

The multicultural economy 2008

Jeffrey M. Humphreys

Backed by fundamentally strong national and regional economies, U.S. consumers will continue to have substantial but varying annual gains in after-tax income, which powers their spending on goods and services. The Selig Center's estimates and projections of buying power for 1990-2013 show that minorities--African Americans, Asians, Native Americans, and Hispanics--definitely share in this success, and together wield formidable economic clout. The numbers are impressive. In 2008, both the African-American market (\$913 billion) and the Hispanic market (\$951 billion) are larger than the entire economies (2007 GDP measured in U.S. dollars) of all but thirteen countries in the world.

The buying power data presented here and differences in spending by race and/or ethnicity suggest that as the U.S. consumer market becomes more diverse, advertising, products, and media must be tailored to each market segment. With this in mind, entrepreneurs, established businesses, marketing specialists, economic development organizations, and chambers of commerce now seek estimates of the buying power of the nation's major racial and ethnic minority groups. Going beyond the intuitive approaches often used, the Selig Center's estimates provide a timely, cost-efficient, and quantitative way to assess the size and vitality of the national, state, and sub-state racial and ethnic markets. This study provides a comprehensive statistical overview of the buying power of African Americans, Asians, Native Ameri-

cans, and Hispanics for the U.S. and all the states. Data are provided for 1990-2013. Majority—or White—buying power also is reported. [Researchers should note that multiracial buying power is estimated only as a residual, and therefore the estimates are not discussed and should be used very cautiously.]

Simply defined, buying power is the total personal income of residents that is available, after taxes, for spending on virtually everything that they buy, but it does not include dollars that are borrowed or that were saved in previous years. It is not a measure of wealth, and it does not include what tourists spend during their visits. Unfortunately, there are no geographically precise surveys of annual expenditures and income of all the nation's major racial and ethnic groups. Even estimates of expenditures by race or ethnicity are difficult to find, especially for individual states and counties.

The Selig Center addresses this problem by providing estimates of African American, Native American, Asian, White, Hispanic, and non-Hispanic buying power from 1990-2008 for the nation, the fifty states, and the District of Columbia. Also, five-year projections (2009-2013) are provided for all groups. Estimates for Georgia's metropolitan areas and counties and for Florida's metropolitan areas and counties also are included. These current dollar (unadjusted for inflation) estimates and projections indicate the growing economic power of various racial or ethnic groups; measure the relative vitality of geographic markets; help to judge



business opportunities for start-ups or expansions; gauge a business's annual sales growth against potential market increases; indicate the market potential of new and existing products; and guide targeted advertising campaigns.

The estimates for 1990-2008 supersede those previously published by the Selig Center. The revised data for those years, as well as the preliminary estimates for 2009-2013, should be considered only as the first step toward a more comprehensive analysis of the market. Anyone considering the investment of substantial capital in a new enterprise, a new product line, or a new advertising campaign will need extensive feasibility analysis to determine market opportunities more precisely.

This article only reports buying power estimates and population data for 1990, 2000, 2008, and 2013, but annual data for the entire period, 1990-2013, are available on *The Multicultural Economy 2008 CD* for \$125.

Total Buying Power Statistics

The Selig Center projects that the nation's total buying power will rise from \$4.3 trillion in 1990 to \$7.2 trillion in 2000, to \$10.7 trillion in 2008, and to \$14 trillion in 2013. The percentage increase for 1990-2013 is 228 percent. From 1990-2008, total buying power will rise

by 151 percent, which far outstrips cumulative inflation. For example, the U.S. Consumer Price Index for All Urban Consumers (CPI-U) will increase by approximately 68 percent during the same period. Total buying power will expand by 49 percent from 2000 through 2008, and by 31 percent from 2008 through 2013.

Diverse forces support this substantial growth. The 24-year span encompasses a mild recession in 1990-1991, the longest economic expansion in the nation's history from 1991-2000, another mild recession in 2001, and moderate expansion from 2002-2007. As this is written, U.S. economic conditions can be accurately described as recessionary, but the assumption underlying the baseline forecast calls for moderate growth through 2013.

Ranked by percentage change in total buying power between 1990 and 2008, the top ten states are Nevada (349 percent), Arizona (255 percent), Utah (238 percent), Colorado (225 percent), Texas (220 percent), Idaho (210 percent), Georgia (194 percent), New Mexico (190 percent), Wyoming (190 percent), and Florida (188 percent).

That the state estimates show differing outcomes is not surprising, given the differences in industrial bases, the importance of exports, dependence on defense spending, construction markets, labor markets, immigration rates, domestic migration rates, and natural resources. As always, states with low costs of doing business, favorable regulatory environments, updated transportation and telecommunications infrastructure, educated workforces, and an abundance of natural resources will continue to attract domestic and international businesses.

Buying Power Statistics by Race

In 2008, the combined buying power of African American, Asians, and Native Americans will be \$1.5 trillion — more than triple its 1990 level of \$454 billion — which amounts to a gain of \$1,030 billion or 227 percent. In 2008, African Americans will account for 62 percent of combined spending, or \$913 billion. Over this period, the percentage gains in minority buying power vary considerably by race, from a gain of 337 percent for Asians to 213 percent for American Indians to 187 percent for blacks. All of these target markets will grow much faster than the white market, where buying power will increase by 139 percent.

The combined buying power of these three minority racial groups will account for 13.8 percent of the nation's total buying power in 2008, up from 10.6 percent in 1990. This 3.2 percent gain in combined market share amounts to an additional \$343 billion in buying power in 2008. The market share claimed by a targeted group of consumers is important because the higher their market share, the lower the average cost of reaching a potential buyer in the group.

