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HISPANIC BUYING POWER BY PLACE OF RESIDENCE: 1990-1999

Jeffrey M. Humphreys

In 1999, the immense buying power of 31 million Hispanic-Americans will energize the U.S. consumer market as never before. This major group, which comprises 11.4 percent of the country's population, will spend an estimated \$383 billion on goods and services, according to recent Terry College of Business projections.

Over the past nine years, the nation's Hispanic buying power has increased 84.4 percent (from \$208 billion in 1990)—a percentage gain that is substantially greater than the 56.7 percent gain projected for total buying power and that exceeds the 72.9 percent gain projected for African-American buying power. So what does this mean to the market in general? Most obviously, it means that as the U.S. consumer market diversifies, advertising, products, and media must be specifically tailored to each segment. With this in mind, entrepreneurs, marketing experts, economic development orga-

nizations, and area chambers of commerce all have sought estimates of Hispanic buying power in order to assess the size of national and state Hispanic-American markets.

Hispanic refers to a person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin, and is considered an ethnic category, rather than a racial group. Persons of Hispanic origin therefore may be of any race, and since their culture varies with the country of origin, the Spanish language often is the uniting factor.

Simply defined, Hispanic buying power is the total personal income of Hispanic residents that is available, after taxes, for spending on goods and services. Unfortunately, there are no geographically precise surveys of annual expenditure and income of Hispanic-Americans, and even estimates of Hispanic buying power are hard to find, especially for individual states.

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This article approaches the problem by providing estimates of Hispanic buying power during the 1990s for the U.S., the states, and the District of Columbia. The estimates are reported in current dollars (un-adjusted for inflation), and can be used in many ways. They can indicate the economic power of the Hispanic community; measure the relative vitality of geographic markets; help to assess opportunity for new businesses or the expansion of existing ones; gauge a business's annual sales growth against potential market increases; indicate the market potential of new and existing products; and help plan advertising campaigns.

METHODOLOGY

Because there is no direct measure of Hispanic buying power, the estimates reported here were calculated using national and regional econometric models, univariate forecasting techniques, and data from various U.S. government sources. In general, the estimation process has two parts: estimating disposable personal income and allocating that estimate by race or ethnicity.

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Disposable personal income—the share of total personal income that is available for spending on personal consumption, personal interest payments, and savings—measures the total buying power of an area. Approximately 93 percent of disposable personal income is used to purchase goods and services; the remaining 7 percent represents interest paid by persons, their savings, or their net transfers to others.

Data on disposable personal income for 1990-1996 were provided by the U.S. Department of Commerce's Bureau of Economic Analysis. Readers should note that the Terry College of Business's estimates are based on disposable personal income data, rather than on the U.S. Bureau of the Census' money income values for the nation as a whole. The result is significantly higher estimates of Hispanic buying power because Census data underreport household incomes. The BEA, on the other hand, adjusts income tax return information to cope with legal but misreported income to deal with just this problem.

Total buying power in 1990-1999 was allocated to Hispanic and non-Hispanic populations on the basis of ethnic distributions provided by the Census's report *Estimates of the Population of States by Age, Sex, Race and Hispanic Origin: 1990 to 1996*. The population estimates for 1997-1999 were prepared by the Terry College of Business, and are based on Census data.

A relative income adjustment factor also compensated for the variation in per capita personal income (and by extension, in disposable personal income) that is accounted for by Hispanic origin. These factors were calculated from the local area per capita money income data by race gathered during the 1990 Census of Population and Housing. Long-term trends in per capita money income suggest that relative ratios in per capita income between the races change quite slowly. The ratios in this study, however, were adjusted to account for trends in the median household income, by race, reported in the Census Bureau's *Current Population Reports* for the nation. The absence of current detailed data at the state level, however, clearly makes the Hispanic buying power estimates less precise because it increases their statistical error.

HISPANIC BUYING POWER IN THE U.S. AND THE STATES

The Terry College of Business projects that the nine-year, 84.4 percent gain in nation's Hispanic buying power will outstrip both the 56.7 percent increase projected for total buying power, the 55.3 percent increase projected for nominal GDP, and the 37.4 percent increase projected in the Hispanic population. The U.S. Consumer Price Index will increase 28.7 percent during this same period, but Hispanic buying power will grow nearly three times as fast as inflation, which demon-

strates the growing importance of Hispanic consumers and should create great opportunities for businesses that cater to their needs.

