

THE 2025 OFFICIAL LDC U.S. LATINO GDP REPORT™

8th ANNUAL EDITION PART TWO

A Quantitative Assessment
of the U.S. Economy and
the Pivotal Role of Latinos
in Our Nation



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A Quantitative Assessment of the U.S. Economy and the
Pivotal Role of Latinos in Our Nation

Authors:

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Produced by the Latino Donor Collaborative | Sponsored by Wells Fargo



The Latino Donor Collaborative (LDC) is an independently funded 501(c)(3) nonprofit organization and think tank. LDC has consistently provided economic and business data through meticulous research and fact-based insights. Its reports have become essential tools for American resource allocators, highlighting the growing opportunities emanating from the myriad contributions of U.S. Latinos across the societal spectrum.

The Latino Data Collaborative Think Tank (LDCTT), through its respected research, produces data and insights that shed light on the invaluable contributions of American Latinos to the U.S. economy, business, entertainment, development, and the overall U.S. economy.

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A LETTER FROM THE LATINO DONOR COLLABORATIVE

Dear Colleagues and Partners,

We are pleased to share with you the 2025 Official U.S. Latino GDP Report™ – Part Two, the continuation of our flagship publication from the Latino Donor Collaborative (LDC). As with Part One, this analysis is more than numbers. It is designed as a strategic tool for business leaders, investors, and policymakers who need fact-based insights to guide operational planning, revenue growth, and long-term decision-making.

Part One demonstrated how U.S. Latinos are sustaining America's economic growth, with Latino GDP reaching \$4 trillion in 2023, the fifth-largest economy in the world if measured independently. Part Two builds on that foundation by providing an even deeper view into the structure and trajectory of this economic force.

This report introduces state-level data, including Latino GDP, Latino immigrant GDP, and Mexican American GDP. For the first time, it provides forecasts through 2030, giving decision makers a clear view of where growth will accelerate across regions and sectors. It also highlights how Latino consumption patterns differ from other groups, providing businesses with actionable insights into demand trends that are shaping industries nationwide.

It is important to note that nine out of ten U.S. Latinos are citizens or lawful permanent residents. Within that broader reality, immigrant Latinos also contribute strongly to growth. Part Two examines these contributions and evaluates the macroeconomic impact of potential mass deportations. The findings are clear: removing workers from this essential segment would weaken GDP and intensify labor shortages.

Together, these insights underscore that U.S. Latinos are not only driving consumption, entrepreneurship, and workforce expansion today. They are also central to sustaining the nation's economic resilience for decades to come.

The implications for leaders across all sectors remain decisive:

- For business leaders: Regional insights and consumption data confirm that engaging with U.S. Latinos is essential to capturing growth markets and future-proofing your business.
- For investors: State-level projections reveal where superior returns will emerge. The U.S. Latino cohort is a highly undervalued asset class, one that is hiding in plain sight.
- For policymakers: Sound immigration and workforce strategies will determine whether America secures its long-term economic advantage.
- For media and culture shapers: Telling the real story of Latino contributions is not only accurate, it is profitable and essential.

Our board of directors and staff remain committed to delivering actionable intelligence that empowers smarter investments, sharper strategies, and stronger economic narratives.

As the only institution in the world dedicated exclusively to producing fact-based, actionable data on the economic contributions of U.S. Latinos, the LDC is proud to provide this expanded resource.

Thank you for being a leader committed to leveraging this expanded understanding of America's economic future. Capitalizing on one of our nation's primary assets will be essential to sustained prosperity for decades to come.

With warm regards,

Sol Trujillo

Co-Founder and Chairman

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Seidman Research Institute

The Seidman Research Institute is the consultancy arm of W. P. Carey School of Business, Arizona State University. First established in 1985 to serve as an applied business research and consultancy resource for the southwest business community, Seidman currently offers a diverse range of business and economics consulting services to public and private sector clients throughout North America. Visit seidmaninstitute.com.

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EXECUTIVE SUMMARY



Building on the foundational analysis from Part One of The 2025 Official LDC U.S. Latino GDP Report™, Part Two provides detailed state-level and demographic insights into the growing impact of Latinos on the U.S. economy:

- U.S. Latino GDP reached \$4 trillion in 2023, making it the fifth-largest economy in the world if measured independently—surpassing the U.K. and France and comparable to India’s GDP.
- Since 2015, Latino GDP has grown by over 50%, compared to just 17% among non-Latinos.
- Latino Gross Domestic Income (GDI) rose to \$3.1 trillion, up from \$2.1 trillion in 2018.
- Latino Purchasing Power increased to \$4.1 trillion, up from \$2.8 trillion during the same period.
- Key metrics, such as GDP, income, and purchasing power, are growing at least twice as fast as the rest of the U.S. economy.
- Latino consumer spending exceeded \$2.5 trillion in 2023, growing at a rate of 4.9% annually—more than double the rate of non-Latinos.
- Latino-owned businesses have grown at a rate of 7.7% annually, far outpacing the national rate of 0.46%. They now total 5.7 million and generate \$945 billion in revenue.

Key New Findings from Part Two

- Mexican Americans represent the majority of U.S. Latino GDP in key states, contributing over 75% of U.S. Latino GDP in California, Texas, and Arizona.
- U.S. Latino immigrants generated \$1.6 trillion in GDP in 2023, supported by high labor force participation and strong representation in working-age groups.
- New state-level forecasts show rapid growth through 2030: California is expected to surpass \$1.4 trillion in Latino GDP, and Texas will reach \$1.1 trillion. The fastest growth among large state economies will occur in Ohio (+87.8%), Pennsylvania (+75.6%), Michigan (+65 %), Washington (+62%), Virginia (+60.9%), and Massachusetts (+61.6%).
- Latino consumption is reshaping markets with its distinctive patterns. This cohort represents 20% of all video-on-demand usage, 26% of vehicle purchases (and 68% of auto industry growth) and spends 34% of its media time on streaming, compared to 25% among non-Latinos.
- Sector analysis shows that manufacturing is the largest contributor to Latino GDP at \$547 billion, with particularly strong growth in real estate (+23.5%), utilities (+42.1%), and information services (+15.3%).

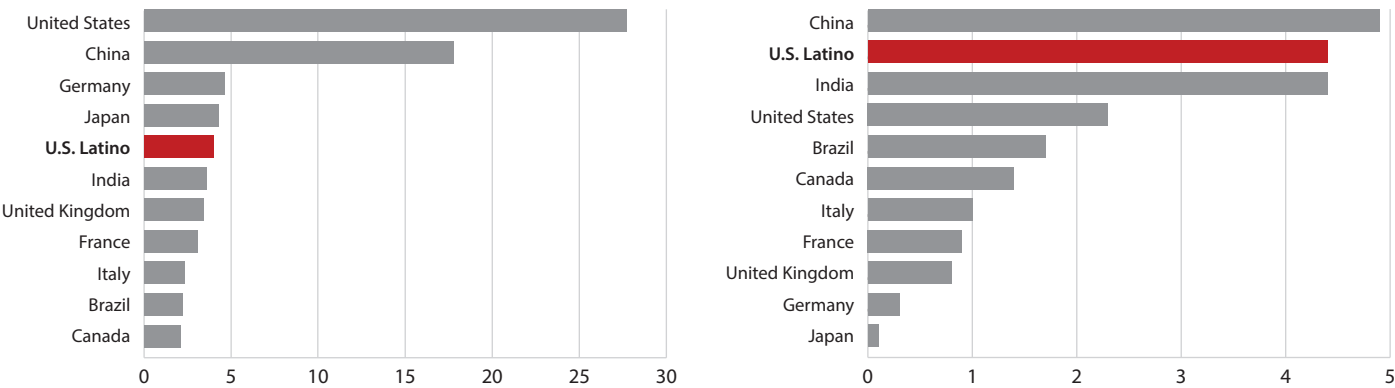
OVERVIEW

This economic report offers an objective, quantitative assessment of the U.S. economy, with a particular emphasis on the critical role of the U.S. Latino community in sustaining prosperity and driving future growth. Currently, investors, business leaders, and policymakers are navigating a landscape characterized by evolving consumer behavior, shifting access to global markets, and challenges in attracting and retaining talent. In this context, understanding how to effectively leverage one of the nation’s largest domestic assets—the U.S. Latino population—is essential. The insights presented here aim to inform sound decision-making, strategic planning, and long-term economic impact based on rigorous, fact-based analysis.

Now in its eighth edition, the 2025 Official LDC U.S. Latino GDP Report™ builds upon a fundamental insight first documented by the Latino Donor Collaborative (LDC) in 2017: U.S. Latinos are a primary force behind American economic growth. This year’s report introduces several innovations. It provides state-level forecasts of U.S. Latino GDP through 2030, analyzes the economic impact of U.S. Latinos of Mexican American descent, examines patterns in Latino business formation and consumer spending, and evaluates the macroeconomic consequences of mass deportation policies.

Given the current policy environment and ongoing debates about immigration, this comprehensive economic assessment includes analysis of potential deportation scenarios and their broader macroeconomic implications. Figures 0.1 and 0.2 illustrate the scale of the U.S. Latino economy relative to global benchmarks and growth trajectories.

Figures 0.1 and 0.2: U.S. Latino GDP in the World Stage



A. The world’s leading economies in 2023 compared to the U.S. Latino GDP as estimated from expenditures made “by and on behalf” of members of this demographic. Figure corresponds to trillions of current U.S. dollars.

B. Real, annualized percent GDP growth among the world’s leading economies between 2018 and 2023 compared to the growth in the U.S. Latino GDP as measured from expenditures made “by and on behalf” of members of this demographic. Figure corresponds to chained growth rates.

Sources: World Bank; U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Commerce, Census Bureau, American Community Survey; and U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey.

These economic contributions span multiple dimensions of the U.S. economy. The report examines the key roles that U.S. Latinos play as workers, consumers, and entrepreneurs, with dedicated chapters for each area. Additional analysis covers state-level Latino economies, the contributions of the Mexican American population, and the economic impact of U.S. Latino immigrants.

CURRENT ECONOMIC ENVIRONMENT

This year’s findings demonstrate that U.S. Latinos are sustaining and accelerating economic growth across three essential dimensions: consumption, entrepreneurship, and workforce expansion. As the Baby Boomer generation continues to move into retirement and national population growth slows, U.S. Latinos are increasingly filling the economic void due to their youth, scale, and economic engagement.

When the LDC first published this report in 2017, U.S. Latino GDP had already reached \$2.1 trillion in 2015. At that time, the U.S. Latino economy would have ranked as the seventh largest in the world if measured independently, behind only the United States, China, Japan, Germany, the United Kingdom, and France.

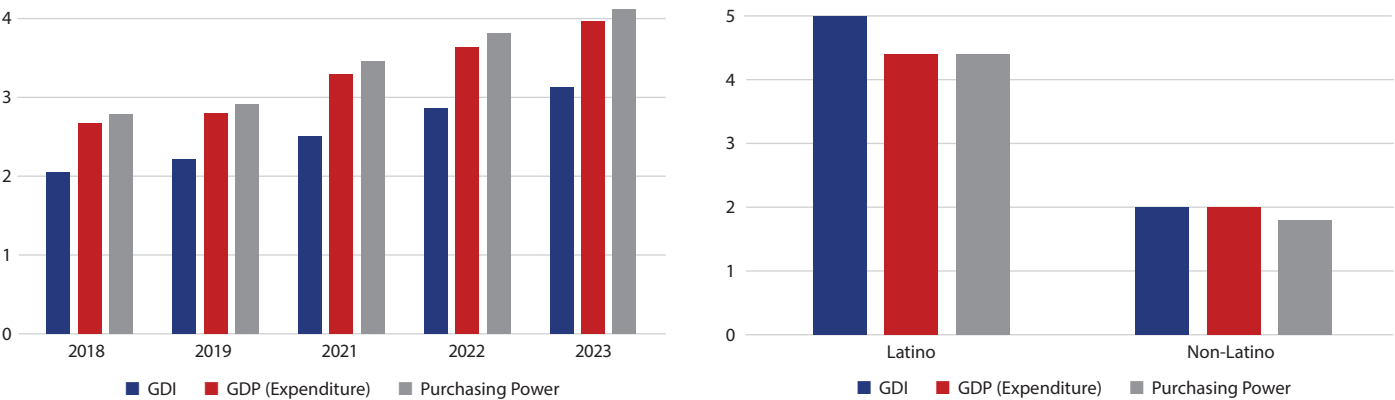
By 2023, powered by a population of 65.2 million, U.S. Latino GDP had doubled to \$4 trillion—approximately the level of output produced by the entire state of California. This growth places the Latino economy as the fifth largest globally, surpassing the economies of France and the United Kingdom and matching the scale of India’s economy, despite India’s population being 20 times larger. Inflation-adjusted growth in U.S. Latino GDP has averaged 4.4% per year, placing it on par with India’s growth rate and behind only China’s among major global economies.

To underscore the dynamism of this economy, consider that U.S. Latino GDP grew by more than 50% from 2015 to 2023, compared to just 17% growth among non-Latinos. Had the broader U.S. economy matched the growth pace of the Latino cohort, national GDP would be \$6.8 trillion larger today—a 24% increase.

U.S. Latino consumption has demonstrated similarly strong momentum. Spending grew from \$1.4 trillion in 2015 to over \$2.5 trillion in 2023 and is currently increasing at a rate more than twice that of non-Latino consumption. Between 2018 and 2023, Latino GDI rose from \$2.1 trillion to \$3.1 trillion. During the same period, Latino Purchasing Power (LPP), a unique metric developed for this report, increased from \$2.8 trillion to \$4.1 trillion.

The pace of growth is striking. U.S. Latino GDP has expanded 2.2 times faster than the rest of the U.S. economy. U.S. Latino income and purchasing power have grown 2.5 and 2.4 times faster, respectively. Every major economic indicator considered here is rising at twice the national average for this population (Figures 0.3 and 0.4).

Figures 0.3 and 0.4: The U.S. Latino Economy at a Glance



A. Trillions of current dollars. GDI stands for “Gross Domestic Income.” Latino GDP is estimated using an expenditure approach.

B. Real annual growth rates. Figures correspond to percentage growth between 2018 and 2023.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Commerce, Census Bureau, American Community Survey; and U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey.

Entrepreneurship is also accelerating. According to the U.S. Census Bureau’s Annual Business Survey, Latino-owned businesses have grown at an average annual rate of 7.7%, significantly outpacing the 0.46% growth rate of all American employer businesses. U.S. Latino business activity is especially strong in sectors such as Manufacturing, Financial Services, Health Care, Accommodation, and Real Estate. These businesses are thriving in 204 out of 227 U.S. urban areas. Furthermore, this cohort has created 3 out of 10 new businesses between 2012 and 2022.

As the country faces the twin pressures of an aging population and declining fertility, U.S. Latinos offer a critical solution. Their growing presence helps to offset a tightening labor market, weakening productivity, and reduced consumer demand in other economic sectors.

