



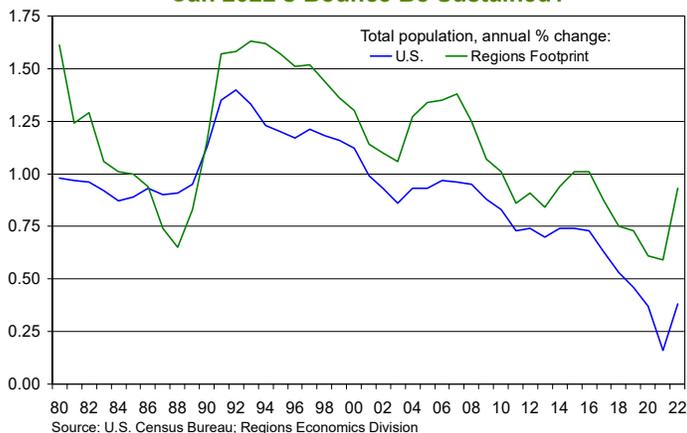
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2022 State Population: Regions Footprint

The U.S. Census Bureau recently released comprehensive data on 2022 state level population, including the components of change in population. While 2022 saw faster population growth, nationally and across the Regions footprint, that is to some extent simply a bounce from what was notably slow population growth in 2021. The population data for 2020 and 2021 reflect the horrible toll exacted by the pandemic, including significant increases in mortality rates, and the 2022 data are not free of those effects. The bounce in population growth seen in 2022, however, will likely be hard to sustain, and the distortions in population patterns stemming from the pandemic do not mask the longer-term trend of steadily decelerating population growth. Many in-footprint states have seen meaningful increases in net domestic in-migration over the past three years, and 2022 saw a spike in net foreign in-migration. Whether, or to what extent, these increases will be sustained over coming years remains to be seen, particularly with the economy slowing and labor market conditions likely to deteriorate and, in so doing, result in a shift in the balance of power from workers to employers, a shift which will at least to some degree weigh on mobility. Before proceeding further, we'll note that comparable data on the metro area are not yet available, so this discussion will be on the national and state levels.



Can 2022's Bounce Be Sustained?

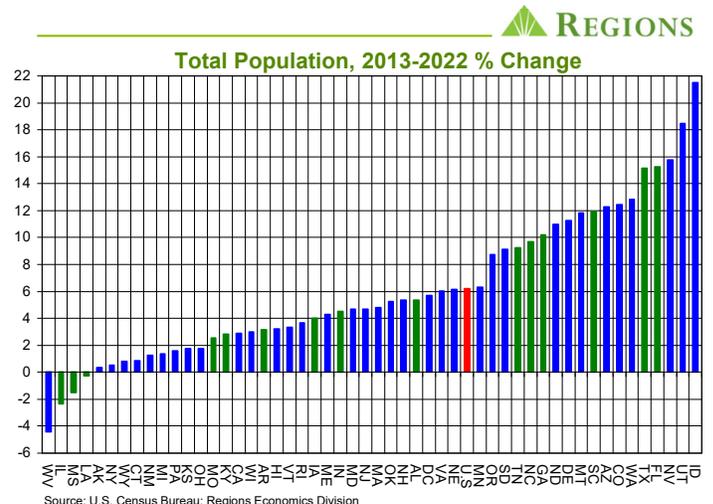
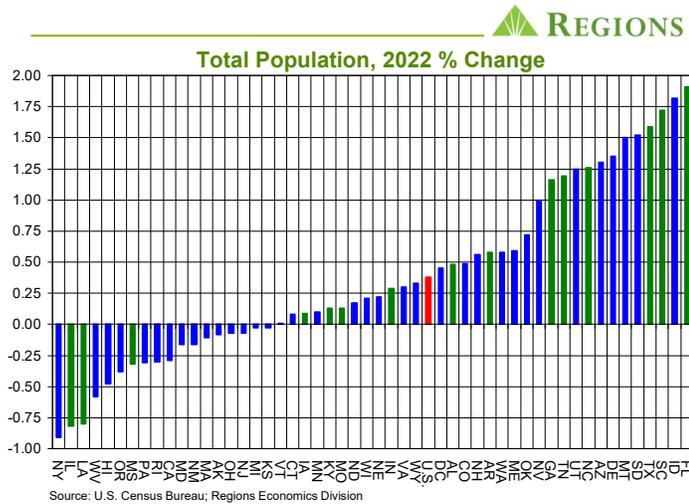