Because of differences in per capita income, wealth, demographics, and culture, the spending habits of Hispanic-Americans as a group are not the same as those of the average U.S. consumer. The most recent Consumer Expenditure Survey conducted by the U.S. Bureau of Labor Statistics (based on data from 1996) indicates that Hispanic consumers spent in total only about 81 percent as much as the average non-Hispanic household and

tion, the Hispanic population is growing more rapidly than the total population, a trend that is projected to continue. A relatively young Hispanic population, with most adults in their early career stages, also argues for additional gains in buying power.

In 1999, Hispanics will account for 5.9 percent of all U.S. buying power, up from 5 percent in 1990. The group's year-to-year gains in buying power vary somewhat, but in each year, the percentage gain in their buying power has or will exceed the rate of growth in buying power for all of the nation's consumers. Annual

Where Hispanic Dollars Are Spent

- housing
- groceries
- telephone services
- apparel
- personal care products

spent a higher proportion of their after-tax income on goods and services.

Despite their lower average income levels, Hispanic households spent more on food consumed at home, telephone services, and apparel. They also spent a higher proportion of their after-tax income on housing, personal care products, and services. Substantially less money was devoted to reading material, education, tobacco, health care, and entertainment. Hispanics spend about the same proportion of their incomes as non-Hispanic households on many goods and services, including food consumed away from home, transportation, electricity, alcoholic beverages, and housekeeping supplies. The same survey found that 54 percent of Hispanic households are renters, compared to 35 percent of non-Hispanic households.

Of the many forces supporting the substantial and continued growth of Hispanic buying power, perhaps the most important is better employment opportunities. The increasing number of Hispanics who are successfully starting and expanding their own businesses also helps to increase buying power. Favorable demographic trends also reinforce these positive economic forces. Because of both higher rates of natural increase and strong immigra-

gains ranged from 6.9 percent in 1991 to a peak of 8.8 percent in 1992, and are expected to rise slightly in 1999 (8.3 percent) compared to 1998 (8 percent).

Estimates of the absolute size and rate of growth of Hispanic markets are two firm indications of market potential, even though this market is much more focused on a few states than are the total and black consumer markets. The five states with the largest Hispanic markets account for 71 percent of Hispanic buying power. In contrast, the five states with the largest total consumer markets account for only 38 percent of total buying power. Similarly, the five states with the largest black consumer markets account for just 37 percent of black buying power.

In 1999, the ten states with the largest Hispanic markets, in order, will be California, Texas, Florida, New York, Illinois, New Jersey, Arizona, New Mexico, Colorado, and Washington. The top ten states, as ranked by the rate of growth of Hispanic buying power over 1990-1999 will be Arkansas (the highest), Nevada, North Carolina, Vermont, Georgia, Nebraska, Tennessee, Oregon, North Dakota, and Washington. Most of