LATINO CONSUMPTION

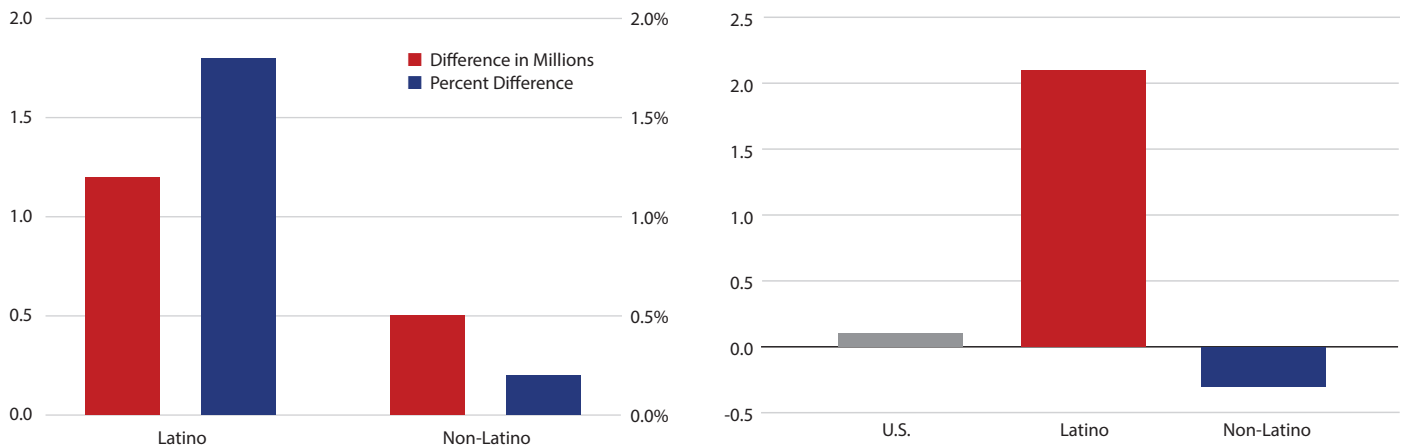
Consumption remains the single largest component of U.S. GDP. When households spend money, they stimulate business activity, job creation, and overall economic growth. U.S. Latino consumer spending has become a vital pillar of national demand. Between 2018 and 2023, annual Latino consumption grew by 4.9%, more than twice the pace of non-Latino spending. In 2023 alone, U.S. Latinos spent over \$2.5 trillion on goods and services. U.S. Latinos increased their share of total consumption by 40% between 2012 (when they held a 9.4% share) and 2023 (when they held a 13.2% share).

This rapid growth is fueled by rising incomes, a younger demographic profile, and higher household expenditure levels. U.S. Latinos are driving demand across a wide range of sectors, from housing and automobiles to mobile phones, groceries, apparel, and personal care. They account for 20% of video-on-demand consumption, 26% of vehicle purchases, and 68% of growth in the auto industry.¹ U.S. Latinos also tend to consume digital media more than other groups, spending 34% of their media consumption on streaming, compared to 25% among non-Latinos.²

DEMOGRAPHIC DRIVERS

The underlying strength of the U.S. Latino economy is rooted in its demographics. This population is significantly younger, growing faster, and contributing more to the labor force than any other major group in the country. As of 2023, 27.1% of Generation Alpha identified as Latino. The Latino population expanded at a rate of 1.8% (1.2 million) between 2022 and 2023, compared to 0.2% among non-Latinos (0.5 million). The median age of U.S. Latinos is 31, which is 10 years younger than the median for non-Latinos (Figures 0.5 and 0.6).

Figure 0.5 and 0.6: Comparing Latino and Non-Latino Population Growth



A. Comparing Latino and non-Latino population growth (2022–2023).

Source: U.S. Department of Commerce, Census Bureau, American Community Survey.

B. Percentage growth in working-age population (2022–2023).

Source: U.S. Department of Commerce, Census Bureau, American Community Survey.

1 Motion Picture Association, Theme Report – 2021; Autoproyecto, citing the S&P Global Mobility 2019 through 2024 reports, respectively.

2 Nielsen (2024). On-screen representation is driving Latino TV viewing. October 2021.

Beyond their demographic impact, 94% of U.S. Latinos under age 18 are either U.S.-born or naturalized citizens. Language proficiency is high, with 84% speaking English well or exclusively speaking. According to Kantar, 88% of U.S. Latinos are documented. Despite persistent misconceptions, the vast majority of U.S. Latinos are fully integrated members of American society. An accurate understanding of this reality is essential for crafting responsible and effective economic and labor policies.

This young, domestic population is already transforming the labor market. In 2023, the U.S. Latino labor force expanded by 2.9%, compared to 0.2% for non-Latinos. This added 820,000 Latino individuals to the working-age population, while the number of non-Latinos in this group fell by 560,000. These figures are not just demographic milestones; they are economic assets that will shape the future of American industry.

In a world where many nations face shrinking workforces, the United States stands apart due in large part to the growth of its U.S. Latino population. This cohort is vital to maintaining competitiveness, supporting industrial revitalization, and sustaining domestic production capacity. They play a key role in reshoring and strengthening supply chains. Educational gains are further amplifying their contributions. Between 2022 and 2023, the number of U.S. Latinos with bachelor's degrees increased by 4.6%, driven largely by younger cohorts.

The demographic dividend offered by U.S. Latinos is not easily replaced. Technological advancements, including artificial intelligence, cannot fully substitute for this labor force. For example, a 0.2% decrease in national population growth would require a permanent 8.5% increase in productivity growth to make up the difference, as we report in Chapter I. The U.S. Latino workforce is indispensable for achieving long-term economic resilience and productivity growth.

BUSINESS FORMATION AND ENTREPRENEURSHIP

Manufacturing is the largest sector of the U.S. Latino economy, reaching \$547 billion in 2023. This sector alone grew 15.5% year over year after adjusting for inflation, outpacing the rest of the industry by a factor of more than four. Since 2021, U.S. Latino Manufacturing output has nearly doubled in nominal terms, rising from \$288 billion to \$547 billion. As a result, U.S. Latinos now account for 19.3% of the total U.S. manufacturing output.

Beyond manufacturing, U.S. Latinos have played a major role in sectors such as Public Administration, which reached \$448 billion, and Real Estate, Rental, and Leasing, which totaled \$340 billion in 2023. While Public Administration has grown only modestly, at 1.5% annually, and has remained largely flat since 2021, Real Estate, Rental, and Leasing has expanded rapidly, increasing 23.5% year over year and growing by \$74 billion in nominal terms since 2021. Several smaller but fast-growing sectors include Professional, Scientific, and Technical Services, which grew by 8.1%; Information Services, which increased by 15.3%; and Arts, Entertainment, and Recreation, which rose by 8%.

As the United States seeks to rebuild its domestic manufacturing base and secure supply chains, U.S. Latinos are emerging as a central force in this effort. Their growing presence in industrial regions, combined with rising levels of education and business ownership, establishes them as a strategic foundation for national industrial renewal. The youthfulness of the U.S. Latino population strengthens this position. The most common age groups among U.S. Latinos are under 6 and between 16 and 20 years old, in sharp contrast to the most common age range of non-Latinos, which is between 61 and 64.

U.S. Latinos are also leading the charge in entrepreneurship. According to the most recent data from 2022, they owned approximately 5.7 million businesses. These enterprises employed more than 3.8 million people and generated \$945 billion in annual revenue. Over 4 years, total U.S. Latino business ownership grew at a rate exceeding 7% per year, while non-Latino business ownership increased by less than 2% annually.

This disparity is even more pronounced when examining specific industries. In Construction, for example, the number of U.S. Latino-owned businesses grew by over 7.5% per year, compared to less than 2% for non-Latinos. In Manufacturing, U.S. Latino business ownership increased by nearly 8.5% annually, while growth among non-Latinos remained at just over 2%.

These trends were also evident in Retail and Wholesale Trade, where U.S. Latino business ownership remained strong even as non-Latino ownership declined. U.S. Latinos also expanded their presence in service sectors, including Financial Services, Health Care, Accommodation, and Real Estate. This growth reflects their responsiveness to changing consumer demands and their resilience, particularly during the COVID-19 pandemic. Many U.S. Latinos launched new ventures during that challenging period, demonstrating adaptability and determination.

Importantly, U.S. Latino-owned businesses also demonstrate a strong commitment to the well-being of workers. Data show that 89% of these businesses offer employer-paid benefits, and 90% invest in employee skill development. This commitment to supporting their workforce further reinforces the long-term viability and competitiveness of U.S. Latino entrepreneurship in the national economy.

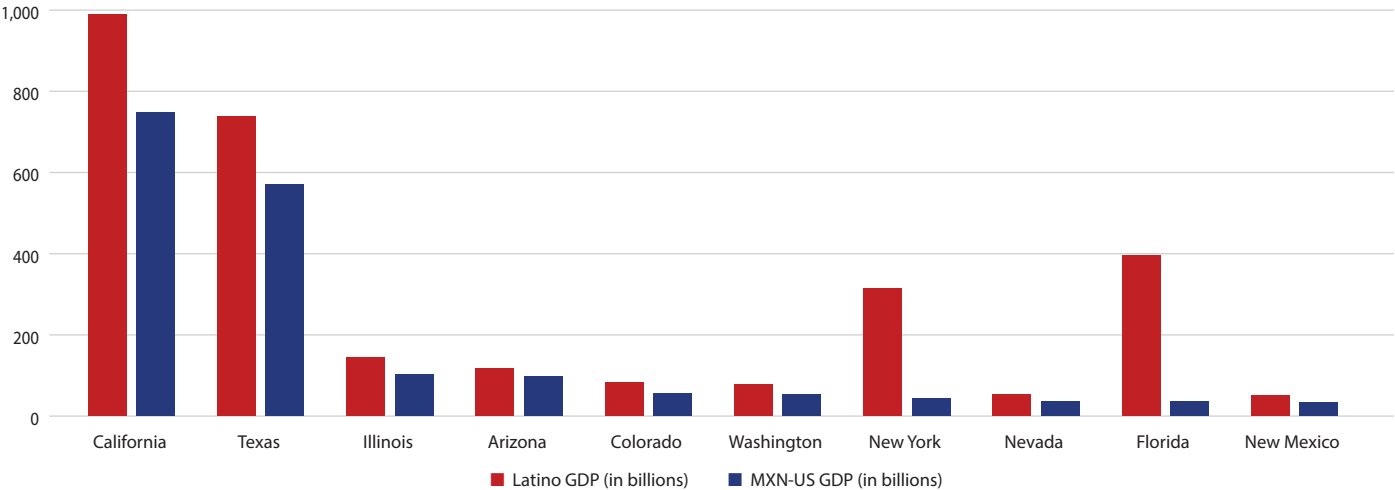
STATE ECONOMIES, MEXICAN AMERICANS, AND U.S. LATINO IMMIGRANTS

All states in the United States benefit from the economic contributions of U.S. Latinos, though some have been more effective than others in fully leveraging this critical asset. Between 2018 and 2023, the following states, with at least \$30 billion in Latino contributions, experienced the fastest inflation-adjusted annual growth in their U.S. Latino economies: Washington (9.1%), Utah (10.2%), Oklahoma (11.2%), Missouri (9.1%), Alabama (9.1%), and West Virginia (10.5%).

Even in states with long-established U.S. Latino communities, such as California, Texas, and Florida, this population continues to drive a substantial portion of growth. In each of these states, U.S. Latinos accounted for nearly one-third of total GDP growth between 2018 and 2023. In New York, the figure reached 42.9% over the same period.

California continues to lead the nation with a U.S. Latino GDP of \$989 billion in 2023, projected to surpass \$1 trillion by 2025. California’s U.S. Latino economy is expected to grow to \$1.4 trillion by 2030, followed by Texas with \$1.1 trillion. In these two states, as well as in Arizona, Mexican Americans are responsible for approximately 75% of total U.S. Latino economic output, highlighting the central role of this subgroup, particularly in the South and Southwest (Figure 0.7).

Figure 0.7: Top 10 States by Mexican American GDP Contribution (2023)



Sources: U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Department of Commerce, Census Bureau, American Community Survey.

U.S. Latino immigrants also represent a vital component of national output. In 2023, they generated \$1.6 trillion in GDP, supported by high labor force participation rates and strong representation among working-age groups. Their contributions are essential to industries facing labor shortages and to the broader growth trajectory of the economy.

Looking ahead, Seidman projects that several states will be especially successful in harnessing the full economic potential of their U.S. Latino populations. Between 2023 and 2030, U.S. Latino GDP is expected to grow by 62% in Washington, 60.9% in Virginia, 61.6% in Massachusetts, 75.6% in Pennsylvania, 65% in Michigan, and 87.8% in Ohio. These trends reflect both demographic momentum and the increasing integration of U.S. Latinos into diverse regional economies.

CHAPTER I

U.S. LATINOS, A CORNERSTONE OF THE U.S. LABOR MARKET



SUMMARY

As businesses across the United States struggle to fill job openings and the broader population continues to age and grow at a slower rate, the younger, faster-growing U.S. Latino population is well-positioned to support continued economic growth. This cohort plays a vital role in sustaining U.S. industries and helping to stabilize the nation's fiscal outlook, which could otherwise deteriorate further in the future. In contrast, mass deportations would strain the nation's economy by removing essential workers from key industries, causing economic harm without providing meaningful benefits to native-born workers.

Significant Data Points:

- U.S. Latinos are overrepresented in the working-age population. Without them, the ratio of individuals 65 or older to those of working age worsens by 13% today and by 10% in 2055, placing additional strain on entitlement programs.
- Manufacturing continues to be the largest sector of the U.S. Latino economy, generating \$547.5 billion in revenue in 2023 and registering year-over-year growth of 15.5%.
- Other sectors registering strong growth include: Utilities (42.1%), Real Estate and Leasing (23.5%), and Information Services (15.3%), among others.
- Further growth, however, will be constrained by labor supply. Despite recent volatility due to trade policy, the U.S. unemployment rate has hovered at its lowest sustainable level, reflecting hiring difficulties among firms.
- A healthy Latino population pyramid, with peaks in the late teens and early 20s, along with increasing human capital accumulation, positions this demographic as key to mitigating labor supply constraints.
- In contrast, mass deportations could reduce GDP *growth* by at least 0.8%.³ Furthermore, the wages of the upper 63% of workers in terms of skills would decrease. Deporting 10% of the undocumented population every year for 10 years would reduce GDP by 3.3% and lower wages by 1.7%.⁴

SECTION ONE: AT A GLANCE

The U.S. Latino economy is large, dynamic, and well diversified. As of 2023, the most recent year for which data are available, its GDP reached \$4 trillion. This would make it the fifth-largest economy in the world if it were a standalone country, behind only the United States, China, Germany, and Japan, and ahead of other major economies such as India, the United Kingdom, France, Italy, Brazil, and Canada.

While the size of the U.S. Latino economy is significant, its growth rate is even more noteworthy. Adjusted for inflation, U.S. Latino GDP increased by more than 50% between 2015 and 2023. In contrast, non-Latino GDP grew by only 17% over the same period. Had the entire U.S. economy grown at the same pace as the U.S. Latino segment, national GDP would be \$6.8 trillion higher today, representing a 24% increase.

On an annual basis, inflation-adjusted U.S. Latino GDP grew by 4.4%, a rate comparable to India and second only to China among major economies. This is more than double the 2.0% annual growth rate for non-Latinos in the United States. Other metrics tell a similar story. U.S. Latino income and purchasing power grew 2.5 and 2.4 times faster, respectively, than in the rest of the economy. This growth relies heavily on U.S. Latino workers, who provide essential goods and services.

3 Federal Reserve Bank of Dallas. Declining immigration weighs on GDP growth, with little impact on inflation. July 8, 2025.
<https://www.dallasfed.org/research/economics/2025/0708>

4 University of Pennsylvania, Wharton School. Mass Deportation of Unauthorized Immigrants: Fiscal and Economic Effects. July 28, 2025.

5 2015 represents the first year this measure was calculated.

Looking ahead, the U.S. Latino economy is expected to continue expanding, driven by strong demographic trends and rising levels of human capital, as discussed in Section Two. Sections Two and Three underscore the nation's increasing dependence on U.S. Latino demographic growth in the labor market. This is particularly relevant as the U.S. population ages, placing pressure on entitlement programs such as Social Security and Medicare.

Section Four illustrates the robust industrial growth of the Latino economy, including in sectors critical to reshoring initiatives, such as Manufacturing. Furthermore, Section Four underscores that, although the Latino community is heavily concentrated in urban areas, it contributes significantly to rural America.

Section Five highlights the pervasiveness of labor shortages across industries and how the U.S. Latino workforce is well-positioned to address them. Section Six reviews academic literature on the effects of migration. This review reveals that mass deportations are unlikely to benefit native workers and would, in fact, create serious macroeconomic challenges for the country.

