer markets, in order, are California (\$172 billion), New York (\$54 billion), Texas (\$34 billion), New Jersey (\$34 billion), Illinois (\$24 billion), Hawaii (\$23 billion), Washington (\$18 billion), Florida (\$75 billion), Virginia (\$17 billion) and Massachusetts (\$14 billion).

Provided by University of Georgia

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