continued on page 6

Table 1

**Hispanic Buying Power by Place of Residence
for U.S. and States, 1990 and 1995-1999
(millions of dollars)**

Area	1990	1995	1996	1997	1998	1999
United States	207,915	289,368	304,359	327,734	353,985	383,306
Alabama	283	461	512	545	581	623
Alaska	220	294	301	318	335	360
Arizona	5,314	8,023	8,576	9,310	10,096	10,990
Arkansas	169	360	438	472	509	551
California	68,177	89,675	93,513	100,819	108,968	118,102
Colorado	3,900	5,663	5,988	6,370	6,755	7,183
Connecticut	2,331	3,023	3,146	3,425	3,706	4,030
Delaware	187	294	322	353	390	428
District of Columbia	461	601	614	650	689	734
Florida	19,315	27,516	29,314	31,822	34,733	37,874
Georgia	1,366	2,558	2,893	3,162	3,406	3,684
Hawaii	939	1,210	1,219	1,245	1,296	1,361
Idaho	391	671	716	770	825	889
Illinois	8,616	12,351	13,039	14,053	15,170	16,485
Indiana	1,042	1,564	1,680	1,794	1,920	2,062
Iowa	311	533	599	641	688	747
Kansas	882	1,315	1,413	1,518	1,637	1,776
Kentucky	238	349	385	415	448	487
Louisiana	1,192	1,717	1,777	1,889	2,000	2,130
Maine	79	103	115	127	140	155
Maryland	1,798	2,679	2,831	3,074	3,328	3,619
Massachusetts	2,573	3,463	3,620	3,989	4,382	4,800
Michigan	2,164	3,067	3,225	3,412	3,621	3,880
Minnesota	500	778	861	934	1,023	1,126
Mississippi	166	251	273	287	303	321
Missouri	754	1,069	1,157	1,253	1,356	1,479
Montana	86	124	124	132	143	155
Nebraska	334	616	698	757	817	889
Nevada	1,347	2,572	2,884	3,205	3,569	3,956
New Hampshire	154	241	259	282	307	337
New Jersey	9,079	12,494	13,021	13,968	15,078	16,275
New Mexico	4,797	6,613	6,838	7,144	7,539	8,039
New York	22,901	29,593	30,634	32,723	35,074	37,772
North Carolina	836	1,589	1,816	1,970	2,128	2,319
North Dakota	33	50	58	64	73	83
Ohio	1,523	2,125	2,227	2,366	2,529	2,727
Oklahoma	705	1,040	1,114	1,198	1,278	1,366
Oregon	892	1,551	1,692	1,863	2,057	2,282
Pennsylvania	2,095	2,943	3,126	3,372	3,657	3,962
Rhode Island	401	579	604	658	718	785
South Carolina	379	577	615	662	712	768
South Dakota	47	75	85	90	95	102
Tennessee	406	743	820	890	966	1,054
Texas	32,455	46,764	48,942	52,495	56,666	61,111
Utah	706	1,164	1,301	1,425	1,551	1,683
Vermont	48	85	92	103	115	131
Virginia	2,182	3,310	3,586	3,906	4,225	4,640
Washington	2,025	3,328	3,617	4,004	4,427	4,877
West Virginia	101	139	144	154	168	183
Wisconsin	761	1,150	1,215	1,309	1,418	1,539
Wyoming	253	318	319	345	370	396

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

Table 2

**Percentage Change in Hispanic Buying Power
and Rank of Percentage Change, 1990-1999, by State**

<u>Area</u>	<u>Rank</u>	<u>Percentage Change in Total Buying Power 1990-99</u>	<u>Area</u>	<u>Rank</u>	<u>Percentage Change in Total Buying Power 1990-99</u>
United States	—	84.4	Missouri	27	96.2
Alabama	16	120.2	Montana	39	80.2
Alaska	48	64.0	Nebraska	6	166.1
Arizona	20	106.8	Nevada	2	193.7
Arkansas	1	226.3	New Hampshire	17	119.7
California	44	73.2	New Jersey	41	79.2
Colorado	37	84.2	New Mexico	46	67.6
Connecticut	45	72.9	New York	47	64.9
Delaware	13	128.9	North Carolina	3	177.4
District of Columbia	49	59.3	North Dakota	9	149.4
Florida	28	96.1	Ohio	42	79.0
Georgia	5	169.6	Oklahoma	31	93.7
Hawaii	51	45.0	Oregon	8	155.8
Idaho	14	127.1	Pennsylvania	34	89.1
Illinois	33	91.3	Rhode Island	29	95.6
Indiana	26	97.9	South Carolina	22	102.7
Iowa	11	140.0	South Dakota	18	114.9
Kansas	24	101.4	Tennessee	7	159.5
Kentucky	21	104.5	Texas	35	88.3
Louisiana	43	78.7	Utah	12	138.3
Maine	30	94.5	Vermont	4	170.5
Maryland	25	101.3	Virginia	19	112.6
Massachusetts	36	86.5	Washington	10	140.8
Michigan	40	79.3	West Virginia	38	81.8
Minnesota	15	125.5	Wisconsin	23	102.4
Mississippi	32	92.9	Wyoming	50	56.8