Overall, this chapter demonstrates that the U.S. labor force will likely continue to face labor supply constraints, which limit the growth potential of U.S. industries. However, the domestic U.S. Latino community is poised to take on these challenges and help maintain the recent growth trajectory.

SECTION TWO: U.S. LATINO DEMOGRAPHICS AND WORKFORCE DYNAMICS

Population growth in the United States has slowed in recent years. As of 2023, the non-Latino population increased by only 0.2% year over year, but the U.S. Latino population grew by 1.8 percent. Members of this segment are also significantly younger, with a median age of 31, a full decade younger than non-Latinos. The U.S. Latino population is also overwhelmingly a domestic asset: 94 percent of individuals under 18 are either U.S.-born or the children of naturalized citizens, and 86 percent of all U.S. Latinos are documented.⁶

This strong population growth is mirrored in labor force trends. In 2023, the U.S. Latino labor force grew by 2.9%, compared to just 0.2% for non-Latinos—a difference of more than 14 to 1. U.S. Latinos added 820,000 individuals to the working-age population, offsetting a decline of 560,000 in non-Latinos.⁷ These figures highlight the essential role of U.S. Latinos in fostering long-term economic resilience, especially in a tight labor market (see Section Five).

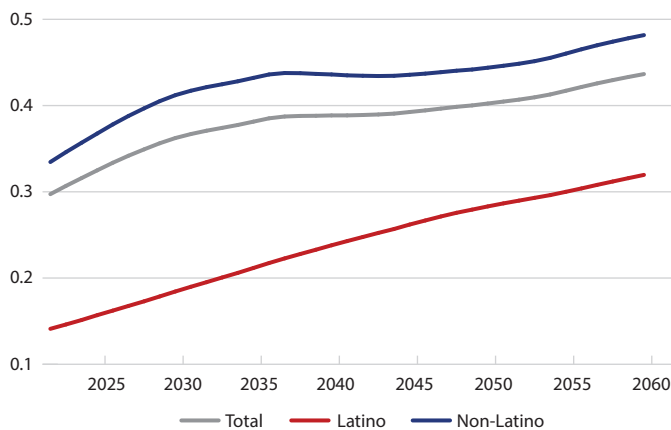
An aging population poses major macroeconomic risks. Older individuals are less likely to work, tend to contribute less in taxes, and rely more heavily on programs such as Social Security and Medicare. These programs depend on a robust base of working-age taxpayers to ensure payments to recipients, who typically become eligible for Medicare at age 65 and Social Security at age 67. Figure 1.01 shows the projected Social Security dependency ratio, comparing the number of individuals aged 65 and older to the number of working-age Latinos, non-Latinos, and the total U.S. population. For non-Latinos, the ratio is currently 37 seniors for every 100 working-age adults.

By 2055, there will be 46 seniors for every 100 working-age non-Latinos. However, including Latinos in the calculation decreases the overall U.S. dependency ratio to 32 seniors for every 100 working adults in 2025 and 42 seniors for every 100 working adults by 2055. Thus, the younger and growing Latino population provides much-needed fiscal support, reducing pressure on entitlement programs.

⁶ Migration Policy Institute (MPI).

⁷ The working age population refers to anyone between the ages of 16 and 64.

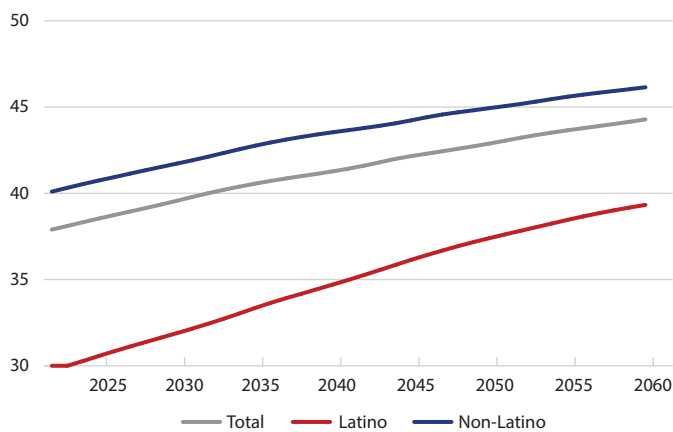
Figure 1.01: Social Security Dependency Ratio



Source: Congressional Budget Office, Demographic Projections.

The national demographic shifts described here are expected to slow economic growth and increase government debt; however, U.S. Latinos are uniquely positioned to help offset these challenges. As shown in Figure 1.02, the median age of non-Latinos is projected to rise from 41 in 2025 to 46 in 2055. During the same period, the median age of U.S. Latinos is expected to rise from 31 to 39, keeping this group substantially younger than the general population.

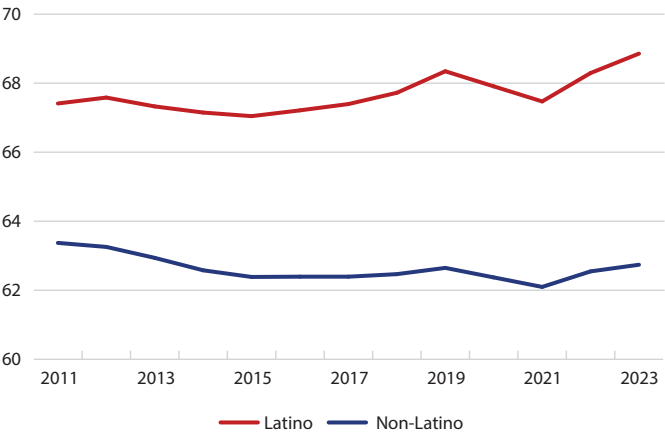
Figure 1.02: Projected Median Age



Source: Congressional Budget Office, Demographic Projections

This age difference also contributes to higher labor force participation rates among U.S. Latinos. Since 2011, their participation rate has consistently exceeded that of non-Latinos by 5 to 6 percentage points (see Figure 1.03). This higher rate reinforces the critical role of U.S. Latinos in supporting the national workforce.

Figure 1.03: Labor Force Participation Rates

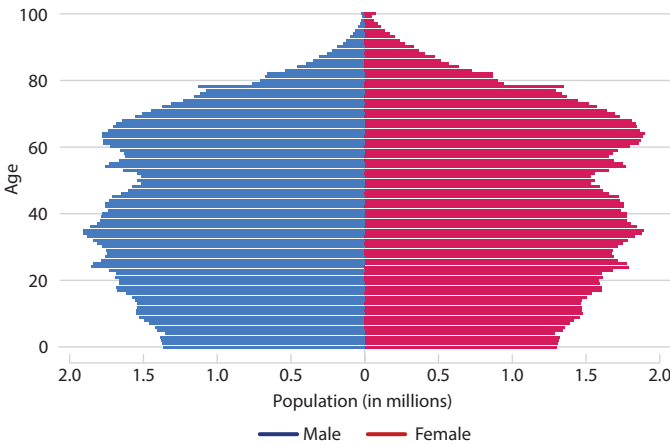


Labor force participation among those 16 years and older as a percentage of the total respective population.

Source: U.S. Department of Commerce, Census Bureau, American Community Survey.

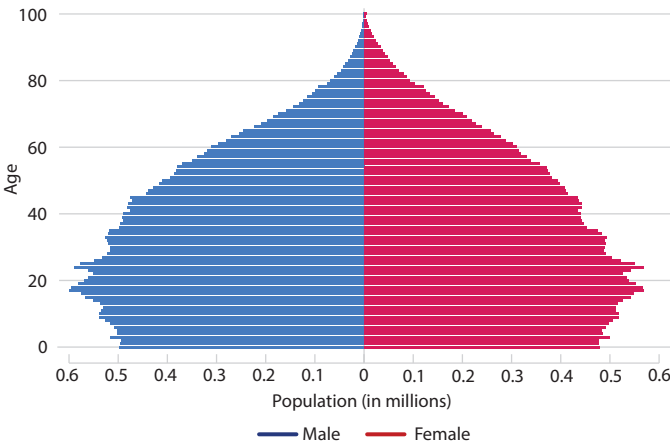
Moreover, the U.S. Latino labor force is growing in both absolute numbers and as a share of the total labor force. Figures 1.04 and 1.05 present the population pyramids for non-Latinos and U.S. Latinos, respectively. Among non-Latinos, the largest age cohorts are in their late 30s and early 60s. Among U.S. Latinos, the largest cohorts are in their late teens and early 20s. These individuals are just entering the workforce and will continue contributing for many decades.

Figure 1.04: Population Pyramid for Non-Latinos



Source: Congressional Budget Office, Demographic Projections.

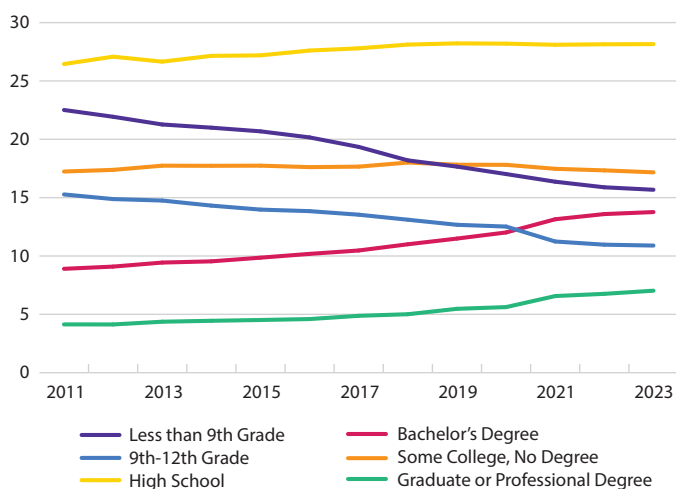
Figure 1.05: Population Pyramid for Latinos



Source: Congressional Budget Office, Demographic Projections.

In addition to their growing numbers, U.S. Latinos are achieving higher levels of education. The percentage of U.S. Latinos with a bachelor's degree or higher since 2010 has increased significantly, while the percentage with less than a high school education has declined (Figure 1.06). Notably, a higher percentage of U.S. Latinos have a bachelor's degree than those with only some high school education.

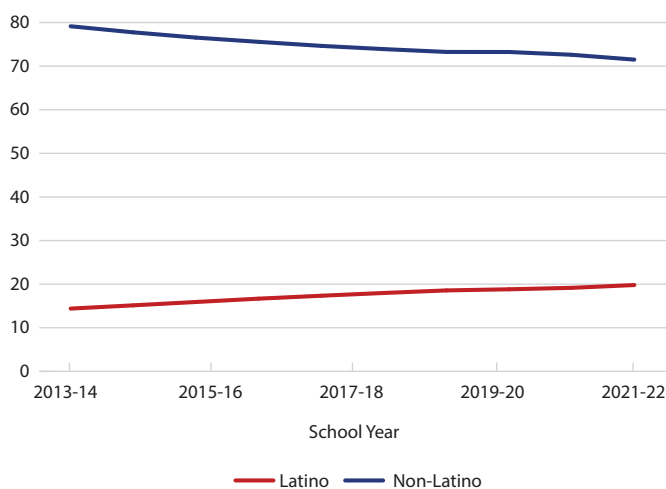
Figure 1.06: U.S. Latino Educational Attainment



Note: Figures correspond to the percentage of individuals aged 25 years and older, classified by their highest level of educational attainment.

Sources: U.S. Department of Commerce, Census Bureau, American Community Survey.

Figure 1.07: College Enrollment Rates



Note: Figures correspond to the percentage share of total enrollment.

Source: National Center for Education Statistics, Integrated Postsecondary Education Data System.

Figure 1.06 offers a current snapshot of U.S. Latino educational attainment. To better assess future trends in educational progress, Figure 1.07 examines the percentage of currently enrolled college students who are U.S. Latinos. Encouragingly, U.S. Latino college enrollment increased steadily between the 2013–14 and 2021–22 academic years. If these trends continue, not only will U.S. Latinos expand the size of the workforce, they will also increase their overall skill level and productivity.

SECTION THREE: THE MEDIUM- AND LONG-TERM MACROECONOMIC EFFECTS OF LATINO POPULATION GROWTH

This section evaluates the impact of potential changes in immigration policy, including mass deportations, on the U.S. economy. Four scenarios modeling reductions in net migration are tested using Congressional Budget Office (CBO) demographic projections.

These scenarios are not predictions, but stress tests that show how critical migrants, including U.S. Latinos in particular, are to America's growth and fiscal health. Far from being an abstract exercise, the results provide a stark warning about the potential macroeconomic impacts of drastic changes to immigration policy. The four scenarios considered are:⁸

1. Net migration temporarily falls to 50% of the CBO baseline from 2025 to 2029 before returning to the CBO's projected baseline.
2. Net migration temporarily falls to 10% of the CBO baseline from 2025 to 2029, before returning to the CBO's projected baseline.
3. Net migration permanently falls to 50% of the CBO baseline from 2025 to 2029 and remains there indefinitely.
4. Net migration falls permanently to 10% of the CBO baseline from 2025 to 2029 and remains there indefinitely.

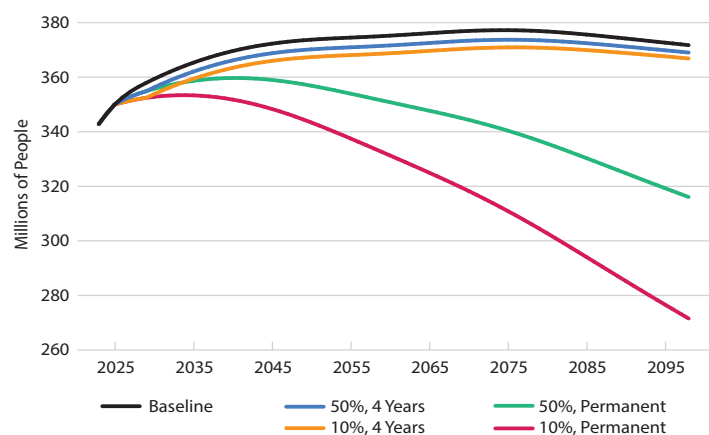
⁸ For more details on Seidman's modeling methods and assumptions, consult the Methodology chapter.

Figure 1.08 illustrates the changes in the U.S. population. Under the CBO baseline, the U.S. population continues to grow, peaking at 377 million in 2075, and then declines.

In the two temporary reduction scenarios, U.S. population growth slows for several years before returning to baseline growth rates. Both temporary scenarios result in a permanently lower population, but the timing of the population peak in each scenario remains the same as the CBO baseline.

In the two permanent reduction scenarios, U.S. population growth never fully recovers. The population peaks much earlier: at 360 million in 2040 if immigration remains at 50% of the CBO baseline indefinitely, and at 353 million in 2034 if immigration remains at 10% of the CBO baseline indefinitely.

Figure 1.08: Population Projections by Simulated Immigration Scenario



Source: Congressional Budget Office, Demographic Projections.

Figures 1.09 through 1.11 estimate the results of the net migration reduction scenarios for GDP. In the two temporary scenarios, GDP declines modestly relative to the baseline from 2025 through 2029 and remains lower thereafter.

- If net migration temporarily falls to 50% of the CBO baseline from 2025 to 2029, U.S. GDP is estimated to be 1.07% lower by 2055.
- If net migration temporarily falls to 10% of the CBO baseline during the same period, U.S. GDP is estimated to be 1.93% lower by 2055.

However, the economic consequences are substantially more severe if deportations remain high and net migration is permanently reduced to 50% or 10% of the CBO baseline.

- If net migration permanently falls to 50% of the CBO baseline, U.S. GDP is estimated to be 4.97% lower by 2055.
- If net migration permanently falls to 10% of the CBO baseline, U.S. GDP is estimated to be 8.94% lower by 2055.

One potential caveat to these scenarios is an anticipated rise in productivity driven by artificial intelligence (AI). If AI-centered innovation leads to significant productivity gains, it could offset some of the GDP losses associated with lower immigration and population growth. Acemoglu (2024) estimates that AI will boost total factor productivity by 0.064% annually from 2025 to 2035. Figure 1.10 optimistically extends the 0.064% annual increase through 2055 and compares U.S. GDP outcomes in each immigration scenario with and without AI-induced productivity growth.⁹

9 This is an optimistic estimate because the growth rate is applied to every year in Seidman's model, whereas Acemoglu limits it to 10 years.