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Robert T. Sumichrast
Dean

Jeffrey M. Humphreys
Director

Lorena M. Akioka
Editor

Beata D. Kochut
Research Analyst

Ian Armit
Data Manager

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TABLE 1

**U.S. Buying Power Statistics by Race,
1990, 2000, 2008, and 2013**

	Buying Power (billions of dollars)			
	1990	2000	2008	2013
Total	4,270.5	7,187.6	10,721.0	14,013.7
White	3,816.2	6,231.1	9,135.7	11,796.0
Black	318.1	590.2	913.1	1,239.5
American Indian	19.7	39.1	61.8	84.6
Asian	116.5	268.9	509.1	752.3
Multiracial	0.0	58.3	101.2	141.2
	Percentage Change in Buying Power			
	1990-2008	1990-2013	2000-2008	2008-2013
Total	151.0	228.1	49.2	30.7
White	139.4	209.1	46.6	29.1
Black	187.0	289.6	54.7	35.7
American Indian	213.3	329.0	58.2	36.9
Asian	337.1	545.9	89.3	47.8
Multiracial	NA	NA	73.6	39.5
	Market Share (percentage)			
	1990	2000	2008	2013
Total	100.0	100.0	100.0	100.0
White	89.4	86.7	85.2	84.2
Black	7.4	8.2	8.5	8.8
American Indian	0.5	0.5	0.6	0.6
Asian	2.7	3.7	4.7	5.4
Multiracial	0.0	0.8	0.9	1.0

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, July 2008.

Black Buying Power

In 2008, African Americans will constitute the nation's largest minority market, and their economic clout will energize the U.S. consumer market as never before. The Selig Center projects that the nation's black buying power will rise from \$318 billion in 1990 to \$590 billion in 2000, to \$913 billion in 2008, and to \$1.2 trillion in 2013. The 1990 to 2008 percentage gain of 187 percent outstrips the 139 percent increase in white buying power and the 151 percent increase in total buying power (all races combined). In 2008, the nation's share of total buying power that is black will be 8.5 percent, up from 7.4 percent in 1990. African-American consumers' share of the nation's total buying power will rise to 8.8 percent in 2013, accounting for almost nine cents out of every dollar that is spent.

The gains in black buying power reflect much more than just population growth and inflation. Of all the diverse supporting forces, one of the most important is the increased number of jobs across the nation. Compared to 1990, employment opportunities have improved for everyone, including African-Americans.

The increasing number of blacks who are starting and expanding their own businesses also contributes to the gains in buying power. The *2002 Survey of Business Owners* released by the Census Bureau in 2006 showed that the number of black-owned firms increased by 45 percent from 1997 to 2002, or about four and one-half times faster than the 10 percent increase in the number of all U.S. businesses. Also, their receipts grew slightly faster than those of all others. This reconfirms the trend reported in *The Survey of Minority-Owned Business Enterprises* released by the Census Bureau in 2001, which showed that the number of black-owned firms increased almost four times faster than the number of all U.S. firms, although during those years (1992-1997) their receipts grew more slowly than all the others.

Still another positive factor pushing up the group's buying power is that African Americans are benefiting from rising levels of educational attainment. Census data show that the percentage of blacks who have completed high school or college rose by 7.4 percentage points from 1997 to 2007, and that gain was the largest reported for any group. Despite these impressive gains, the percentage of African-Americans (82.3 percent) who are high school graduates or better was still lower than the percentage of whites (86.2 percent) or Asians (87.8 percent). Also, the 2006 American Community Survey that was conducted by the U.S. Census Bureau indicates that 16.9 percent of blacks had a bachelor's, graduate, or professional degree compared to 28.6 percent of whites or 49.2 percent of Asians.

Favorable demographic trends help, too, since the black population continues to grow more rapidly than the total

population. From 1990 to 2008, the nation's black population grew by 28.3 percent compared to 16 percent for the white population and 22.1 percent for the total population. Also, the black population is younger: The American Community Survey indicates that the median age of blacks is only 31.4 years compared to 40.6 years for the non-Hispanic white population or 36.4 years for the total population. Compared to the older white population, larger proportions of blacks will be entering the workforce for the first time or will be moving up from entry-level jobs. For example, 25.3 percent of blacks are 18 to 34 years old, compared to only 21 percent of non-Hispanic whites. This will provide an extra push to the group's overall buying power. Conversely, smaller proportions of blacks have reached their career pinnacles, where the annual percentage increases in salaries often begin to slow down, or are of traditional retirement age. In 2006, only 8.4 percent of blacks were over 65, compared to 15.2 percent of non-Hispanic whites or 12.4 percent of the total population. Because blacks are so much younger, African American consumers increasingly are setting trends for young adults of every race, and ethnic background. This isn't surprising given that 29.5 percent of the black population is under 18 years old compared to 21.3 percent of the non-Hispanic white population or 24.6 percent of the total population.

The youthful profile of the black population does have its downside, however. Compared to people who are either more established in their careers or retired, young people, regardless of their race or ethnicity, are more exposed to economic downturns. So, in this regard, black buying power is vulnerable to the effects of economic recessions.

In 2008, the ten states with the largest African-American markets, in order, are New York (\$87 billion), Texas (\$72 billion), Florida (\$63 billion), Georgia (\$63 billion), California (\$62 billion), Maryland (\$52 billion), Illinois (\$44 billion), North Carolina (\$41 billion), Virginia (\$38 billion), and New Jersey (\$35 billion). Of these, however, Maryland, North Carolina, and Virginia are the only ones that did not rank among the top ten markets for all consumers.

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. This vibrant consumer market is very widespread, and therefore is an attractive customer segment in many of the states. In 2008, the five largest African-American markets account for 38 percent of black buying power. The five states with the largest total consumer markets account for 39 percent of total buying power. Similarly, the ten largest black markets account for 61 percent of the African-American market and the ten largest total consumer markets account for 56 percent of total buying power.