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

Table 3

**Hispanic Share of Total Buying Power
for U.S. and States, 1990 and 1999
(percent)**

Area	1990	1999	Area	1990	1999
United States	5.0	5.9	Missouri	1.0	1.2
Alabama	0.5	0.7	Montana	0.8	0.9
Alaska	2.2	2.6	Nebraska	1.4	2.3
Arizona	9.9	10.9	Nevada	6.3	8.9
Arkansas	0.6	1.1	New Hampshire	0.7	1.1
California	12.4	14.4	New Jersey	5.4	6.6
Colorado	7.0	7.4	New Mexico	24.4	24.1
Connecticut	3.1	3.8	New York	6.5	7.3
Delaware	1.5	2.1	North Carolina	0.9	1.4
District of Columbia	3.5	4.2	North Dakota	0.4	0.6
Florida	8.7	10.4	Ohio	0.9	1.1
Georgia	1.4	2.2	Oklahoma	1.6	2.1
Hawaii	4.6	4.7	Oregon	2.1	3.0
Idaho	2.9	3.8	Pennsylvania	1.0	1.3
Illinois	4.2	5.2	Rhode Island	2.3	3.3
Indiana	1.3	1.6	South Carolina	0.8	1.0
Iowa	0.8	1.2	South Dakota	0.5	0.6
Kansas	2.3	3.0	Tennessee	0.6	0.9
Kentucky	0.5	0.6	Texas	12.4	13.4
Louisiana	2.1	2.5	Utah	3.3	4.1
Maine	0.4	0.6	Vermont	0.6	1.0
Maryland	2.0	2.6	Virginia	2.0	2.8
Massachusetts	2.2	2.7	Washington	2.4	3.3
Michigan	1.4	1.7	West Virginia	0.4	0.5
Minnesota	0.7	1.0	Wisconsin	1.0	1.3
Mississippi	0.6	0.7	Wyoming	3.7	3.9

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

continued from page 3

these states have relatively small but flourishing markets.

A third ranking, the market share claimed by Hispanic consumers, is important for very practical reasons; the higher their market share, the lower the average cost of reaching a potential buyer in the group. Targeting Hispanic consumers in diffuse markets is more expensive, although selective media or zip code mailings can lower the cost per individual. In order, the ten states with the largest shares of total buying power that is Hispanic in 1999 will be New Mexico, California, Texas, Arizona, Florida, Nevada, Colorado, New York, New Jersey, and Illinois.

Nationally, Hispanic consumers' share of the market will increase from 5 percent in 1990 to 5.9 percent in 1999, or by almost one percentage point. Except for New Mexico, the share of buying power controlled by Hispanic consumers will rise in every state, although

Nevada, California, Florida, New Jersey, Arizona, Texas, Rhode Island, Nebraska, Illinois, and Oregon will see the largest increases in the group's market share.

The ten states (including the District of Columbia) with the slowest growth of Hispanic buying power over 1990-1999 will be Hawaii (the slowest), Wyoming, the District of Columbia, Alaska, New York, New Mexico, Connecticut, California, Louisiana, and Ohio. The list is not surprising, since total buying power also is growing slowly in many of these states. The ten states with the smallest markets, basically a result of their small Hispanic populations, are North Dakota, South Dakota, Vermont, Maine, Montana, West Virginia, Mississippi, New Hampshire, Alaska, and Wyoming. Of this latter group, four states—Vermont, North Dakota, New Hampshire, and South Dakota—have very vigorous growth in Hispanic spending power. ■

Table 4

**Average Annual Expenditures by Item as a Percent of
After-Tax Money Income for Hispanic Consumer Units
and Non-Hispanic Consumer Units, 1996**

Item	Expenditures as a Percent of After-Tax Income	
	Hispanic (percent)	Non-Hispanic (percent)
Food - At Home	12.3	8.0
Food - Away From Home	5.4	5.2
Alcoholic Beverages	0.9	0.9
Shelter	20.1	17.2
Natural Gas	0.8	0.8
Electricity	2.6	2.6
Fuel Oil and Other Fuels	0.2	0.3
Telephone	3.2	2.1
Water and Other Public Services	0.9	0.8
Household Operations	1.2	1.5
Housekeeping Supplies	1.4	1.3
Household Furnishings and Equipment	3.2	3.9
Apparel	7.0	4.9
Transportation	19.5	18.2
Health Care	3.8	5.2
Entertainment	4.0	5.3
Personal Care Products and Services	1.8	1.4
Reading	0.3	0.5
Education	1.0	1.5
Tobacco and Smoking Supplies	0.5	0.7
Miscellaneous	2.4	2.5
Cash Contributions	1.3	2.8
Personal Insurance and Pensions	8.0	8.8
Average after-tax money income (\$)	27,449	35,585

Source: Percentages were calculated by the Selig Center for Economic Growth, based on data obtained from the Consumer Expenditure Survey, Bureau of Labor Statistics.