However, the difference in U.S. GDP by 2055 is only 0.03 percentage points in each scenario, suggesting that productivity gains alone are unlikely to fully offset the economic impact of mass deportations or sustained reductions in migration.

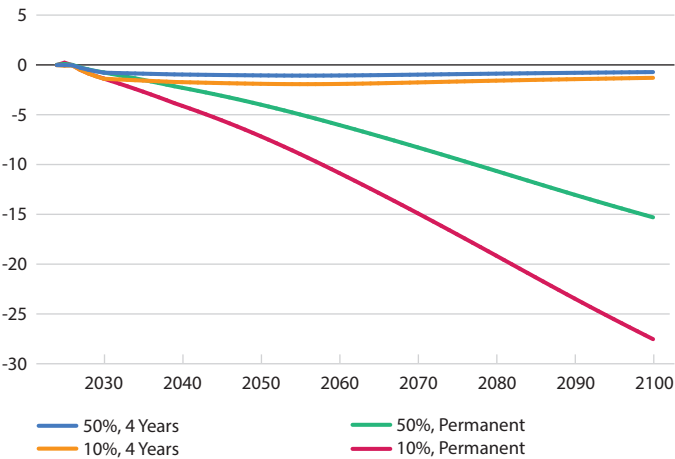
Lower immigration also has significant implications for federal debt. As discussed in Section Two, U.S. Latinos are disproportionately of working age and have higher fertility rates than non-Latinos. Reducing the U.S. population through deportation or limiting immigration will result in an older, slower-growing labor force. Older populations tend to work fewer hours, contribute less in taxes, and draw more on government benefits, thereby worsening the federal fiscal outlook.

Figure 1.11 shows the projected increase in the debt-to-GDP ratio relative to the baseline across the four immigration scenarios. By 2055, the debt burden will have risen by:

- **0.95 percentage points** under the temporary 50% migration cut (50% of baseline),
- **1.73 percentage points** under the temporary 90% migration cut (10% of baseline),
- **4.27 percentage points** under a permanent 50% cut (50% of baseline, and
- **7.70 percentage points** under a permanent 90% cut (10% of baseline).

The results are clear: deportations or sharp reductions in migration would weaken America’s economy, reduce GDP, increase the debt-to-GDP ratio, and intensify labor shortages. Rather than being a vulnerability, U.S. Latinos are a safeguard for long-term national prosperity. Their presence lowers the dependency ratio, strengthens entitlement programs, and sustains economic resilience.

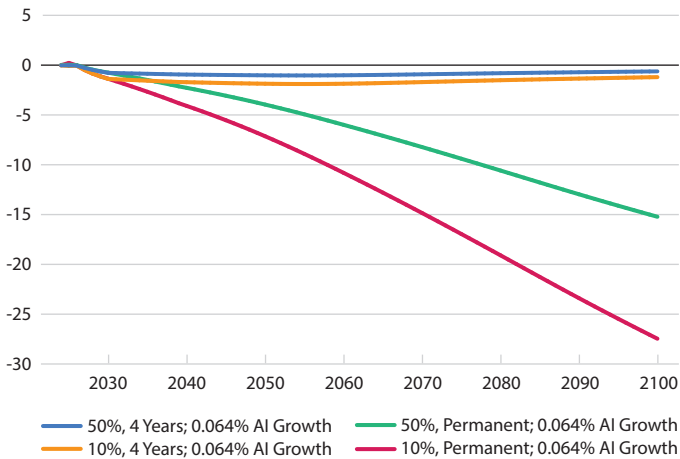
Figure 1.09: GDP Differences as a Function of Migrant Population Size



GDP: Percent difference between immigration scenario and baseline.

Sources: Congressional Budget Office, Demographic Projections, and authors’ calculations.

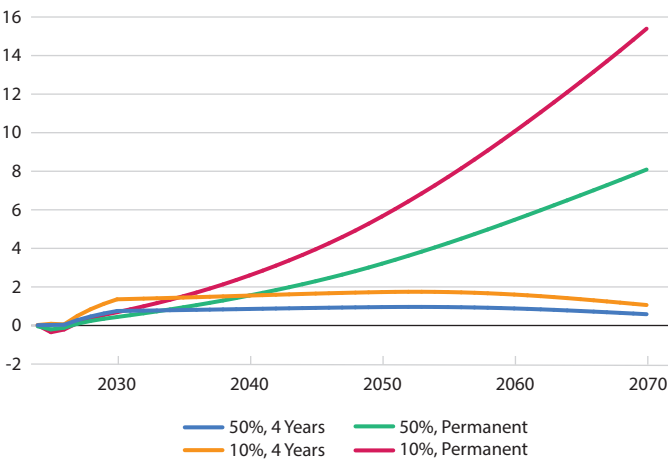
Figure 1.10: GDP Differences as a Function of Migrant Population Size with Increasing Productivity due to AI



GDP: Percent difference between immigration scenario and baseline.

Sources: Congressional Budget Office, Demographic Projections, and authors’ calculations.

Figure 1.11: Debt-to-GDP Ratio as a Function of Migrant Population Size



Debt-to-GDP Ratio: Percent difference between immigration scenario and baseline.

Sources: Congressional Budget Office, Demographic Projections, and authors' calculations.

Table 1.01: Summary of Results

Immigration Reduction (% of baseline)	Duration of Reduction	2055 Population (millions)	2055 % Difference in GDP	2055 % Difference in GDP (increased AI Productivity Growth)	2055 Debt-to-GDP Ratio
Baseline	—	374	—	—	2.48
50%	4 years	371	-1.07	-1.04	2.50
10%	4 years	368	-1.93	-1.89	2.52
50%	Permanent	354	-4.97	-4.94	2.58
10%	Permanent	338	-8.94	-8.91	2.67

Sources: Congressional Budget Office, Demographic Projections, and authors' calculations.

SECTION FOUR: INDUSTRIAL ACTIVITY

U.S. Latino economic power is evident across multiple sectors. As shown in Table 1.02, this cohort is making a decisive contribution to the expansion of entire sectors. While the specifics differ, the general trend remains consistent: industries grow faster where Latino workers and entrepreneurs are present.

Consistent with the findings of the 2024 Official U.S. Latino GDP Report™, Manufacturing exhibited particularly strong growth, expanding by 15.5% year over year in real (inflation-adjusted) terms. This far outpaced the overall U.S. growth rate of 3.5%. Consequently, Manufacturing has become the single largest industry in the U.S. Latino economy, contributing \$547.5 billion in 2023.

Other major sectors include:

- **Public Administration:** \$447.8 billion
- **Real Estate, Rental, and Leasing:** \$340.2 billion
- **Health Care and Social Assistance:** \$271.2 billion
- **Construction:** \$266.5 billion
- **Wholesale Trade:** \$231 billion

Together, these six industries account for \$2.4 trillion—61% of the total U.S. Latino GDP. Significantly, Public Administration has shown only modest growth, at 1.5% year over year, and has remained virtually flat since 2021 (\$439 billion), declining as a percentage of the broader U.S. Latino economy.

Several sectors have also posted double-digit growth rates, including:

- **Real Estate and Leasing:** 23.5%
- **Information:** 15.3%
- **Mining and Related Activities:** 34.9%
- **Utilities:** 42.1%
- **Agricultural and Related Activities:** 25.2%

Smaller sectors reported high rates of growth, including Professional, Scientific, and Technical Services (8.1%) and Arts, Entertainment, and Recreation (8%).

Although U.S. Latinos are more heavily concentrated in urban regions, they also make substantial contributions to rural economic activity.¹⁰ For example, U.S. Latinos earn 14.7% of the wage income in Agriculture and Related Activities, 15.9% in Mining and Related Activities, and 7.3% in Manufacturing in rural America.

¹⁰ This analysis relies on American Community Survey (ACS) data at the Public Use Microdata Area (PUMA) level. PUMAs are non-overlapping geographic units, each of which covers at least 100,000 residents. One drawback of PUMAs is that they do not always align with formal administrative boundaries, such as counties, and they can include both urban and rural zones. To focus specifically on rural economies, we limit our analysis to PUMAs classified as “not in a metropolitan area.”

Table 1.02: GDP by Industry Components of 2023 GDP (billions of current dollars)

Industry	Latino (bn's of USD)	% of Latino GDP	% Growth (Latino)	U.S. (bn's of USD)	% of U.S. GDP	% Growth (U.S.)
Manufacturing	547.5	13.8	15.5	2,840.4	10.2	3.5
Public Administration	447.8	11.3	1.5	3,105.1	11.2	2.1
Real Estate and Rental and Leasing	340.2	8.6	23.5	3,796.0	13.7	7.9
Retail Trade	287.2	7.3	2.5	1,772.4	6.4	5.5
Health Care and Social Assistance	271.2	6.8	4.7	2,038.9	7.4	6.0
Construction	266.5	6.7	2.8	1,220.6	4.4	8.1
Wholesale Trade	259.5	6.6	2.9	1,653.0	6.0	3.2
Accommodation and Food Services	231.0	5.8	0.0	911.7	3.3	8.6
Professional, Scientific, and Technical Services	205.9	5.2	8.1	2,222.0	8.0	6.5
Administrative and Support and Waste Management and Remediation Services	195.3	4.9	1.1	886.6	3.2	4.3
Finance and Insurance	183.1	4.6	-3.5	2,015.6	7.3	0.7
Transportation and Warehousing	177.7	4.5	-11.7	943.7	3.4	-1.0
Information	137.0	3.5	15.3	1,477.9	5.3	2.4
Other Services (Except Public Administration)	105.8	2.7	7.2	589.4	2.1	4.5
Mining, Quarrying, and Oil and Gas Extraction	66.5	1.7	34.9	411.8	1.5	-13.1
Utilities	63.0	1.6	42.1	446.5	1.6	-1.6
Management of Companies and Enterprises	55.5	1.4	-14.1	503.1	1.8	1.1
Educational Services	43.3	1.1	4.8	312.0	1.1	2.6
Agriculture, Forestry, Fishing and Hunting	38.8	1.0	25.2	274.2	1.0	-2.3
Arts, Entertainment, and Recreation	38.2	1.0	8.0	299.7	1.1	6.7

Note: Sectoral contributions are estimated using industry-level wage income data from the American Community Survey (ACS) and aggregate industrial output data from the Bureau of Labor Statistics (BLS).

Table 1.03: Latino Contributions in Rural America

Industry	% Latino Wages	% Latino Workers
Agriculture, Forestry, Fishing and Hunting	14.7	14.4
Mining, Quarrying, and Oil and Gas Extraction	15.9	17.7
Utilities	6.7	6.3
Construction	9.6	11.6
Manufacturing	7.3	8.8
Wholesale Trade	6.4	8.2
Retail Trade	7.0	7.8
Transportation and Warehousing	7.2	8.2
Information	5.8	6.8
Finance and Insurance	5.1	6.0
Real Estate and Rental and Leasing	6.9	7.4
Professional, Scientific, and Technical Services	5.5	6.2
Management of Companies and Enterprises	3.4	5.6
Administrative and Support and Waste Management and Remediation Services	10.7	12.5
Educational Services	5.6	6.4
Health Care and Social Assistance	5.8	7.0
Arts, Entertainment, and Recreation	7.1	8.6
Accommodation and Food Services	12.7	12.8
Other Services (Except Public Administration)	7.0	8.1
Public Administration	6.8	6.9

Source: U.S. Department of Commerce, Census Bureau, American Community Survey.

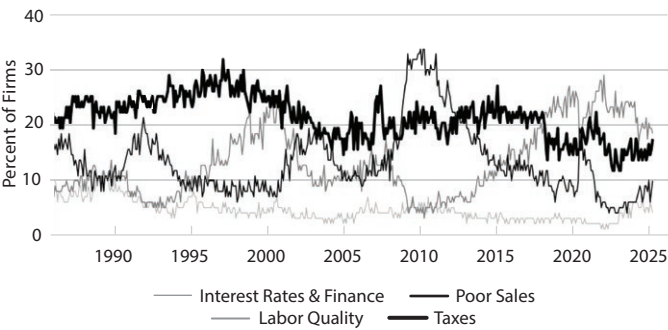
SECTION FIVE: UNMET WORKFORCE NEEDS

Across the economy, businesses are experiencing a hiring squeeze. Surveys show a low and stable unemployment rate of 4% to 4.2% between May 2024 and July 2025,¹¹ suggesting a competitive job market and hiring constraints.

A recent survey by the National Federation of Independent Business (NFIB) reveals that labor quality is the most critical issue businesses face, ranking alongside inflation and surpassing other topics such as poor sales, taxes, and financing. In 2024, an average of 37.5% of small businesses reported unfilled job positions, and 50% reported a scarcity of qualified applicants, confirming persistent supply-side challenges (Figures 1.12 and 1.13).

The increasingly qualified, young, and fast-growing U.S. Latino cohort can play a decisive role in alleviating these challenges and sustaining American businesses.

Figure 1.12: Selected Single Most Important Problem



January 1986 to January 2025.

Source: Reproduced from Small Business Economic Trends. NFIB Research Center©. January 2025.

Figure 1.13: Open Positions and Qualified Applicants



A. Percent of small businesses with positions that cannot be filled right now.

Source: Own construction from Small Business Trends. NFIB Research Center©. January 2025.



B. Percent of small businesses reporting few or no qualified applicants.

Source: Own construction from Small Business Trends. NFIB Research Center©. January 2025.

11 Bureau of Labor Statistics. The Employment Situation – March 2025, <https://www.bls.gov/news.release/pdf/empisit.pdf>

The impact of these labor market conditions varies across different industries. Table 1.04 shows that, in 2024, almost all U.S. industries faced above-average hiring difficulties, compounded by unusually high quits.¹² This is measured by annual averages for hiring, job openings, layoffs, discharges, and quits relative to total employment in each sector. These conditions will pose a challenge to future growth.

Table 1.05 summarizes the job vacancy and hiring situation in industries that are important to the Latino economy. For every 100 construction workers, 4.2 new workers were hired and 3.7 new job openings were posted. Construction is the only industry in which the number of hires was higher than the number of job openings. In other industries important to the Latino economy, however, the ratio of hires and job openings per 100 workers was:

- Manufacturing (3.8 vs. 2.6)
- Health Care and Social Assistance (6.5 vs. 3.4)
- Leisure and Hospitality (5.8 vs. 5.7)
- Accommodation and Food Services (5.9 vs. 5.5)

With total separations (consisting of layoffs, discharges, and quits) comparable to new hires, the net change in total employment remains mostly flat. However, with the exception of construction, where layoffs and discharges are similar in magnitude to quits, total separations are primarily driven by quits. For example, in the Accommodation and Food Services sector, there are almost 4 times as many quits as layoffs, which is indicative of labor supply constraints that hinder industry growth.

These patterns are unusual by historical standards. Table 1.06 shows that job openings are elevated relative to past trends. In contrast, actual hiring remains on trend or slightly below for most industries, indicating the high demand for labor relative to available supply. With layoffs lower than historical observations and quits higher, U.S. industries are constrained by worker supply issues.

In 46 out of 51 states (including D.C.), there were more job openings than unemployed individuals, as evidenced by a ratio lower than one in the last column of Table 1.07. The youthful age profile and demographic trajectory of U.S. Latinos will undoubtedly alleviate some hiring challenges, while mass deportations will surely exacerbate those supply-side constraints.

Table 1.04: Single Most Important Problem

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	17	16	32	8
Inflation	18	20	41	0
Poor Sales	9	6	34	2
Finance & Interest Rates	3	5	37	0
Cost of Labor	9	10	13	2
Government Regulation	10	8	27	4
Competition from Large Businesses	5	4	14	0
Quality of Labor	18	21	29	3
Cost/Availability of Insurance	7	5	29	0
Other	2	5	31	1

Source: Reproduced from Small Business Economic Trends. NFIB Research Center©. January 2025.