In order, the top ten states ranked by the rate of growth of black buying power over 1990-2008 are Idaho (612 percent), Nevada (591 percent), Montana (533 percent), Utah (531 percent), South Dakota (461 percent), Minnesota (442 percent), Vermont (408 percent), Arizona (388 percent), Maine (378 percent), and Wyoming (363 percent). All have flourishing African-American consumer markets, but none of these states is among the nation's ten largest black consumer markets. Nevada and Arizona rank highest (29 and 30, respectively) in terms of the size of their black consumer markets.

In 2008, the ten states (including the District of Columbia) with the largest share of total buying power that is black are the District of Columbia (30.3 percent), Mississippi (24.7 percent), Maryland (22.4 percent), Georgia (21.1 percent), Louisiana (19 percent), South Carolina (18.3 percent), Alabama (17.4 percent), Delaware (15.2 percent), North Carolina (14.5 percent), and Virginia (13.2 percent).

The 5.2 percent, 5.1 percent, and 5 percent increases in African Americans' share of the consumer markets in Mississippi, Georgia, and Maryland were the three biggest share shifts in the nation from 1990 to 2008, respectively. There was a 4.7 percent advance in Delaware and a 3 percent advance in Alabama. The share of buying power controlled by black consumers will rise everywhere except for the District of Columbia (-11.2 percent) and California (-0.6 percent).

Due to differences in per capita income, wealth, demographics, educational attainment, occupational distribution, geographic distribution, and culture, the spending habits of African Americans as a group are not the same as those of non-black consumers (e.g., white and other races combined). Thus, as African Americans' share of the nation's total buying power expands, business-to-consumer firms can be expected to devote more resources towards developing and marketing products that meet the needs and match the preferences of black consumers. The most recent *Consumer Expenditure Survey* data (for 2006) indicate that the average black household spent in total only 69 percent as much as the average non-black household, reflecting blacks' lower median household

incomes. The values are for money income, which differs somewhat from buying power, but nonetheless offers some insights into spending by black consumers.

Despite their lower average household income levels, African Americans lead in some categories. For example, they spent more than non-blacks on natural gas, electricity, telephone services, children's clothing, and footwear. Also, blacks spent a higher proportion of their money on groceries. These findings strongly imply that utilities, telecom firms, clothing stores, shoe stores, and grocers would do well to market themselves directly to black consumers.

Blacks and non-blacks spent about the same proportion of their income for housekeeping supplies, household textiles, furniture, floor coverings, men's and boys' clothing, transportation, and life and other personal insurance. Compared to non-blacks, however, blacks spent much smaller proportions of their income on eating out, health care, entertainment, and pensions and Social Security.

The same survey indicates that black households are slightly more likely to have children under 18 (0.8 persons for blacks versus 0.6 persons for whites and others). They have fewer wage earners per household (1.2 wage earners) than white and other households (1.4 wage earners), and have only 1.3 vehicles per household compared to 2 vehicles for white and other households. According to the *American Community Survey*, 20 percent of blacks do not own or lease at least one vehicle compared to 8.8 percent of the total population or 6.2 percent of the non-Hispanic white population.

The 2006 *American Community Survey* indicates that 46.3 percent of blacks are homeowners compared to 67.3 percent of the total population or 74 percent of the non-Hispanic white population. Once the current housing recession ends, this substantial gap in homeownership rates represents an opportunity for market expansion. The median value of homes owned by African Americans is \$130,400, which is 30 percent lower than the median value (\$185,200) reported for the total population.

Native American Buying Power

The Selig Center projects that the nation's Native American buying power will rise from \$19.7 billion in 1990, to \$39.1 billion in 2000, to \$61.8 billion in 2008, and to \$84.6 billion in 2013. This group's buying power in 2008 will be 213 percent greater than it was in 1990. The 1990-2008 percentage gain is much greater than the increases in buying power estimated for whites (139 percent), for the U.S. population as a whole (151 percent), and for blacks (187 percent). It is smaller than those estimated for Asians (337 percent) and for Hispanics (349 percent), however. Despite this fast-paced growth, Native Americans will account for only 0.6 percent of all U.S. buying power in 2008, up only

slightly from their 0.5 percent share in 1990, when they accounted for only \$19.7 billion in buying power.

Many forces support the continued growth of Native American buying power, but perhaps the most important is gradually improving employment opportunities for all Americans. Added reinforcement comes from the fact that the Native American population is growing much more rapidly than the total population, and is expected to continue to do so. From 1990 through 2008, the Native American population will grow by 45 percent, outpacing the projected gains of 28 percent for the black population, 22 percent for the total U.S. population, and 16 percent for the white population. Also,

the Native American population is relatively young. The 2006 *American Community Survey* indicates that the median age of Native Americans is 31.2 years compared to 40.6 for the non-Hispanic white population or 36.4 years for the total population. The implication is that labor force entry and the climbing of career ladders should provide an extra boost to the group's buying power in future years.

Entrepreneurial activity is another major force powering the growth of Native American buying power. The 2002 *Survey of Business Owners* released by the Census Bureau in 2006 showed that the number of American Indian-owned firms increased by 67 percent from 1997 to 2002 whereas the number of all U.S. businesses increased by only 10 percent.

Although comprising one percent of the country's population in 2008, Native Americans will control \$61.8 billion in disposable income, which makes this diverse group economically attractive to businesses. In order, the ten states with the largest Native American markets are California (\$9 billion), Oklahoma (\$6.3 billion), Texas (\$4.5 billion), Arizona (\$3.9 billion), New Mexico (\$2.7 billion), Florida (\$2.4 billion), North Carolina (\$2.3 billion), Washington (\$2.3 billion), Alaska (\$2.3 billion), and New York (\$2.2 billion). Moreover, this market is only slightly more focused on a few states than is the total U.S. consumer market. For example, in 2008, the five largest American Indian markets account for 43 percent

of Native American buying power, whereas the five largest total consumer markets account for 39 percent of U.S. buying power. Similarly, the ten largest Native American markets account for 61 percent of Native American buying power and the top ten total consumer markets account for 56 percent of total U.S. buying power.