Table 5 appears on the next page.

Table 5

**Estimates of the Total Population and Hispanic Population
of the U.S. and States, 1990 and 1999**

<u>Area</u>	<u>Total Population in 1990</u>	<u>Total Hispanic Population in 1990</u>	<u>Total Population in 1999</u>	<u>Total Hispanic Population in 1999</u>
United States	249,397,990	22,557,638	272,423,443	30,988,807
Alabama	4,048,317	24,802	4,391,822	39,121
Alaska	553,102	17,986	633,763	25,436
Arizona	3,679,370	695,687	4,784,307	1,068,003
Arkansas	2,354,301	19,994	2,596,749	46,079
California	29,901,421	7,764,126	32,435,218	10,508,205
Colorado	3,304,004	428,622	4,075,261	589,338
Connecticut	3,288,975	214,321	3,279,105	277,016
Delaware	669,071	15,984	756,190	26,850
District of Columbia	603,792	32,743	522,624	39,511
Florida	13,018,496	1,595,378	15,045,138	2,281,158
Georgia	6,506,509	110,132	7,758,907	215,265
Hawaii	1,112,646	81,412	1,223,955	96,957
Idaho	1,011,904	53,501	1,297,421	96,232
Illinois	11,446,801	909,885	11,977,943	1,243,644
Indiana	5,555,019	99,372	5,985,033	142,518
Iowa	2,779,652	32,833	2,885,631	54,901
Kansas	2,480,630	94,241	2,633,180	140,006
Kentucky	3,692,529	22,132	3,964,108	31,606
Louisiana	4,217,362	93,669	4,398,995	118,545
Maine	1,231,284	6,866	1,253,513	10,037
Maryland	4,797,676	126,415	5,210,222	193,871
Massachusetts	6,018,305	289,067	6,167,126	394,418
Michigan	9,310,677	202,985	9,671,908	259,189
Minnesota	4,387,209	54,313	4,791,064	89,065
Mississippi	2,577,213	16,085	2,786,922	21,396
Missouri	5,126,241	62,172	5,488,053	86,320
Montana	799,826	12,236	926,357	16,634
Nebraska	1,580,648	37,212	1,693,860	71,315
Nevada	1,218,702	127,429	1,810,356	281,638
New Hampshire	1,111,861	11,404	1,208,179	18,620
New Jersey	7,739,502	745,384	8,125,939	1,008,471
New Mexico	1,520,039	583,620	1,819,483	725,095
New York	18,002,719	2,228,868	18,194,553	2,692,648
North Carolina	6,657,040	77,547	7,674,793	150,667
North Dakota	637,369	4,643	657,282	8,110
Ohio	10,861,875	140,506	11,271,070	181,512
Oklahoma	3,147,095	86,661	3,358,324	127,603
Oregon	2,858,757	114,171	3,359,612	207,449
Pennsylvania	11,895,491	233,804	12,133,727	325,344
Rhode Island	1,004,665	46,075	993,984	68,538
South Carolina	3,498,970	30,765	3,808,829	44,722
South Dakota	696,636	5,263	760,896	7,872
Tennessee	4,890,621	33,028	5,560,645	60,272
Texas	17,046,399	4,376,932	19,974,760	5,940,023
Utah	1,729,784	85,329	2,152,892	139,371
Vermont	564,489	3,686	608,011	7,275
Virginia	6,213,684	162,169	6,902,643	260,422
Washington	4,901,289	217,830	5,788,516	370,869
West Virginia	1,792,429	8,529	1,833,457	11,158
Wisconsin	4,902,197	93,960	5,282,728	136,317
Wyoming	453,397	25,864	508,392	32,175

Source: Estimates for 1990 were obtained from the U.S. Bureau of the Census (Internet release date: December 18, 1997). Estimates for 1999 were prepared by the Selig Center for Economic Growth.