12 This uses Job Openings and Turnover Survey or JOLTS data.

Table 1.05: Job Supply and Demand (% of employment base)

	NAICS	Hiring	Job Openings	Layoffs & Discharges	Quits	Total Separations	Openings–Hirings (hiring difficulties)	Hiring–Layoffs & Discharges (Net employment change)
Total Nonfarm	0	3.47	4.82	1.07	2.08	3.35	1.35	0.12
Total Private	10	3.82	5.00	1.18	2.30	3.69	1.18	0.13
Mining and Logging	11	3.15	3.83	1.16	1.80	3.25	0.68	-0.10
Construction	23	4.22	3.66	2.00	1.77	3.94	-0.57	0.28
Manufacturing	30	2.64	3.76	0.93	1.59	2.67	1.12	-0.03
Durable Goods Manufacturing	32	2.35	3.93	0.82	1.47	2.43	1.58	-0.08
Nondurable Goods Manufacturing	34	3.08	3.43	1.12	1.80	3.10	0.35	-0.02
Trade, Transportation, and Utilities	40	3.76	3.50	1.11	2.31	3.63	-0.26	0.12
Wholesale Trade	42	2.41	2.87	0.77	1.37	2.35	0.46	0.06
Retail Trade	44	4.10	3.36	1.03	2.71	3.97	-0.74	0.13
Transportation, Warehousing, and Utilities	48	4.12	4.30	1.59	2.21	4.00	0.18	0.12
Information	51	2.68	4.32	1.11	1.36	2.68	1.65	0.00
Finance and Insurance	52	2.03	4.77	0.52	1.23	2.01	2.74	0.02
Real Estate and Rental and Leasing	53	2.92	5.26	1.08	1.54	2.78	2.34	0.13
Professional and Business Services	54	4.50	6.16	1.83	2.41	4.50	1.66	0.00
Private Education and Health Services	60	3.22	6.20	0.68	2.05	2.90	2.97	0.32
Private Educational Services	61	2.43	4.11	0.80	1.43	2.35	1.67	0.08
Health Care and Social Assistance	62	3.37	6.54	0.66	2.16	3.03	3.17	0.34
Leisure and Hospitality	70	5.65	5.81	1.43	3.94	5.53	0.16	0.12
Arts, Entertainment, and Recreation	71	6.32	5.18	3.32	2.72	6.17	-1.14	0.15
Accommodation and Food Services	72	5.54	5.93	1.07	4.18	5.39	0.39	0.15
Other Services	81	3.77	4.76	0.94	2.47	3.63	0.98	0.15
Government	90	1.58	3.78	0.35	0.82	1.41	2.20	0.18
Federal	91	1.17	4.47	0.20	0.51	1.06	3.31	0.11
State and Local	92	1.65	3.68	0.36	0.84	1.46	2.03	0.19

Sources: U.S. Department of Labor, Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS).

Table 1.06: Labor Supply and Demand (standard deviations from historical averages)

	NAICS	Hiring	Job Openings	Layoffs & Discharges	Quits	Total Separations	Openings–Hirings (hiring difficulties)	Hiring–Layoffs & Discharges (Net employment change)
Total Nonfarm	0	-0.56	0.95	-1.10	0.25	-0.82	1.31	0.40
Total Private	10	-0.71	0.87	-1.12	0.16	-0.90	1.26	0.32
Mining and Logging	11	-0.82	1.00	-0.65	0.14	-0.66	1.47	-0.06
Construction	23	-1.68	0.98	-1.38	-0.48	-1.87	1.46	0.43
Manufacturing	30	0.17	0.80	-0.61	0.57	-0.06	0.99	0.30
Durable Goods Manufacturing	32	-0.01	0.99	-0.69	0.75	-0.11	1.23	0.11
Nondurable Goods Manufacturing	34	0.28	0.46	-0.40	0.36	0.09	0.52	0.38
Trade, Transportation, and Utilities	40	-0.65	0.15	-0.86	-0.08	-0.88	0.46	0.48
Wholesale Trade	42	-0.35	0.11	-0.85	0.06	-0.75	0.28	0.27
Retail Trade	44	-1.26	-0.13	-1.04	-0.43	-1.31	0.45	0.62
Transportation, Warehousing, and Utilities	48	0.80	0.60	0.70	0.93	0.94	0.37	-0.03
Information	51	-0.27	0.55	-0.12	-0.56	-0.54	0.85	0.27
Finance and Insurance	52	-0.79	1.29	-0.51	-0.07	-0.66	1.52	-0.35
Real Estate and Rental and Leasing	53	-1.21	1.66	-0.43	-1.03	-1.33	1.88	0.32
Professional and Business Services	54	-1.82	0.90	-1.20	-0.50	-1.80	1.54	-0.24
Private Education and Health Services	60	0.98	1.22	-0.73	0.98	0.50	1.20	1.05
Private Educational Services	61	-0.45	1.76	-0.72	0.94	-0.21	2.01	-0.25
Health Care and Social Assistance	62	1.08	1.14	-0.67	0.94	0.66	1.08	1.08
Leisure and Hospitality	70	-0.90	0.68	-0.73	-0.11	-0.73	1.45	0.01
Arts, Entertainment, and Recreation	71	-0.98	0.74	-0.69	0.12	-0.67	1.35	0.00
Accommodation and Food Services	72	-0.87	0.67	-0.77	-0.10	-0.75	1.44	0.07
Other Services	81	0.35	0.95	-0.70	1.49	0.12	0.79	0.47
Government	90	0.45	1.54	-1.36	0.76	-0.34	1.65	1.07
Federal	91	-0.62	1.41	-0.75	-0.18	-0.78	1.63	0.24
State and Local	92	0.70	1.51	-1.80	0.73	-0.15	1.56	1.05

Sources: U.S. Department of Labor, Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS).

Table 1.07: State-Level Labor Supply and Demand (% of employment base)

State	Hires	Job Openings	Layoffs and Discharges	Quits	Total Separations	Unemployed per Job Openings Ratio
Alabama	3.76	5.37	0.98	2.32	3.53	0.57
Alaska	5.35	6.63	1.78	3.53	5.81	0.68
Arizona	3.72	5.09	1.20	2.24	3.70	0.77
Arkansas	4.08	5.66	1.17	2.41	3.78	0.58
California	2.85	3.63	1.00	1.68	2.82	1.54
Colorado	3.83	5.81	1.20	2.42	3.87	0.71
Connecticut	3.40	4.63	1.23	1.79	3.28	0.85
Delaware	4.13	5.39	1.26	2.56	4.03	0.73
District of Columbia	2.79	4.61	0.79	1.75	2.78	0.60
Florida	3.81	4.72	0.98	2.45	3.57	0.73
Georgia	3.89	5.36	1.09	2.28	3.60	0.66
Hawaii	3.18	4.12	1.08	1.97	3.32	0.73
Idaho	4.57	5.14	1.44	2.78	4.58	0.73
Illinois	3.49	5.00	1.08	1.87	3.10	1.03
Indiana	3.75	4.53	1.13	2.43	3.78	0.87
Iowa	3.26	4.48	1.05	2.08	3.38	0.68
Kansas	3.46	4.81	1.09	2.15	3.56	0.65
Kentucky	3.78	6.07	1.07	2.37	3.71	0.73
Louisiana	4.24	5.51	1.35	2.58	4.19	0.74
Maine	3.97	5.34	1.44	2.19	3.95	0.57
Maryland	3.67	5.86	1.05	2.13	3.45	0.52
Massachusetts	3.03	5.08	0.97	1.43	2.66	0.66
Michigan	3.68	4.70	1.23	2.03	3.47	0.98
Minnesota	3.33	5.35	0.94	1.98	3.19	0.57
Mississippi	3.90	5.37	1.08	2.58	3.91	0.53
Missouri	3.31	5.29	0.91	2.19	3.32	0.68

State	Hires	Job Openings	Layoffs and Discharges	Quits	Total Separations	Unemployed per Job Openings Ratio
Montana	5.08	5.76	1.70	3.01	5.13	0.57
Nebraska	3.50	4.60	1.08	2.10	3.50	0.54
Nevada	4.03	4.58	1.38	2.31	3.95	1.14
New Hampshire	3.72	5.01	1.49	1.89	3.72	0.53
New Jersey	3.28	4.65	1.37	1.62	3.26	1.07
New Mexico	3.70	5.69	1.18	2.22	3.76	0.73
New York	2.83	4.58	0.93	1.65	2.72	0.90
North Carolina	3.71	5.22	1.05	1.99	3.22	0.70
North Dakota	3.92	5.26	1.39	2.39	4.09	0.37
Ohio	3.41	4.77	1.05	2.12	3.37	0.88
Oklahoma	4.38	5.82	1.17	2.53	3.94	0.63
Oregon	3.72	5.13	1.22	2.28	3.83	0.85
Pennsylvania	3.08	4.72	0.98	1.80	2.96	0.73
Rhode Island	4.03	5.24	1.73	2.13	4.20	0.90
South Carolina	4.46	5.96	1.20	2.71	4.13	0.65
South Dakota	3.84	5.03	1.17	2.44	3.92	0.39
Tennessee	4.01	4.90	1.18	2.52	3.90	0.63
Texas	3.51	4.54	0.92	2.24	3.33	0.93
Utah	3.93	4.75	1.29	2.35	3.92	0.66
Vermont	3.86	4.95	1.43	2.22	3.97	0.49
Virginia	3.72	5.81	1.02	2.22	3.52	0.50
Washington	3.10	4.18	1.07	1.83	3.10	1.21
West Virginia	4.28	6.07	1.17	2.73	4.17	0.70
Wisconsin	3.25	4.85	0.96	2.02	3.21	0.59
Wyoming	4.64	5.33	1.53	3.01	4.93	0.55

Sources: U.S. Department of Labor, Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS).

SECTION SIX: IMPACT OF MASS DEPORTATIONS

Immigration policy, particularly mass deportation, remains a divisive and contentious issue. Advocates of mass deportation often argue that reducing the labor supply will raise wages for native workers. While limiting supply usually increases prices, economists have found that immigration can have a neutral or even positive impact on native wages. Several mechanisms help explain this paradox. For example, immigrants often bring valuable knowledge that can benefit native workers, boosting their productivity. Additionally, since immigrants are concentrated at both the low and high ends of the education spectrum, their presence can create complementarities that allow native workers to specialize more, further enhancing productivity. Immigrants can also drive business investment and promote innovation and entrepreneurship.

These spillover effects often outweigh the basic supply-side effects. As a result, most leading studies report that immigration either improves or has no impact on the wages of native workers. Therefore, mass deportations are unlikely to improve wages for native workers. In fact, deportations could lower wages and reduce the overall GDP.

Because the 2025 Official LDC U.S. Latino GDP Report™ is a business-focused document, the analysis here is limited to the economic implications of mass deportation. To ensure objectivity and provide value to readers, key findings are synthesized from the comprehensive reviews by Lewis and Peri (2015) and Dustmann and Stuhler (2016). Much of the literature focuses on the economic effects of immigration into the United States and other advanced economies rather than deportations. Nevertheless, mass deportation can be understood as the inverse of immigration—a reduction in migrant inflows—and relevant insights can be drawn.

While a small but growing body of literature directly addresses the consequences of mass deportations, most existing research still centers on immigration. These impacts include changes in taxation, government spending, firm productivity, aggregate output, and native employment and wages. However, short-term studies often overlook essential changes, such as the increased specialization and mobility of native workers into higher-skilled roles. This report focuses on the long-term impacts of immigration as measured by the percentage of foreign-born workers.¹³

Key takeaways from the literature include:

- There is no strong evidence that immigration harms native workers. (Dustmann and Stuhler, 2016).
- Immigrants are disproportionately young, especially among those aged 18 to 35 (Lewis and Peri, 2015).
- They are concentrated in specific sectors. Immigrants with lower education levels often work in physically demanding jobs, while those with higher education levels are more likely to work in STEM fields compared to similarly educated natives (ibid).
- Immigration has not been a significant driver of rising inequality in the U.S. (Card, 2009); and Blau and Kahn, 2012).
- Immigration does not negatively impact employment prospects for native workers (Card, 2009). It also has minimal effects on the wages of less-educated natives.
- Immigration can raise average native wages, possibly because businesses are incentivized to invest in technologies that enhance the productivity of a more abundant labor source (Acemoglu, 1998, 2002; and Dustmann et al., 2013).
- Immigration does not displace native workers geographically (Peri, 2011).
- Immigrants can foster specialization among native workers, leading to “upgrading” into higher-skill, better-paid roles (Peri and Sparber, 2009, 2011b; Fogel and Peri, 2013; and Cattaneo et al., 2013).
- Mexican immigration, in particular, has negligible effects on U.S. wages (Card and Lewis, 2007).
- Restrictions on immigrant labor, such as those imposed by the Secure Communities enforcement policy, have been shown to reduce both employment and wages for U.S.-born individuals (East et al., 2013).

13 This is consistent, for example, with Lewis and Peri (2015).

CHAPTER II

HOW U.S. LATINOS SUSTAIN CONSUMPTION



SUMMARY

U.S. Latino consumer spending is expected to increase substantially over the next decade, which will significantly impact the tastes of the average American. Merchandisers need to be aware of these changing trends because the tastes and consumption preferences of this demographic differ from those of others. U.S. Latinos tend to be much younger than other demographic groups and are eager to adopt new entertainment formats. They are also more willing to spend money on apparel, cell phone services, and certain categories of food.

Significant Data Points:

- U.S. Latinos spent \$2.5 trillion on goods and services in 2023, which corresponds to 13.2% of the nation's total personal consumption.
- As a share of total consumption, U.S. Latinos increased their footprint by 40% between 2012 (9.4% share) and 2023 (13.2% share).
- Their preference for consuming digital media differs from that of other groups: they spend 34% of their media consumption budget on streaming, compared to 25% among non-Latinos.

National income accounts suggest that personal consumption expenditures have historically made up two-thirds of total GDP. The Consumer Expenditure Survey (CES) has offered detailed annual data on household spending by age cohort and ethnic group since 2012. However, the CES only captures up to 60% of total personal consumption expenditures each year. It excludes other forms of household spending, such as third-party expenditures by nonprofits, employer- and government-provided insurance, and owner-equivalent rent, all of which are included in the personal consumption expenditures for national income accounting.

By applying the U.S. Latino share of the CES to all forms of personal consumption, Seidman estimates that U.S. Latinos consumed \$2.5 trillion worth of goods and services in 2023, equivalent to 13.2% of the nation's total personal consumption that year. This figure is also approximately 3 percentage points higher than the U.S. Latino share in 2012 and more than double the consumption attributable to the U.S. Latino cohort in that year. While more than 1 in 8 U.S. consumption dollars now comes from this group, it is the pace of their spending growth that stands out, highlighting their expanding role in the U.S. economy.

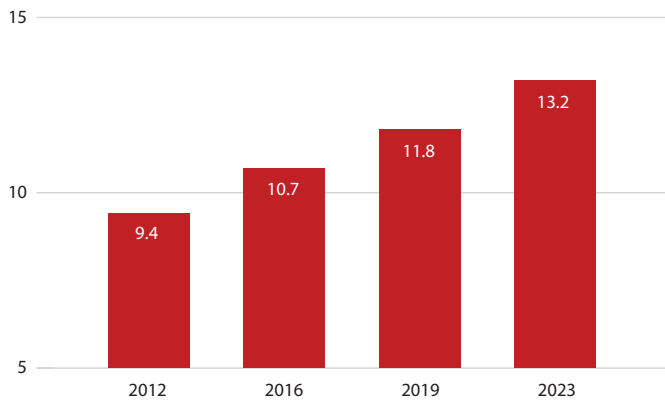
However, the CES data fail to fully capture important spending trends identified by industry sources. For instance, Nielsen surveys report that 34% of U.S. Latinos consume media on streaming platforms, compared to 25% of non-Latino Whites. They also show a strong preference for sports programming, suggesting that U.S. Latinos will be key media consumers during the FIFA World Cup matches scheduled for North America in 2026. This pattern reflects not only the youthful nature of U.S. Latinos but also suggests that they may be more willing to adopt newer technologies. Importantly, this trend offers merchandisers an opportunity to communicate with this increasingly important cohort.