Ranked by the rate of growth of Native American buying power over 1990-2008, the top ten states are West Virginia (581 percent), Mississippi (443 percent), Tennessee (408 percent), Texas (405 percent), Florida (386 percent), Georgia (382 percent), Kentucky (381 percent), Iowa (346 percent), Louisiana (328 percent), and Arkansas (324 percent). Many of these states have relatively small, flourishing markets, but Texas and Florida stand out from the other leading states as the third and sixth largest Native American consumer markets in the nation, respectively.

In 2008, the ten states with the largest Native American shares of total buying power include Alaska (8.7 percent), Oklahoma (5.3 percent), New Mexico (4.5 percent), Montana (3.4 percent), South Dakota (3.4 percent), North Dakota (2.7 percent), Arizona (2 percent), Wyoming (1.3 percent), Nevada (1 percent), and Washington (0.9 percent). Compared to 1990, Native Americans' share of the market will rise the most in North Dakota, South Dakota, New Mexico, Montana, and Alaska, but will decline slightly in Nevada, Washington, Arizona, and Oregon.

Asian Buying Power

In 2008, 14.5 million Americans—4.8 percent of the country's population—will claim Asian ancestry, which makes the group a powerful force in the U.S. consumer market. This racial group's shares of the population were 3 percent and 4 percent in 1990 and 2000, respectively; and their enormous economic clout continues to attract more attention from businesses and advertisers. (The Selig Center's data for Asians combines two race categories, including those who identified themselves as Asian or as Native Hawaiian and other Pacific Islander.)

The Selig Center projects that the nation's Asian buying power will more than quintuple, climbing from \$116 billion in 1990 to \$269 billion in 2000, to \$509 billion in 2008, and to \$752 billion in 2013. The 337 percent gain from 1990 through 2008 is substantially greater than the increases in buying power projected for whites (139 percent), the U.S. as a whole (151 percent), blacks (187 percent), and Native Americans (213 percent), but is lower than the 349 percent gain projected for Hispanics. At \$509 billion in 2008, the U.S. Asian market already outshines the entire economies of all but seventeen countries—it is smaller than the 2007 GDP of Turkey but larger than the GDP of Sweden.

The group's fast-paced growth in buying power demonstrates the increasing importance of Asian consumers and should create great opportunities for businesses that cater

to their needs. Because the group includes consumers of so many national ancestries, languages, and diverse cultures, firms that target specific subgroups—Chinese or Filipino, for example—may find niche markets particularly rewarding.

Demographics are a key, too. The Asian population is growing more rapidly than the total population, mostly because of strong immigration, a trend that is expected to continue. In 2008, the Asian population will exceed 14.5 million, or 92 percent more than its 1990 base of 7.5 million. This enormous gain in population exceeds that projected for any other racial group, yet in comparison, it falls well below the 107 percent gain expected for Hispanics.

The Asian population of the U.S. is relatively young: The 2006 *American Community Survey* indicates that the median age of Asians is 35.2 years compared to 40.6 years for non-Hispanic whites or 36.4 years for the total population. Compared to non-Hispanic whites, significantly larger proportions of Asians are either entering the workforce for the first time or are advancing in their careers. Also, a much smaller proportion of them are of traditional retirement age. In 2006, for instance, only 9 percent of Asians were over 65, compared to 15.2 percent of non-Hispanic whites.

Another factor contributing to Asian buying power is that nearly all Asians are urbanites. Data show that 95 percent of Asians lived in metro areas in 2002 compared to only 78

percent of non-Hispanic whites. The economic rewards of education also provide a big boost. Asians are much better educated than is the average American, and therefore Asians hold many top-level jobs in management, professional, and scientific specialties. Compared to the overall population, Asians are much less likely to hold jobs in agriculture, forestry, construction, and government. According to the *2006 American Community Survey*, 49.2 percent of Asians over age 25 had a bachelor's degree or higher compared to only 29.9 percent of non-Hispanic whites. The increasing number of successful Asian entrepreneurs also helps to increase the group's buying power.

In 2008, the ten states with the largest Asian consumer markets, in order, are California (\$163 billion), New York (\$51 billion), Texas (\$33 billion), New Jersey (\$32 billion), Illinois (\$22 billion), Hawaii (\$22 billion), Washington (\$16 billion), Florida (\$16 billion), Virginia (\$15 billion), and Massachusetts (\$13 billion).

Compared to the overall consumer market, the group's spending is much more focused geographically. In 2008, the five and the ten states with the largest Asian consumer markets account for 59 percent and 75 percent of Asian buying power, respectively. In contrast, the five and the ten largest total consumer markets account for 39 percent and 56 percent of U.S.

In 2008, California reigns as the nation's only state-level minority racial market that exceeds \$100 billion (\$163 billion), and it alone accounts for 32 percent of the nation's Asian consumer market. The only state-level minority markets that are larger are the Hispanic markets in California and Texas, and they are defined based on ethnicity rather than race. Despite the geographic focus of this consumer market, Asian buying power is attaining critical mass in a growing number of states. In 2000, only six states had over \$10 billion in Asian buying power. In 2008, twelve states have done so, and by 2013, sixteen states will have reached this benchmark.

Ranked by the rate of growth of Asian buying power over 1990-2008, the top ten states are Nevada (1,020 percent), North Carolina (730 percent), Georgia (699 percent), Arizona (664 percent), Nebraska (635 percent), Texas (610 percent), South Dakota (585 percent), Delaware (584 percent), Minnesota (582 percent), and Florida (567 percent). Of these, only Texas (ranks third) and Florida (ranks eighth) are among the nation's ten largest Asian consumer markets, but Georgia ranks fourteenth, Nevada is sixteenth, North Carolina is eighteenth, Arizona is nineteenth, and Minnesota

ranks twentieth. From a business-to-consumer perspective, these states are among the nation's rapidly emerging Asian markets.

Nationally, Asian consumers' share of the nation's total buying power will increase from 2.7 percent in 1990 to 4.7 percent in 2008. In order, the ten states with the largest shares of total buying power that is Asian in 2008 are Hawaii, where Asians account for 47.2 percent of the state's buying power, California (11.8 percent), New Jersey (8.3 percent), Washington (6.6 percent), Nevada (6.4 percent), New York (6.4 percent), Maryland (5.1 percent), Virginia (5.1 percent), Illinois (4.7 percent), and Massachusetts (4.6 percent). Except for Hawaii, where Asians' market share dropped by 10.8 percent, the share of buying power controlled by Asian consumers rose in every state. The 4.9 percent gain in Asians' share of New Jersey's consumer market (3.4 percent in 1990 to 8.3 percent in 2008) will be the largest share increase in the nation, followed by the 4.1 percent increase in market share in California (7.7 percent to 11.8 percent). Also noteworthy is the 3.9 percent gain in share estimated for Nevada (2.6 percent to 6.4 percent).

Asian consumers spend dramatically more than the average U.S. household on shelter, education, and public transportation. Thanks to their higher average income levels, Asians also spend more than the average household on food (groceries and dining out), telecom services, household textiles, furniture, major appliances, clothing, vehicle purchases, personal care products and services, and personal insurance and pensions. They spend a much smaller proportion of their budgets on electricity, gasoline and motor oil, health care, tobacco products, and entertainment.

The same survey indicates that there are 2.7 persons per Asian household compared to 2.5 persons for the average household. Asians have more wage earners (1.5) per household, but have only 1.7 vehicles per household compared to 1.9 vehicles for the average household. There also is a gap in homeownership rates. According to *2006 American Community Survey*, 60.3 percent of Asians are homeowners compared to 67.3 for the total population or 72.8 percent for non-Hispanic whites. The median value of homes owned by Asians is \$396,700, which is more than double the median value reported for the typical U.S. homeowner (\$185,200). In addition to higher household incomes, the huge median home price differential reflects the fact that Asians are much more likely to live in new homes in urban areas in states where home prices are relatively high.

Hispanic Buying Power

The immense buying power of the nation's Hispanic consumers continues to energize the nation's consumer market, and Selig Center projections reveal that Hispanics will control \$951 billion in spending power in 2008. The *2006 American Community Survey* showed that one out of

every seven who lives in the U.S. is of Hispanic origin, and the U.S. Hispanic population continues to grow much faster than the non-Hispanic population. By 2013, one person out of every six in the U.S. will be Hispanic.

Over the 24-year period, 1990-2013, the nation's His-

panic buying power will grow dynamically. In sheer dollar power, Hispanics' economic clout will rise from \$212 billion in 1990, to \$490 billion in 2000, to \$951 billion in 2008, and to almost \$1.4 trillion in 2013. The 2008 value will exceed the 1990 value by 349 percent--a percentage gain that surpasses both the 141 percent increase in non-Hispanic buying power and the 151 percent increase in the buying power of all consumers. U.S. Hispanic buying power will grow faster than African American buying power (187 percent), Native American buying power (213 percent), and Asian buying power (337 percent).

In 2008, Hispanics account for 8.9 percent of all U.S. buying power, up from only 5 percent in 1990. Due to this brisk growth, Hispanic buying power essentially pulled even with African American buying power in 2006, and surpassed it in 2007. The estimates show that gap between the two groups' total buying power expanded in 2008 and will widen further in future years.

Of the myriad forces supporting this substantial and continued growth, the most important is favorable demographics.

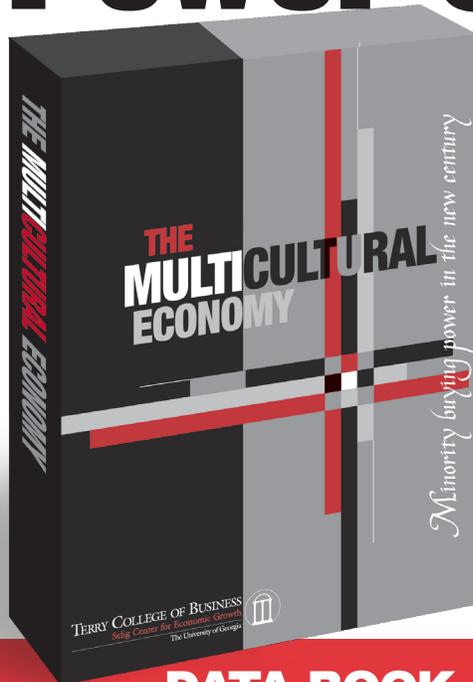
Because of both higher rates of natural increase and strong immigration, the Hispanic population is growing much faster than the total population, a trend that is expected to continue. Between 1990 and 2008, the Hispanic population increased by 107 percent compared to 14 percent for the non-Hispanic population and the 22 percent gain for the total population.

The relatively young Hispanic population, with proportionally more of them either entering the workforce for the first time or moving up in their careers, also argues for additional gains in buying power. Hispanics' spending patterns already help to determine the success or failure of many youth-oriented products and services. According to the *2006 American Community Survey*, 33.8 percent of the Hispanic population is under age 18 compared to 21.3 percent of the non-Hispanic white population. Also, in 2006, only 5.3 percent of Hispanics were over 65, compared to 15.2 percent of non-Hispanic whites.