SECTION ONE: HOUSEHOLD DISPOSABLE INCOME

Consistent with Seidman's estimate of personal consumption expenditures, U.S. Latino households accounted for 13.2% of the nation's disposable household income in 2023, up from 9.4% in 2012—a 40% increase in their aggregate share over 11 years (see Figure 2.01). However, focusing on aggregate shares obscures the importance of these consumers across many goods and services.

For context, Latino households are generally younger than those of non-Latinos—they have yet to experience their highest earning years, so their greatest impact is still to come. Younger U.S. Latino households currently have incomes that are about 15% lower than those of comparable non-Latino households, yet their spending power is higher.

Figure 2.01 U.S. Latino Share of Household Disposable Income



Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey.

Despite income disparities, U.S. Latino household spending patterns demonstrate strong consumer demand:

- **Food:**

- Average U.S. Latino household spending on food is only **5% lower** than that of non-Latino households.
- Spending on specific food categories is significantly higher:
 - **Beef:** 45% higher
 - **Poultry:** 39% higher
 - **Pork:** 23% higher
 - **Eggs:** 13% higher
- Based on these patterns, Seidman estimates that U.S. Latinos account for:
 - **21%** of the beef market
 - **20%** of the poultry market
 - **18%** of the pork market
 - **17%** of the egg market
- These figures highlight the essential role of U.S. Latinos in supporting the American food production industry.

- **Housing and Durable Goods:**

- U.S. Latino households spend on average:
 - **86% more** on rental properties
 - **19% more** on furniture
 - **1% more** on major appliances

- Seidman estimates that U.S. Latinos account for:
 - **25%** of the rental market
 - **18%** of the furniture market
 - **15%** of the major appliance market
- Businesses in real estate, property management, and home furnishings must engage U.S. Latino consumers to remain competitive.
- **Cell Phones and Apparel:**
 - U.S. Latino households spend on average:
 - **18% more** on cell phones
 - **66% more** on apparel for girls aged 2 to 15
 - **Twice as much** as non-Latinos on infant and toddler apparel
 - Seidman estimates that U.S. Latinos account for:
 - **17.5%** of the total cell phone market
 - **23%** of the girls' apparel market
 - **29%** of the infant and toddler apparel market
 - Retailers in the cell phone and apparel industries need to prioritize U.S. Latino consumers to secure long-term growth.

Demographic and workforce participation trends indicate that these significant market shares will likely increase as U.S. Latino households gain economic ground relative to non-Latino households. These households are likely to continue spending in areas that are important to their families and that reflect their cultural and ethnic identities. Firms need to carefully monitor the needs and spending trends of U.S. Latinos. They should also engage U.S. Latino consumers through effective messaging that highlights social media influencers, reflects cultural and musical connections, and acknowledges the central importance of family.

SECTION TWO: U.S. LATINO CONSUMERS— FILLING THE GAP LEFT BY BABY BOOMERS

Over the past 50 years, the Baby Boomer generation (born between 1946 and 1964) has been the major driver of U.S. consumption. However, CES cross-tabulations consistently show that fewer than 10% of Baby Boomer respondents identify as Latino. With Baby Boomer consumption projected to decline significantly by 2035, U.S. Latinos are positioned to fill the void left by this group.

Table 2.01 compares Baby Boomer and U.S. Latino consumption from 2012 to 2023. In 2012, Baby Boomer consumption exceeded U.S. Latino consumption by a ratio of more than 4 to 1, in part because their wealth greatly exceeded their population share. However, by 2023, that ratio had narrowed to approximately 2 to 1. As a result, Baby Boomers accounted for approximately \$5.25 trillion in personal consumer expenditures in 2023, compared to U.S. Latinos' \$2.5 trillion.

Table 2.01: Baby Boomer and Latino Comparisons

	Percent Share of CES		Personal Consumption Expenditures (Trillions of Dollars)		U.S. Population (Millions)	
Year	Latinos	Baby Boomers	Latinos	Baby Boomers	Latinos	Baby Boomers
2012	10.30	43.50	1.14	4.81	53	76.4
2016	10.70	37.20	1.36	4.73	57.5	74.1
2019	11.80	33.10	1.70	4.78	60.6	71.6
2021	12.80	30.30	2.06	4.88	62.5	70
2023	13.20	27.90	2.48	5.25	65.2	68

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey.

While still substantial, the Baby Boomer share of consumption has steadily declined by about 4% per year since 2012. In contrast, the U.S. Latino share has grown by just over 3% annually. These shifts are due to major changes in population and disposable income.

The U.S. Latino population is likely to grow by over 20 million over the next decade, while the Baby Boomer population will decline by about the same number. U.S. Latino household purchasing power is expected to outperform that of the Baby Boomers.

The respective consumption shares of U.S. Latinos and Baby Boomers are moving in opposite directions due to diverging trends in population and income. Based on current trends, the U.S. Latino share of total consumption will surpass that of Baby Boomers by 2035. If the increasing mortality rates of boomers are added to these current trends, the U.S. Latino consumption engine will likely overtake the Baby Boomers even sooner.

As the aging Baby Boomer population declines in number, their high demand for health care products and services will also give way to the distinct consumption preferences of the younger U.S. Latino cohort. The pace of this transformation is expected to accelerate, reshaping the tastes and preferences of the average American consumer. This shift in the composition of goods and services sales may be one of the most important new trends for merchandisers to monitor in the very near future.

CHAPTER III

U.S. LATINO ENTREPRENEURS, DRIVING GROWTH AND JOB CREATION



SUMMARY

U.S. Latino business ownership is another key indicator of the community's contribution to national economic growth. As business owners, U.S. Latinos help open new markets, create products and services, and generate job opportunities for themselves and others across a wide range of industries and regions. This section first reviews the current contributions of Latinos as entrepreneurs before focusing on Latino business trends over the past decade, with a special emphasis on the pandemic years. The findings show that Latinos are an increasingly significant segment of the nation's business owners.

Significant Data Points:

- 5.66 million businesses with employees identified themselves as U.S. Latino-owned, constituting 16.3% of the total.
- These businesses generated nearly \$1 trillion in sales and employed 3.8 million people in 2022.
- The number of U.S. Latino-owned businesses grew 2.5 times faster than other businesses.
- Overall, this cohort was responsible for creating 3 out of 10 new businesses between 2012 and 2022.

LATINOS AS ENTREPRENEURS

The entrepreneurial contributions of Latinos can be measured using data from the Census Business Surveys. The Census categorizes businesses as either “employer” firms, which have employees in addition to the owner/operator, or “non-employer” firms, which are run solely by the owner. The most recent data available for both types of businesses are from the 2022 Economic Census.

Of the 35.7 million businesses included in the survey, approximately 34.7 million reported the ethnicity of the owners. The remaining businesses were mostly large public companies owned by shareholders or firms for which ownership ethnicity is unavailable. Of those businesses, 5.66 million identified as U.S. Latino-owned, representing 16.3% of the total. These businesses generated nearly \$1 trillion in sales and employed about 3.8 million people in 2022.

While these figures are significant, they do not fully capture U.S. Latino entrepreneurship. Public companies account for approximately 60% of all business sales and 50% of employment. According to the Latino Corporate Directors Association, there has been a significant increase in Latino representation among C-Suites in Fortune 500 companies over the past 5 years, and their boards now have at least one Latino member. Demographic trends will accelerate this transition, and Latinos will assume more leadership positions in these large public companies.

Additionally, the Census's reported figure of 3.8 million reflects only workers in Latino-owned businesses with employees. It does not include the more than 5 million U.S. Latinos who own and operate non-employer firms and are workers in their own right. Consequently, while the measurable footprint of Latino entrepreneurship is substantial and growing, these numbers still underestimate the full impact of this cohort.

SECTION ONE: U.S. LATINO BUSINESSES OVER TIME— THE DYNAMICS OF BUSINESS GROWTH

Based on the survey data alone, U.S. Latino-owned businesses grew more than 2.5 times faster than non-Latino-owned businesses over the 2012–2022 period. Their share of classifiable businesses also rose from 12.4% in 2012 to 16.3% in 2022, accounting for over 3 out of every 10 new businesses created during this 11-year period.

Industry-specific growth patterns highlight the dynamic nature of Latino entrepreneurship. In Construction, for example, Latino-owned businesses grew nearly 8 times faster than non-Latino-owned businesses, increasing their share from 16.4% in 2012 to over 25% in 2022.

In Manufacturing, Latino-owned businesses grew at an average rate of over 4% per year, while non-Latino-owned manufacturing businesses grew by less than 0.2% over the decade. U.S. Latino ownership in this sector rose to more than 13% of all classifiable manufacturing businesses in 2022.

Similar trends appeared across other sectors. Latino business counts grew:

- 2 times faster than non-Latinos in Accommodation and Food Services,
- 3 times faster in Real Estate and Rental,
- 2 times faster in Arts and Entertainment, and
- 4.1 times faster in Retail Trade

In technical fields, U.S. Latino ownership also outpaced non-Latino ownership:

- 1.6 times faster in Health Care,
- 2.7 times faster in Professional, Scientific, and Technical Services

In Finance and Insurance, Latino-owned businesses grew by over 5% per year, while non-Latino-owned businesses in this sector declined over the same period.

By 2022, U.S. Latinos owned more than 25% of all classifiable businesses in Construction, Transportation and warehousing, and administrative services. Their ownership also exceeded 15% in accommodation and Food Services, Health Care, and Other Services.

Table 3.01 summarizes these growth patterns from 2012 to 2022. The industries featured in the table represent approximately 95% of all businesses for which the owner's ethnicity is reported to the Census.

Table 3.01: 2012–2022 Growth in Businesses by Ownership (CAGR)

*Numbers in Italics are Total Businesses in 2022**

Total Businesses	<i>34,684,394</i>
Latino Growth 2012–2022	5.32%
Non-Latino Growth 2012–2022	2.00%
Share Latino 2012	12.40%
Share Latino 2022	16.33%
Construction	<i>3,574,648</i>
Latino Growth 2012–2022	6.64%
Non-Latino Growth 2012–2022	0.84%
Share Latino 2012	16.43%
Share Latino 2022	25.60%
Manufacturing	<i>607,927</i>
Latino Growth 2012–2022	4.03%
Non-Latino Growth 2012–2022	0.17%
Share Latino 2012	9.31%
Share Latino 2022	13.03%
Accommodation and Food	<i>1,156,223</i>
Latino Growth 2012–2022	6.35%
Non-Latino Growth 2012–2022	3.03%
Share Latino 2012	12.67%
Share Latino 2022	16.60%
Transportation and Warehousing	<i>4,025,317</i>
Latino Growth 2012–2022	15.38%
Non-Latino Growth 2012–2022	12.08%
Share Latino 2012	20.35%
Share Latino 2022	25.46%
Finance and Insurance	<i>950,993</i>
Latino Growth 2012–2022	5.06%
Non-Latino Growth 2012–2022	-0.07%
Share Latino 2012	6.20%
Share Latino 2022	9.84%
Health Care	<i>2,829,616</i>
Latino Growth 2012–2022	1.95%
Non-Latino Growth 2012–2022	1.22%
Share Latino 2012	14.19%
Share Latino 2022	15.08%

Administrative Services	<i>3,152,864</i>
Latino Growth 2012–2022	4.91%
Non-Latino Growth 2012–2022	2.68%
Share Latino 2012	23.22%
Share Latino 2022	27.27%
Retail Trade	<i>2,738,063</i>
Latino Growth 2012–2022	2.79%
Non-Latino Growth 2012–2022	0.67%
Share Latino 2012	10.53%
Share Latino 2022	12.66%
Wholesale Trade	<i>662,100</i>
Latino Growth 2012–2022	1.91%
Non-Latino Growth 2012–2022	-0.61%
Share Latino 2012	9.66%
Share Latino 2022	12.08%
Arts and Entertainment	<i>1,775,201</i>
Latino Growth 2012–2022	5.14%
Non-Latino Growth 2012–2022	3.01%
Share Latino 2012	8.06%
Share Latino 2022	9.71%
Prof, Tech and Sci Services	<i>4,761,289</i>
Latino Growth 2012–2022	5.00%
Non-Latino Growth 2012–2022	1.83%
Share Latino 2012	7.43%
Share Latino 2022	9.84%
Real Estate and Rental	<i>3,193,303</i>
Latino Growth 2012–2022	5.77%
Non-Latino Growth 2012–2022	1.88%
Share Latino 2012	5.95%
Share Latino 2022	8.43%
Other Services	<i>3,496,381</i>
Latino Growth 2012–2022	0.07%
Non-Latino Growth 2012–2022	-0.44%
Share Latino 2012	15.44%
Share Latino 2022	16.11%

* Includes businesses that are classified by ethnic origin of owner, employer and non-employer businesses combined.

Source: U.S. Department of Commerce, Census Bureau, Annual Business Survey.

SECTION TWO: U.S. LATINO BUSINESS FORMATION DURING THE PANDEMIC

The gap between U.S. Latino and non-Latino business growth is even more striking between 2018 and 2022. On average, U.S. Latino-owned businesses grew by more than 7% per year—over 3 times the 2% annual growth rate of non-Latino-owned businesses over the same four-year time horizon.

Table 3.2 demonstrates strong growth in Latino-owned businesses across nearly all industry sectors.

- U.S. Latino-owned manufacturing businesses grew by nearly 8.5% per year, compared to 2% for non-Latino-owned Manufacturing firms. Similarly,
- 7.5%, compared to 2% in non-Latino-owned Construction firms.
- U.S. Latino ownership of Retail and Wholesale trade increased by 5.6% and 6.1%, respectively, while non-Latino ownership declined.

Other sectors also registered rapid growth:

- Accommodation (9.4%)
- Health Care (4.5%)
- Real Estate (3.0%)
- Financial Services (2.8%)

While some sectors of the national economy disengaged from business entrepreneurship during the pandemic, the entrepreneurial spirit of Latinos remained strong. Seidman hypothesizes that the Latino population's relative youth and a strong work ethic contributed to the community's success and resilience during this challenging period.

SECTION THREE: U.S. LATINO BUSINESSES: WHERE DO WE GO FROM HERE?

If the U.S. Latino entrepreneurial spirit maintains its current momentum, the number of U.S. Latino-owned businesses will increase by more than 70%, reaching 9.5 million in 2032. This equates to 3.8 million new businesses—more than 21% of all projected U.S. businesses at that time.

Industry-level projections are just as striking. Growth could reach:

- 4x in Transportation and Warehousing
- 90% in Construction
- 85% in Accommodation and Food Services
- 63% in Professional and Technical Services
- 48% in Manufacturing, up to an 18% market share

Businesses, wholesalers, and suppliers must recognize this rapidly growing segment of U.S. Latino business owners. Ignoring this shift would be a missed opportunity—and a costly one at that.