The increasing number of Hispanic business owners is another potent force powering this consumer market. Census Bureau data released in 2006 showed that the number of

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Hispanic firms grew by 31 percent between 1997 and 2002, which is more than three times faster than the 10 percent increase in the number of all U.S. firms. This jump in entrepreneurial activity, coupled with a rising level of educational attainment, illustrates Hispanics' upward mobility. The *2006 American Community Survey* indicates that 60 percent of Hispanics over age 25 had a high school diploma, compared to only 56 percent in 1999 and to 53 percent in 1993. The proportion with a bachelor's degree or more increased from 9 percent in 1993 to 11 percent in 1999 to 12 percent in 2006. The Census Bureau cautions, however, that levels of educational attainment for Hispanics are lower than those for non-Hispanic whites, blacks, and Asians largely because of the vast number of less educated foreign-born Hispanics.

Hispanic refers to a person of Mexican, Puerto Rican, Cuban or other Spanish/Hispanic/Latino culture or origin, and is considered an ethnic category rather than a racial group. Persons of Hispanic origin therefore may be of any race, and since their culture varies with the country of origin, the Spanish language often is the uniting factor. Three out of every five Hispanics living in the U.S. are born here, and among the foreign born the vast majority are Mexican (64 percent), which suggests that a great many Hispanics share similar backgrounds and cultural experiences. Nonetheless, spending patterns differ significantly based on country of origin, and the composition of the nation's Hispanic population is changing.

Hispanics will comprise 15.3 percent of the country's population in 2008, and will have \$951 billion in disposable income. The ten states with the largest Hispanic markets, in order, are California (\$249 billion), Texas (\$171 billion), Florida (\$101 billion), New York (\$75 billion), Illinois (\$41 billion), New Jersey (\$36 billion), Arizona (\$31 billion), Colorado (\$21 billion), New Mexico (\$18 billion), and Georgia (\$15 billion).

Hispanics and their buying power are much more geographically concentrated than non-Hispanics. California alone accounts for 26 percent of Hispanic buying power. The five states and the ten states with the largest Hispanic markets account for 67 percent and 80 percent of Hispanic buying power, respectively. In contrast, the five states with the largest non-Hispanic markets account for only 39 percent of total buying power and the ten largest non-Hispanic markets account for only 56 percent of total buying power.

The top ten states, as ranked by the rate of growth of Hispanic buying power over 1990-2008, are Arkansas (1,536 percent), North Carolina (1,314 percent), Tennessee (1,053 percent), Georgia (1,037 percent), Nevada (965 percent), Alabama (890 percent), South Carolina (797 percent), Minnesota (768 percent), South Dakota (768 percent), and North Dakota (755 percent). In market size, Georgia, Nevada, and North Carolina also rank tenth, eleventh, and fourteenth, respectively, so, these states are three of the most attractive Hispanic markets in the nation.

Between 1990 and 2008, the share of buying power controlled by Hispanic consumers will rise from 5 percent to 8.9

percent, and the group's share will rise in every state. In 2008, the ten states with the largest Hispanic market shares will be New Mexico (30.2 percent), Texas (20.1 percent), California (18.1 percent), Arizona (15.8 percent), Florida (15.4 percent), Nevada (14.8 percent), Colorado (11.3 percent), New York (9.4 percent), New Jersey (9.3 percent), and Illinois (8.7 percent). Nevada's 8.5 percent shift in Hispanic market share, from 6.2 percent in 1990 to 14.8 percent in 2008 is the nation's largest. Texas will see its Hispanic market share climb from 12.4 percent to 20.1 percent, a gain of 7.6 percent, which is a remarkable for a state with such a large, established market. Hispanics' share of Florida's market will rise by 6.7 percent, from 8.7 percent to 15.4 percent. Arizona's Hispanics will claim 15.8 percent of the state's buying power, up 6 percentage points from their 9.8 percent share in 1990. New Mexico's Hispanic population will claim 30.2 percent of that state's buying power, a 5.8 percent advance over their 24.4 percent share in 1990. Similarly, Hispanics' share of California's market will rise by 5.8 percent (from 12.3 percent in 1990 to 18.1 percent in 2008).

Because of differences in per capita income, wealth, demographics, and culture, the spending habits of Hispanics as a group are not the same as those of the average U.S. consumer. The most recent *Consumer Expenditure Survey* indicates that Hispanic consumers spent in total only about 88 percent as much as the average non-Hispanic consumer.

Hispanic households spent more on groceries, telephone services, clothing, footwear, and gas and motor oil. Also, Hispanics spent a higher proportion of their money on housing and vehicle purchases. They spent about the same proportion of their total outlays as non-Hispanics on restaurants, housekeeping supplies, furniture, appliances, household textiles, public transportation, and personal care products and services.

Compared to non-Hispanics, Hispanics spent substantially smaller proportions of total outlays (and substantially less money) on health care, entertainment, education, and personal insurance and pensions.

The same survey found that Hispanic households are substantially larger than non-Hispanic households (3.2 persons per household versus 2.4 persons for non-Hispanics), and have nearly twice as many children under 18. On average, there are 1.6 vehicles per Hispanic household compared to 2 vehicles per non-Hispanic household. According to the 2006 American Community Survey, 13 percent of Hispanic households do not own or lease at least one vehicle compared to 8.3 percent of non-Hispanic households.