Table 3.02: 2018–2022 Growth in Businesses by Ownership (CAGR)

*Numbers in Italics are Total Businesses in 2022**

Total Businesses	<i>34,684,394</i>
Latino Growth 2018–2022	7.26%
Non-Latino Growth 2018–2022	1.80%
Share Latino 2018	13.66%
Share Latino 2022	16.33%
Construction	<i>3,574,648</i>
Latino Growth 2018–2022	7.62%
Non-Latino Growth 2018–2022	0.43%
Share Latino 2018	20.70%
Share Latino 2022	25.60%
Manufacturing	<i>607,927</i>
Latino Growth 2018–2022	8.46%
Non-Latino Growth 2018–2022	0.55%
Share Latino 2018	9.97%
Share Latino 2022	13.03%
Accommodation and Food	<i>1,156,223</i>
Latino Growth 2018–2022	9.40%
Non-Latino Growth 2018–2022	3.51%
Share Latino 2018	13.76%
Share Latino 2022	16.60%
Transportation and Warehousing	<i>4,025,317</i>
Latino Growth 2018–2022	13.32%
Non-Latino Growth 2018–2022	9.35%
Share Latino 2018	22.85%
Share Latino 2022	25.46%
Finance and Insurance	<i>950,993</i>
Latino Growth 2018–2022	2.79%
Non-Latino Growth 2018–2022	-0.01%
Share Latino 2018	7.65%
Share Latino 2022	9.84%
Health Care	<i>2,829,616</i>
Latino Growth 2018–2022	4.53%
Non-Latino Growth 2018–2022	1.40%
Share Latino 2018	13.59%
Share Latino 2022	15.08%

Administrative Services	<i>3,152,864</i>
Latino Growth 2018–2022	5.36%
Non-Latino Growth 2018–2022	1.74%
Share Latino 2018	24.58%
Share Latino 2022	27.27%
Retail Trade	<i>2,738,063</i>
Latino Growth 2018–2022	5.58%
Non-Latino Growth 2018–2022	-0.25%
Share Latino 2018	10.35%
Share Latino 2022	12.66%
Wholesale Trade	<i>662,100</i>
Latino Growth 2018–2022	6.11%
Non-Latino Growth 2018–2022	-0.55%
Share Latino 2018	9.58%
Share Latino 2022	12.08%
Arts and Entertainment	<i>1,775,201</i>
Latino Growth 2018–2022	6.83%
Non-Latino Growth 2018–2022	2.14%
Share Latino 2018	8.25%
Share Latino 2022	9.71%
Prof, Tech and Sci Services	<i>4,761,289</i>
Latino Growth 2018–2022	6.04%
Non-Latino Growth 2018–2022	1.22%
Share Latino 2018	8.30%
Share Latino 2022	9.84%
Real Estate and Rental	<i>3,193,303</i>
Latino Growth 2018–2022	2.99%
Non-Latino Growth 2018–2022	0.74%
Share Latino 2018	6.87%
Share Latino 2022	8.43%
Other Services	<i>3,496,381</i>
Latino Growth 2018–2022	1.89%
Non-Latino Growth 2018–2022	0.25%
Share Latino 2018	14.04%
Share Latino 2022	16.11%

* Includes businesses that are classified by ethnic origin of owner, employer and non-employer businesses combined.

Source: U.S. Department of Commerce, Census Bureau, Annual Business Survey.

SECTION FOUR: RELATED LITERATURE

Two recent reports provide further insights into the rise of Latino entrepreneurship. The first, from the Brookings Institution,¹⁴ highlights the rapid growth of U.S. Latino entrepreneurs, which is consistent with the growth rates discussed above. However, it also notes that the share of U.S. Latino-owned employer businesses remains below their share of the U.S. population. This gap suggests significant potential for future growth as more U.S. Latinos gain access to entrepreneurial opportunities.

The report breaks down U.S. Latino business growth by major metropolitan areas, identifying Miami, Los Angeles, and New York City as leading centers of expansion. In New York City, for example, recent business ownership among this cohort increased while non-Latino business ownership declined sharply. Similar trends were seen in Chicago and San Francisco. These patterns point to a generational shift, with younger U.S. Latino entrepreneurs increasingly stepping in to fill the gaps left by aging non-Latino business owners.

The second report, published by the Stanford Latino Entrepreneurship Initiative,¹⁵ examines U.S. Latino entrepreneurship using a combination of Census data and a proprietary survey of business owners. The 2024 report finds that revenues for U.S. Latino-owned businesses have increased in recent years, while revenues for non-Latino-owned businesses have declined.

The Stanford report also demonstrates that states with historically lower U.S. Latino populations experienced the fastest percentage increases over the past 4 years. For instance, their business ownership more than doubled in Idaho, Utah, North Dakota, Arkansas, and the New England states of Maine, New Hampshire, Massachusetts, and Rhode Island. Growth also exceeded 75% in Oregon, Nevada, Colorado, Wisconsin, and Ohio, and rose by over 50% in states along the Atlantic seaboard. By contrast, growth was strong but more modest in traditional U.S. Latino population centers such as California, Arizona, Texas, and Florida. These trends suggest that these entrepreneurs are increasingly relocating to pursue new markets and opportunities.

Stanford's survey also finds that 89% of U.S. Latino-owned employer businesses offer employee benefits, and 90% provide skill development opportunities, both of which are higher rates than those reported by non-Latino business owners. The report also finds that these entrepreneurs were also more likely to adopt AI tools in their businesses, which may reflect a desire to attract talent, improve efficiency, or embrace modern technologies.

However, the Stanford report also identifies challenges. U.S. Latino entrepreneurs were more likely to report difficulty accessing financing, marketing their products and services, and navigating complex procurement processes with large corporate or government buyers. Many also assumed they would be denied credit before even applying for loans, which may hinder business growth.

These findings point to obstacles and opportunities. If the structural barriers are addressed, Seidman believes that the youth, energy, and optimism of these entrepreneurs will likely continue to drive rapid business formation and expansion in the years ahead.

14 Source: <https://www.brookings.edu/articles/charting-the-surge-in-latino-or-hispanic-owned-businesses-in-the-us>

15 Source: <https://www.gsb.stanford.edu/sites/default/files/publication/pdfs/2024%20SOLE%20Report.pdf>

CHAPTER IV

STATE ECONOMIES, MEXICAN AMERICANS, AND U.S. LATINO IMMIGRANT COMMUNITIES



SUMMARY

This chapter explores the economic contributions of U.S. Latinos at the state level. While all states benefit from their U.S. Latino populations, the degree of impact varies. Some states are more effective than others in leveraging the full potential of their U.S. Latino communities, which has significant implications for future economic growth. States that are able to attract and retain U.S. Latinos will be better positioned to sustain and expand their economic output.

In addition to examining the overall state-level U.S. Latino GDP, this chapter looks at the contributions of U.S. Latinos of Mexican American descent—the largest subgroup within the broader U.S. Latino population. Furthermore, it constitutes a significant portion of the undocumented population. Seidman also evaluates the contributions of U.S. Latino immigrants, who are defined as foreign-born individuals who identify as Latino and reside in the United States, regardless of their immigration status or citizenship. Together, these sections highlight the critical role that Mexican Americans and U.S. Latino immigrants play in shaping the future of both national and state economies.

The final section provides forecasts of U.S. Latino GDP at the state level. These projections help identify which states are best positioned to harness the economic potential of their U.S. Latino populations in the years ahead.

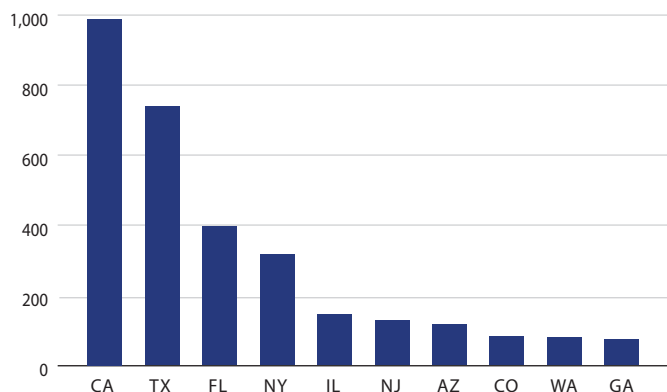
Significant Data Points

- U.S. Latinos are **driving state-level economic growth. They accounted for nearly one-third** of total GDP expansion in major states like California, Texas, and Florida, and up to 42.9% in New York between 2018 and 2023.
- **California's U.S. Latino economy reached \$989 billion in 2023 and is on track to surpass \$1 trillion by 2025**, which would make it the largest U.S. Latino state economy in the country. By 2030, it is forecasted to reach \$1.4 trillion.
- **Mexican Americans represent the majority of U.S. Latino GDP** in key states, contributing over 75% of U.S. Latino GDP in California, Texas, and Arizona.
- **U.S. Latino immigrants generated \$1.6 trillion in GDP in 2023**, accounting for 40% of the total U.S. Latino GDP, largely due to their high labor force participation and concentration in working-age groups.
- Seidman identifies the following states with U.S. Latino GDPs exceeding \$30 billion that are expected to experience **the most growth between 2023 and 2030**: Washington (62%), Virginia (60.9%), Massachusetts (61.6%), Pennsylvania (75.6%), Michigan (65%), and Ohio (87.8%).
- **Between 2018 and 2023, the strongest inflation-adjusted annual growth** was registered in Washington (9.1%), Utah (10.2%), Oklahoma (11.2%), Missouri (9.1%), Alabama (9.1%), and West Virginia (10.5%).

SECTION ONE: U.S. LATINO STATE GDP

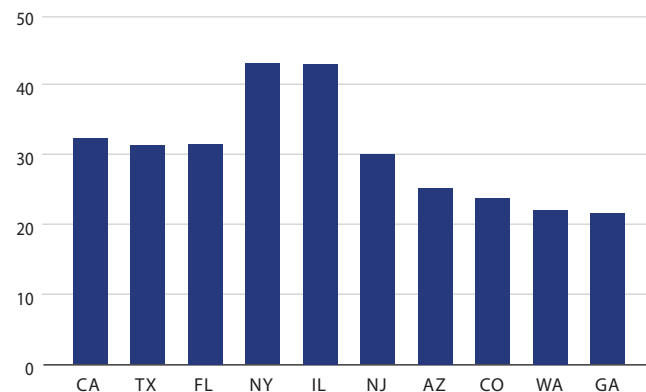
U.S. Latinos are crucial to sustaining economic growth across all states, with especially strong contributions in regions such as the South and Southwest. California leads the nation, with a U.S. Latino GDP of \$989 billion in 2023 and is projected to surpass \$1 trillion by 2025. Other large Latino state economies include Texas (\$739 billion), Florida (\$396 billion), and New York (\$315 billion), as shown in Figure 4.01.

Figure 4.01 U.S. Latino GDP Contributions in the Top 10 States (2023)



In billions of USD.

Figure 4.02 U.S. Latino Additions to State GDP (2018–2023)



In billions of USD.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Department of Commerce, Census Bureau, American Community Survey.

While the size of these economies is significant, the pace of growth is more important. Figure 4.02 presents the share of total state economic growth from 2018 to 2023 attributable to U.S. Latinos. Even in states where the contribution is lowest, such as Colorado at 23.7%, the impact remains substantial. In New York, for example, U.S. Latinos accounted for 42.9% of total growth. In more established U.S. Latino economies like California, Texas, and Florida, this community is still responsible for nearly one-third of all growth.

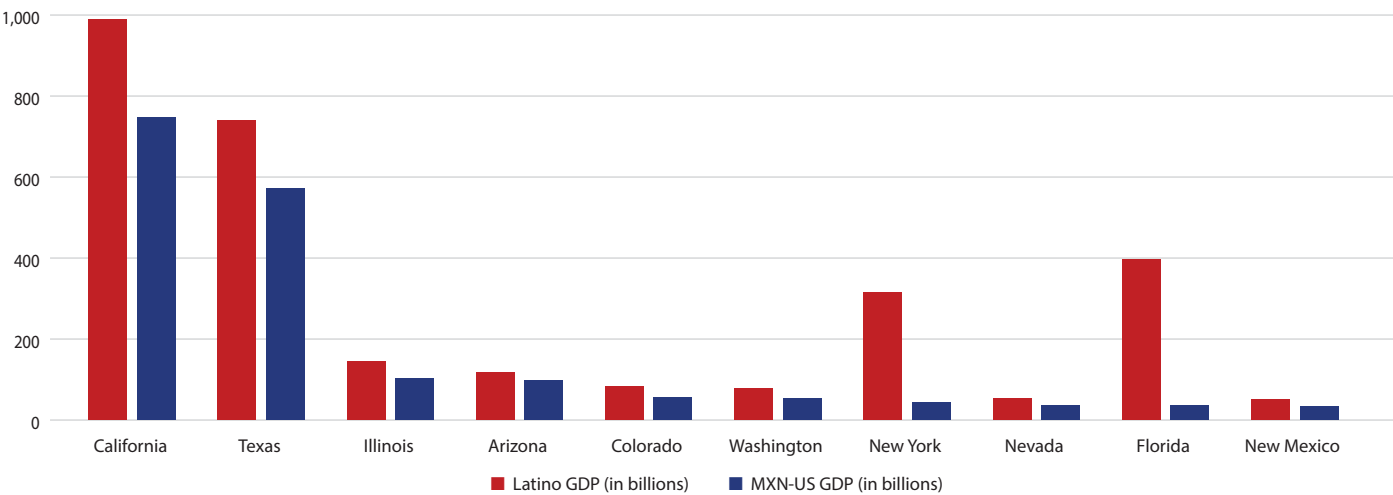
These figures highlight more than just regional variation. They demonstrate that U.S. Latinos are actively reshaping growth trajectories across the country, with long-term implications for investment, infrastructure development, and overall competitiveness.

SECTION TWO: MEXICAN AMERICAN CONTRIBUTIONS

Self-identified Mexican Americans make up 58% of the total U.S. Latino population. This group's economic contribution is significant not only because of its size, but also because of its distinct geographic distribution. They are overrepresented in the Southwest, particularly in states such as California and Texas, as well as in some states in the Midwest with historically vibrant Mexican American communities, like Illinois. However, they are underrepresented in states like Florida, which has received large numbers of Cuban immigrants.

Figure 4.03 shows that Mexican Americans account for 75.6% of California's U.S. Latino GDP, 77.4% in Texas, and 83.2% in Arizona. In contrast, they represent just 9.2% of Florida's U.S. Latino economy. These patterns reflect historical migration trends and reinforce the idea that states in the Southwest and parts of the Northeast have historically benefited from close ties with Mexican American communities.

Figure 4.03 Top 10 States by Mexican American GDP Contribution (2023)



Sources: U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Department of Commerce, Census Bureau, American Community Survey.

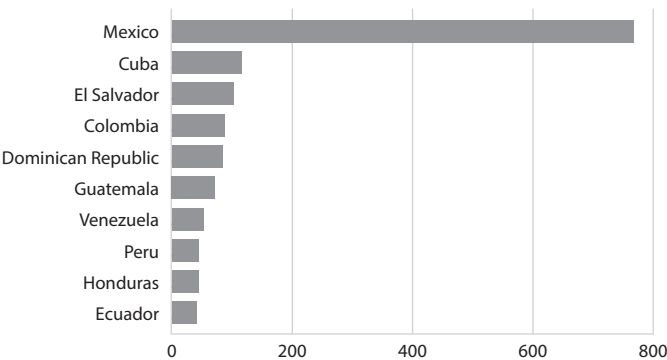
SECTION THREE: U.S. LATINO IMMIGRANTS AND THEIR CONTRIBUTIONS

While the majority of U.S. Latinos today are U.S.-born, immigration has historically shaped this population, and the economic contributions of foreign-born U.S. Latinos are still significant. Seidman estimates that as of 2023, U.S. Latino immigrants generated \$1.6 trillion in GDP, accounting for 40% of the total \$4 trillion U.S. Latino GDP.

This substantial contribution can be partly explained by the fact that employment opportunities are a major driver of migration. As a result, foreign-born populations tend to have higher labor force participation rates and are more likely to be of working age compared to native-born populations.

To estimate the GDP generated by U.S. Latino immigrants, Seidman calculated the share of total U.S. Latino income by country of origin and nativity using 2023 ACS data. This methodology ensures that the GDP of native and foreign-born U.S. Latinos adds up to the total U.S. Latino GDP. Figure 4.04 presents the breakdown of the U.S. Latino immigrant economy by country of origin.

Figure 4.04: Latino Immigrant GDP Contributions by Country of Origin (2023)



In billions of USD. Latino Immigrant GDP=\$1,587 billion USD.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Department of Commerce, Census Bureau, American Community Survey.