The *2006 American Community Survey* indicates that 49.3 percent of Hispanics are homeowners compared to 69.4 percent of non-Hispanics. Once the current housing recession ends, this substantial gap in homeownership rates represents an opportunity for market expansion. The median value of Hispanic-owned homes is \$208,100, which is 13 percent higher than the \$183,700 median value reported for the non-Hispanic population, however. ■

TABLE 2

**U.S. Population Statistics by Race,
1990, 2000, 2008, and 2013**

	Population			
	1990	2000	2008	2013
Total	249,622,814	282,216,952	304,706,703	318,903,870
White	209,366,661	228,637,204	242,944,137	251,297,292
Black	30,648,345	35,814,967	39,328,291	42,025,992
American Indian	2,058,726	2,673,624	2,992,860	3,237,075
Asian	7,549,082	11,162,564	14,513,074	16,840,467
Multiracial	NA	3,928,593	4,928,341	5,503,044
	Percentage Change in Population			
	1990-2008	1990-2013	2000-2008	2008-2013
Total	22.1	27.8	8.0	4.7
White	16.0	20.0	6.3	3.4
Black	28.3	37.1	9.8	6.9
American Indian	45.4	57.2	11.9	8.2
Asian	92.2	123.1	30.0	16.0
Multiracial	NA	NA	25.4	11.7
	Share of Population (percent)			
	1990	2000	2008	2013
Total	100.0	100.0	100.0	100.0
White	83.9	81.0	79.7	78.8
Black	12.3	12.7	12.9	13.2
American Indian	0.8	0.9	1.0	1.0
Asian	3.0	4.0	4.8	5.3
Multiracial	NA	1.4	1.6	1.7

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, July 2008.

TABLE 3

**U.S. Hispanic Market Statistics,
1990, 2000, 2008, and 2013**

	Buying Power (billions of dollars)			
	1990	2000	2008	2013
Total	4,270.5	7,187.6	10,721.0	14,013.7
Hispanic	211.9	489.5	951.0	1,386.2
Non-Hispanic	4,058.7	6,698.1	9,770.0	12,627.5
	Percentage Change in Buying Power			
	1990-2008	1990-2013	2000-2008	2008-2013
Total	151.0	228.1	49.2	30.7
Hispanic	348.9	554.3	94.3	45.8
Non-Hispanic	140.7	211.1	45.9	29.2
	Market Share (percentage)			
	1990	2000	2008	2013
Total	100.0	100.0	100.0	100.0
Hispanic	5.0	6.8	8.9	9.9
Non-Hispanic	95.0	93.2	91.1	90.1

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, July 2008.

TABLE 4

**U.S. Hispanic Population Statistics,
1990, 2000, 2008, and 2013**

	Population			
	1990	2000	2008	2013
Total	249,622,814	282,216,952	304,706,703	318,903,870
Hispanic	22,572,838	35,659,724	46,632,009	53,045,708
Non-Hispanic	227,049,976	246,557,228	258,074,694	265,858,162
	Percentage Change in Population			
	1990-2008	1990-2013	2000-2008	2008-2013
Total	22.1	27.8	8.0	4.7
Hispanic	106.6	135.0	30.8	13.8
Non-Hispanic	13.7	17.1	4.7	3.0
	Share of Population (percentage)			
	1990	2000	2008	2013
Total	100.0	100.0	100.0	100.0
Hispanic	9.0	12.6	15.3	16.6
Non-Hispanic	91.0	87.4	84.7	83.4

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, June 2008.

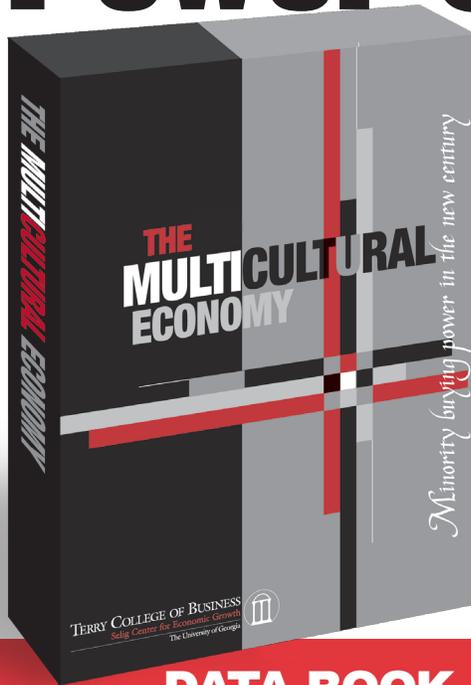
TABLE 5

**Total Buying Power by Place of Residence
for U.S. and the States, 1990, 2000, 2008, and 2013**
(thousands of dollars)

Area	1990	2000	2008	2013
United States	4,270,546,000	7,187,588,000	10,720,975,953	14,013,694,091
Alabama	56,892,094	93,705,340	141,583,419	182,567,251
Alaska	11,146,891	16,582,016	26,312,178	34,425,178
Arizona	55,744,215	115,336,078	197,687,185	281,630,748
Arkansas	30,604,138	51,896,680	80,787,885	105,065,021
California	565,376,110	908,421,421	1,376,253,899	1,824,153,474
Colorado	56,893,189	122,175,115	185,129,868	253,531,694
Connecticut	76,112,391	113,910,086	163,180,645	208,720,663
Delaware	12,369,781	20,665,960	32,271,907	43,357,487
District of Columbia	13,836,194	19,077,560	32,813,143	44,628,819
Florida	228,406,282	398,171,543	657,415,408	903,390,219
Georgia	100,713,305	197,964,309	296,539,126	394,172,188
Hawaii	21,455,557	30,111,430	46,380,439	58,974,416
Idaho	14,161,345	27,239,511	43,865,450	59,627,145
Illinois	208,084,531	340,995,806	472,830,786	589,919,069
Indiana	85,413,705	144,059,123	198,615,060	249,194,690
Iowa	42,741,469	68,495,981	98,020,326	122,411,265
Kansas	39,630,790	64,751,475	94,757,612	121,200,267
Kentucky	50,317,464	86,422,615	123,457,237	157,735,843
Louisiana	57,786,904	91,956,619	143,442,735	185,754,733
Maine	18,952,143	28,727,638	41,196,521	52,193,323
Maryland	94,031,126	152,970,399	232,908,507	309,911,043
Massachusetts	119,217,310	192,839,055	281,612,626	365,414,488
Michigan	154,298,844	253,237,498	327,566,772	397,163,554
Minnesota	75,960,736	134,132,209	194,564,510	252,632,556
Mississippi	30,715,121	53,940,038	81,607,851	105,416,020
Missouri	79,684,604	132,734,215	187,582,109	235,736,977
Montana	11,038,689	18,280,780	29,338,149	38,964,582
Nebraska	25,355,028	41,271,287	60,533,272	77,016,224
Nevada	21,809,482	53,123,247	97,905,388	144,606,938
New Hampshire	20,347,691	35,438,019	51,156,695	66,983,012
New Jersey	165,978,303	269,957,676	383,524,665	488,446,542
New Mexico	20,409,014	35,660,986	59,267,998	79,442,136
New York	363,717,112	548,702,197	802,547,505	1,022,536,648
North Carolina	101,265,797	189,004,196	281,581,611	367,190,209
North Dakota	9,219,127	14,487,082	21,226,700	27,447,671
Ohio	178,669,921	275,725,462	364,632,946	440,729,660
Oklahoma	44,964,884	74,326,510	116,968,551	156,744,858
Oregon	45,260,613	82,018,788	118,955,258	152,024,971
Pennsylvania	206,454,745	314,199,399	441,321,323	551,588,915
Rhode Island	17,744,308	26,330,056	38,438,183	48,893,888
South Carolina	49,347,434	86,508,979	128,177,802	167,340,194
South Dakota	10,332,176	17,504,911	25,856,225	33,348,743
Tennessee	74,014,663	133,501,176	196,383,098	253,922,231
Texas	266,483,516	522,985,766	853,193,761	1,184,724,160
Utah	22,846,381	46,661,059	77,263,847	106,537,273
Vermont	8,900,488	14,644,579	21,279,203	27,566,110
Virginia	111,106,619	186,231,945	289,655,376	384,490,078
Washington	86,667,670	161,428,707	246,562,811	327,786,085
West Virginia	23,240,552	35,307,979	50,351,259	62,507,352
Wisconsin	77,499,111	131,662,787	185,209,251	233,957,557
Wyoming	7,326,437	12,104,707	21,261,868	29,969,924

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, July 2008.

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TABLE 6

The Nation's Largest Consumer Markets in 2008
(billions of dollars)

		Total	
		Rank	Buying Power
	1	California	1,376.2
	2	Texas	853.2
	3	New York	802.5
	4	Florida	657.4
	5	Illinois	472.8
	6	Pennsylvania	441.3
	7	New Jersey	383.5
	8	Ohio	364.6
	9	Michigan	327.6
	10	Georgia	296.5

		White		Black		American Indian	
		Rank	Buying Power	Rank	Buying Power	Rank	Buying Power
1	California	1,123.8	New York	87.6	California	9.0	
2	Texas	737.9	Texas	72.0	Oklahoma	6.3	
3	New York	654.3	Florida	62.9	Texas	4.5	
4	Florida	571.0	Georgia	62.6	Arizona	3.9	
5	Illinois	402.2	California	61.8	New Mexico	2.7	
6	Pennsylvania	394.9	Maryland	52.3	Florida	2.4	
7	Ohio	323.4	Illinois	44.0	North Carolina	2.3	
8	New Jersey	313.4	North Carolina	40.9	Washington	2.3	
9	Michigan	280.6	Virginia	38.2	Alaska	2.3	
10	Massachusetts	254.1	New Jersey	34.8	New York	2.2	

		Asian		Multicultural		Hispanic	
		Rank	Buying Power	Rank	Buying Power	Rank	Buying Power
1	California	162.8	California	18.9	California	249.0	
2	New York	51.4	New York	7.0	Texas	171.1	
3	Texas	32.7	Texas	6.1	Florida	101.3	
4	New Jersey	31.7	Hawaii	5.4	New York	75.3	
5	Illinois	22.5	Florida	5.3	Illinois	41.0	
6	Hawaii	21.9	Washington	4.0	New Jersey	35.6	
7	Washington	16.3	Oklahoma	3.2	Arizona	31.3	
8	Florida	15.8	Illinois	3.1	Colorado	21.0	
9	Virginia	14.7	Virginia	3.0	New Mexico	17.9	
10	Massachusetts	12.9	New Jersey	2.9	Georgia	15.1	

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, July 2008.

TABLE 7

**The Nation's Fast-Growing Consumer Markets in 1990-2008
(percent)**

Rank	Percentage Change in Total Buying Power		Percentage Change in White Buying Power		Percentage Change in Black Buying Power	
1	Nevada	349	Nevada	313	Idaho	612
2	Arizona	255	Arizona	243	Nevada	591
3	Utah	238	Utah	231	Montana	533
4	Colorado	225	Colorado	217	Utah	531
5	Texas	220	Texas	205	South Dakota	461
6	Idaho	210	Idaho	204	Minnesota	442
7	Georgia	194	Wyoming	184	Vermont	408
8	New Mexico	190	New Mexico	181	Arizona	388
9	Wyoming	190	District of Columbia	173	Maine	378
10	Florida	188	Florida	173	Wyoming	363

Rank	Percentage Change in American Indian Buying Power		Percentage Change in Asian Buying Power		Percentage Change in Hispanic Buying Power	
1	West Virginia	581	Nevada	1,020	Arkansas	1,536
2	Mississippi	443	North Carolina	730	North Carolina	1,314
3	Tennessee	408	Georgia	699	Tennessee	1,053
4	Texas	405	Arizona	664	Georgia	1,037
5	Florida	386	Nebraska	635	Nevada	965
6	Georgia	382	Texas	610	Alabama	890
7	Kentucky	381	South Dakota	584	South Carolina	797
8	Iowa	346	Delaware	584	Minnesota	768
9	Louisiana	328	Minnesota	582	South Dakota	768
10	Arkansas	324	Florida	567	North Dakota	755

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, July 2008.