The immigrant population includes all individuals who self-identify as Latino in official statistics and report being born outside of the United States. They may be U.S. citizens, lawful permanent residents, undocumented immigrants, or individuals with refugee or other protected status. It is important to note that ACS data cannot be used to independently distinguish between documented and undocumented immigrants because the survey does not ask about legal status beyond citizenship.

Among immigrant subgroups, Mexican Americans are the largest, contributing nearly \$800 billion to the GDP. Research by Kantar finds that only 12% of U.S. Latinos are undocumented immigrants. Although this report does not estimate their economic output separately, this percentage and the overall size of the U.S. Latino immigrant economy (\$1.6 trillion total) suggest that mass deportations would result in economic disruptions across multiple sectors and regions. Chapter I provides further discussion on this issue.

SECTION FOUR: FUTURE TRENDS

Table 4.01 summarizes the key trends discussed in this section and provides additional insights into the projected growth of the U.S. Latino economy at the state level. Seidman produced state-level forecasts of U.S. Latino GDP through 2030 by combining historical Latino population growth trends with S&P Global's independent projections of overall state GDP, as well as the International Monetary Fund's national U.S. GDP forecasts.

Two important takeaways emerge from this analysis.

First, U.S. Latino state economies are expected to grow rapidly across the country, although some states will be able to leverage their U.S. Latino populations more effectively than others. Among states with at least \$30 billion in U.S. Latino GDP, those projected to experience the strongest growth between 2023 and 2030 include Washington (62%), Virginia (60.9%), Massachusetts (61.6%), Pennsylvania (75.6%), Michigan (65%), and Ohio (87.8%).

Second, the overall ranking of U.S. Latino state economies is expected to remain relatively stable through 2030. California will continue to lead with the largest U.S. Latino economy at a projected \$1.4 trillion, followed by Texas at \$1.1 trillion, and Florida at \$550 billion.

With the exception of South Dakota, all U.S. Latino state economies registered inflation-adjusted growth between 2018 and 2023. South Dakota experienced a decline in this period due to a decrease in income from dividends, interest, and rent, a phenomenon that warrants further examination. However, Seidman also forecasts over 153% growth in South Dakota's U.S. Latino GDP by 2030, suggesting a strong rebound and a more promising long-term outlook.

Table 4.01: Summary of Local Latino Economies

State	GDP (2023, current \$)	GDP (2030, current \$)	GDP Mexican American (2023, current \$)	% Share Mexican American	U.S. Latino GDP contributions (2018–2023, 2023 \$)	% Latino Share of Growth	% Annual Latino GDP Growth (inflation-adjusted)
Alabama	16.4	23.3	6.5	39.4	5.8	16.8	9.1
Alaska	4.3	7.7	2.6	60.1	0.4	15.3	2.0
Arizona	117.0	172.6	97.3	83.2	25.2	25.2	5.0
Arkansas	11.5	20.1	7.9	69.0	3.3	13.5	6.9
California	989.0	1,419.1	747.9	75.6	130.6	32.3	2.9
Colorado	82.8	123.3	54.7	66.1	19.6	23.7	5.5
Connecticut	37.7	59.1	3.2	8.4	7.6	71.6	4.6
Delaware	6.9	10.5	1.9	27.0	2.0	19.5	7.1
District of Columbia	18.4	29.1	4.2	22.6	1.7	22.5	2.0
Florida	395.8	552.5	36.5	9.2	100.4	31.4	6.0
Georgia	72.2	115.7	30.6	42.4	21.4	21.5	7.3
Hawaii	10.0	16.3	2.9	29.3	1.1	70.9	2.4
Idaho	12.4	20.2	9.8	78.8	3.4	12.8	6.6
Illinois	145.2	207.5	103.3	71.1	24.5	42.9	3.8
Indiana	32.2	53.5	21.4	66.3	10.8	22.3	8.5
Iowa	11.2	19.2	7.5	66.4	3.1	13.5	6.8
Kansas	20.5	31.2	15.3	74.8	5.8	27.4	6.8
Kentucky	9.5	18.8	3.7	38.6	2.8	9.8	7.1
Louisiana	21.8	32.8	5.4	24.7	7.2	85.2	8.4
Maine	2.3	3.9	0.6	26.7	0.7	5.2	8.0
Maryland	46.4	71.9	6.5	14.1	8.8	35.8	4.3
Massachusetts	64.2	103.7	7.4	11.5	14.5	21.5	5.3
Michigan	35.2	58.1	23.0	65.5	10.3	22.4	7.2
Minnesota	21.0	35.3	12.9	61.3	5.8	15.3	6.7
Mississippi	4.4	8.3	2.1	47.4	0.7	4.3	3.4
Missouri	18.2	31.4	10.6	58.4	6.5	13.7	9.1

State	GDP (2023, current \$)	GDP (2030, current \$)	GDP Mexican American (2023, current \$)	% Share Mexican American	U.S. Latino GDP contributions (2018–2023, 2023 \$)	% Latino Share of Growth	% Annual Latino GDP Growth (inflation-adjusted)
Montana	2.4	4.6	1.1	47.3	0.9	7.1	9.5
Nebraska	12.9	21.3	9.3	71.7	3.7	13.1	7.0
Nevada	52.9	75.7	36.5	69.1	9.1	22.9	3.8
New Hampshire	4.2	8.1	0.8	20.1	1.4	10.3	8.7
New Jersey	127.2	188.6	11.9	9.3	19.9	29.9	3.5
New Mexico	51.4	68.5	32.7	63.6	8.6	50.8	3.7
New York	315.2	457.6	42.5	13.5	54.6	42.9	3.9
North Carolina	61.4	98.0	24.2	39.3	20.0	18.3	8.2
North Dakota	2.3	4.1	1.5	66.6	0.3	7.7	2.8
Ohio	31.3	58.9	12.5	39.7	9.6	11.9	7.6
Oklahoma	30.0	39.1	24.5	81.5	12.3	97.8	11.2
Oregon	35.1	53.6	25.6	73.0	9.5	28.0	6.5
Pennsylvania	57.7	101.3	9.8	17.0	9.8	22.6	3.8
Rhode Island	9.0	14.5	1.0	11.1	2.0	33.8	5.0
South Carolina	17.3	31.7	7.0	40.8	3.9	8.7	5.2
South Dakota	1.6	4.0	0.8	52.8	NA	NA	-3.3
Tennessee	26.6	47.8	11.7	43.8	6.8	8.4	6.0
Texas	738.7	1,057.6	570.8	77.3	132.2	31.3	4.0
Utah	34.4	49.1	19.4	56.3	13.2	22.8	10.2
Vermont	1.2	1.9	0.1	11.4	0.6	16.3	14.1
Virginia	66.0	106.2	15.7	23.7	15.5	19.9	5.5
Washington	78.4	127.3	52.3	66.7	27.8	22.0	9.1
West Virginia	2.0	3.5	0.6	32.8	0.8	11.3	10.5
Wisconsin	23.1	41.0	15.1	65.4	5.1	18.3	5.1
Wyoming	4.2	6.3	3.0	71.6	1.2	26.8	7.3

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Commerce, Census Bureau, American Community Survey; and U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey.

CHAPTER V

METHODOLOGY AND REFERENCES



METHODOLOGY

The Seidman team at Arizona State University (ASU) uses a refined methodology to estimate the economic contributions of U.S. Latinos.

The team has identified several ways in which the Latino community impacts the U.S. economy. One such method captures GDP-linked expenditures made by or on behalf of Latinos.

The team also found that Latino contributions to U.S. GDP can be identified at the national and state levels using production- or income-based approaches. This approach, in turn, can be linked to literature discussing the relationship between income and education levels, which is an essential contribution by ASU to the LDC's efforts to understand the Latino community's impact on the U.S. economy.

Consistent with last year's analysis, The 2025 Official LDC U.S. Latino GDP Report™ uses three measures to comprehensively assess how Latinos benefit the U.S. economy:

The first measure is the GDP of purchases made "by and on behalf of" Latinos. ASU refers to this metric throughout the report as **Latino GDP** and relies on it for all international comparisons.

The second evaluates the GDP produced by Latinos, which is measured by the income earned by Latinos residing in the United States, referred to as **Gross Domestic Income (GDI)**.

The third, **Latino Purchasing Power (LPP)**, measures total Latino expenditures, extending beyond GDP, which will be especially useful to businesses seeking to expand their marketing and distribution efforts. By design, this estimate is broader than GDP.

Latinos as Purchasers: GDP purchases include consumer and investment goods, as well as public goods produced by individuals and businesses. The Latino share of these purchases is estimated based on the share of GDP purchases made "by and on behalf of" the Latino community. Latino allocations are then calculated as follows:

- **Consumption:** The percentage of total Latino household expenditures reported in the Consumer Expenditure Survey is used as a proxy for overall Latino GDP purchases, which is then assigned to the aggregate GDP consumption figure. The 2023 figure is 13.2%.
- **Investment (3 categories):** ASU divides gross private domestic investment into residential, non-residential, and inventory adjustments. Estimates of Latino investment activity are informed by their growing roles as consumers of both goods and housing services. Due to the high rental expenditures of Latino households, ASU assigns residential housing activity to Latinos on a per capita basis. The 2023 figure is 19.4%. Non-residential investment is allocated at the same rate as aggregate consumption, assuming that new investments intend to cater to the growing Latino market. While members of this community are not considered to be directly responsible for these investments, ASU assumes they are the result of the current and anticipated size of the Latino market.
- **Exports:** U.S. exports purchased by international consumers are attributed to Latinos based on their overall estimated production share, also referred to as the GDI share of Latinos. The 2023 figure is 11.3%.
- **Imports:** Since GDP measures domestic production, the total expenditures calculation deducts imports. Although the composition of consumption of domestic and imported goods and services may differ, ASU assigns the aggregate consumption share of Latino households to total imports.
- **Government Purchases:** Government purchases are made on behalf of all U.S. residents. ASU estimates the Latino share of government purchases using the overall estimated population share of Latinos. The 2023 figure is 19.4%.

Although inspired by the methodology used in previous reports, ASU's allocations in the last three reports involve unique assumptions and produce different empirical estimates.

For the second metric, **Latinos as Producers**, ASU assesses Latino contributions using income data. This approach assumes that an individual's income reflects their contribution to production. ASU categorizes GDI into 5 groups, then allocates the Latino share according to data from the ACS.

- **Compensation:** The proportion of salary and wage income, along with income from self-employment, serves as an indicator of total Latino compensation. The figure for 2023 stands at 14.1%.
- **Dividends, Interests, and Rent:** This category is allocated based on the reported income from interest, dividends, and net rental income over the past year. The 2023 figure is 5.0%.
- **Proprietor's Income:** This refers to the surplus revenue beyond production costs of businesses owned and operated by individuals. It is formally part of Gross Operating Surplus. The Latino share of this income category is determined by the percentage of self-employment income earned by Latinos. In 2023, this figure was 14.8%.
- **Gross Operating Surplus (excluding proprietor's income):** This allocation is based on the percentage of income derived from interest, dividends, and net rental.
- **Net Taxes on Production and Income (TOPI):** ASU allocates TOPI on a per capita basis, following the same convention used to assign government purchases in the Expenditure Approach. The figure for 2023 is 19.4%.

The third measure, **Latino Purchasing Power (LPP)**, captures the broader impact of the Latino community beyond GDP contributions. Many U.S. businesses also market, distribute, and transport imported goods to U.S. consumers. However, GDP excludes imports to meet the demand of Latinos. LPP addresses this by estimating the share of Latino imports, creating a metric highly relevant to many U.S. businesses.

OVERLAPPING GENERATIONS MODEL METHODOLOGY

We use an overlapping generations (OLG) model to estimate the effect of different immigration scenarios on the U.S. economy. The open-source packages OG-Core and OG-USA provide the framework for general and U.S.-calibrated OLG models, respectively. We begin with population projections from the CBO. The CBO projections include the most recent immigration surge from 2021 to 2025 and thus offer a more up-to-date forecast of the future U.S. population than the U.S. Census, which were last updated in 2023. The CBO projects fertility, mortality, and immigration by year up to 2098. The fertility projections are broken down by nativity status, allowing us to examine the population impact of immigration from both the direct change and the change in aggregate birth rates. We use the CBO's population projection as a baseline and develop four different counterfactual scenarios:

1. Immigration drops to 50% of baseline levels for 4 years (2025–2029), after which it returns to baseline.
2. Immigration drops to 10% of the baseline for 4 years (2025–2029), after which it returns to baseline levels.
3. Immigration drops to 50% of the baseline and remains there permanently.
4. Immigration drops to 10% of the baseline and remains at that level permanently.

These numbers correspond to realistic immigration possibilities, given the current administration's stated policy preferences. Rather than developing a model of how immigration responds to policy changes, we refer to Edeleberg et al. (2024) who estimate immigration levels under the current administration in "high" and "low" scenarios. Under the "high" scenario, they expect cumulative net migration to be about 5.8 million, roughly 100% of our baseline estimate. This scenario reflects minimal change in immigration due to policy changes.

In contrast, under the “low” scenario, they estimate the cumulative net migration over the same 4 years to be 630,000, approximately 10% of our baseline estimate. This scenario would necessitate significant policy changes and enforcement measures. We include a midpoint between the other two scenarios using 50% of the baseline immigration. We also consider the differing impacts of scenarios in which these immigration policies were to apply either for the next 4 years or continue to apply for future administrations.

Due to its emphasis on demographics and the life cycle, an OLG model is well-suited to analyzing the effects of immigration on the macroeconomy. A key feature of an OLG model is a household with a finite life span that enters the economy at a predetermined age, makes yearly consumption and labor supply decisions, retires at a predetermined age, and is subject to age-specific mortality rates. Each year, the population comprises total births, immigration, and deaths from previous years.

Households’ economic characteristics vary by age. Generally, incomes and expenses rise toward middle age and fall thereafter. In addition, households pay different tax rates and receive different benefit amounts depending on their age. Therefore, it is important to incorporate the distribution of ages throughout the economy and over time when generating projections of GDP, debt, and other macroeconomic aggregates.

Production decisions are made by competitive firms, and wage and interest rates are determined by the general equilibrium solutions to aggregate capital and labor supply and demand. In this model, the government does not optimize; policy is set exogenously. Importantly, the steady-state debt-to-GDP ratio must be finite and determined by the modeler for the model to be solvable. The model assumes that the government will adjust spending to reach the steady-state debt-to-GDP ratio and maintain it permanently.

The modeling begins with the existing population distribution and calibrated economic parameters. Then, we simulate a time path of population dynamics using the fertility, mortality, and immigration projections from the CBO. Next, the model solves for the steady-state (balanced growth path) values of the population and economic variables. Finally, the model solves for the time path of the variables during the transition from the initial values to the steady-state values.

We examine the effect of immigration on several macroeconomic variables: GDP, consumption, debt, and government spending. The aim is to quantify the potential impact on output, welfare, and the fiscal position of the U.S. government. To illustrate the effect on GDP, we express counterfactual GDP as a percentage of baseline GDP for each year of the transition.

To examine how different immigration scenarios affect the U.S. fiscal position, we take two approaches. First, we allow debt to grow untethered for 50 years (after which the budget closure rule takes effect and the government implements a policy that maintains a steady-state debt-to-GDP ratio). We then compare debt-to-GDP levels between the baseline and counterfactual immigration scenarios over that time period.

The second approach is to quantify the United States’s “fiscal gap” under different immigration scenarios. We accomplish this by forcing the government to implement a low debt-to-GDP ratio and recording the present value of the required drop in government spending required to implement the budget closure rule. Following Auerbach and Gale (2017), we select a steady-state debt-to-GDP ratio of 36%, which is the U.S. average from 1957–2007. One caveat of this analysis is that it does not consider the impact of immigration on productivity. A substantial body of literature (Headey and Hodge (2009)) finds that population growth has a positive impact on per capita economic growth, which stems significantly from productivity improvements. However, since productivity growth is constant and exogenous in the OLG model, we cannot investigate this channel of impact. Nevertheless, we consider our estimates to be conservative measures of the decline in output and consumption because drops in productivity growth will lead to additional reductions in output.

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