As seen in the chart to the side, total population growth in the Regions footprint has consistently outpaced growth for the U.S. as a whole. Indeed, the last year in which population growth in the footprint lagged growth for the U.S. as a whole was 1989. Still, overall trends in population growth have been similar, with decelerating trend growth for some time, mainly due to falling birth rates but in the few years prior to the pandemic also reflecting diminished net foreign in-migration. This is what makes the 2022 data intriguing, as both the birth rate and the level of net foreign in-migration increased, both nationally and within the Regions footprint. It is unclear whether, or to what extent, that will continue, and it is also unclear whether, or to what extent, the spike in mortality rates seen in recent years will subside. Breaking population growth down into its sub-components is far more informative than simply looking at changes in total population as it allows us to better isolate the factors driving the broader trends in population growth, such as the marked deceleration in growth over

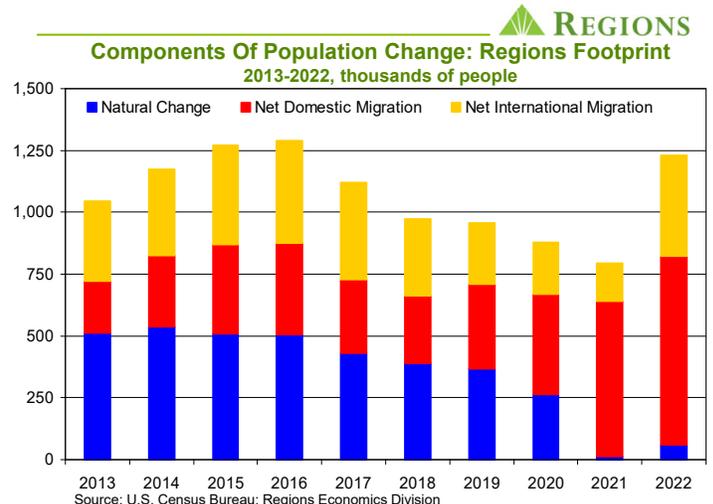
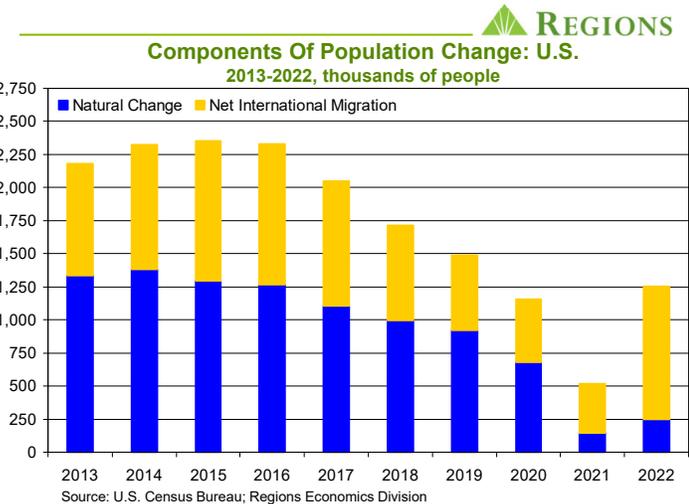
the past two decades and better assess the prospects of these broader trends changing, whether for better or for worse. Also, in our presentations of data on the state and metro area levels we routinely point out that looking at the data for the footprint as a whole masks what are often stark differences across individual states/metro areas. The same is true with the data on population and the components of change even as the population of the Regions footprint has consistently grown at a rate above the national average.

Nationally, total population rose by 0.38 percent in 2022 after growth of just 0.16 percent in 2021, while the total population within the Regions footprint increased by 0.93 percent in 2022. Nationally, the total population increased by 1,256,003 persons in 2022, the largest increase since 2019, but the population within the Regions footprint increased by 1,228,732 persons in 2022, accounting for the vast majority of population growth for the U.S. as a whole. We will note that the figures we cite here are from the data on components of population change, which can yield different figures than the series on total population though the trends in the different series will match over time. Florida posted the nation's fastest population growth in 2022, with an increase of 1.91 percent, followed by Idaho's 1.82 percent increase. South Carolina (third), Texas (fourth), and North Carolina (ninth) were also among the ten states with the fastest population growth in 2022. At the same time, eighteen states saw their population decline in 2022, with the 0.91 percent decline in New York the largest of any state, with Illinois (0.82 percent) and Louisiana (0.80 percent) posting the second and third largest declines and Mississippi the other in-footprint state suffering a population loss in 2022. Looking over the past ten years, Idaho logged the nation's most rapid population growth, with an increase of 21.50 percent, with Florida ranking fourth (15.25 percent), Texas ranking fifth (15.13

percent), and South Carolina ninth (11.94 percent). West Virginia saw its population decline by 4.43 percent over the past ten years, the largest decline in the nation, but Illinois (2.34 percent), Mississippi (1.49 percent), and Louisiana (0.26 percent) are the only other states to have seen their population decline over the past ten years. Over the past ten years, the Regions footprint has accounted for just over fifty-five percent of the increase in total population for the U.S. as a whole but, to our earlier point, the vast majority of the growth within the footprint has come from six states – Florida, Georgia, North Carolina, South Carolina, Tennessee, and Texas.



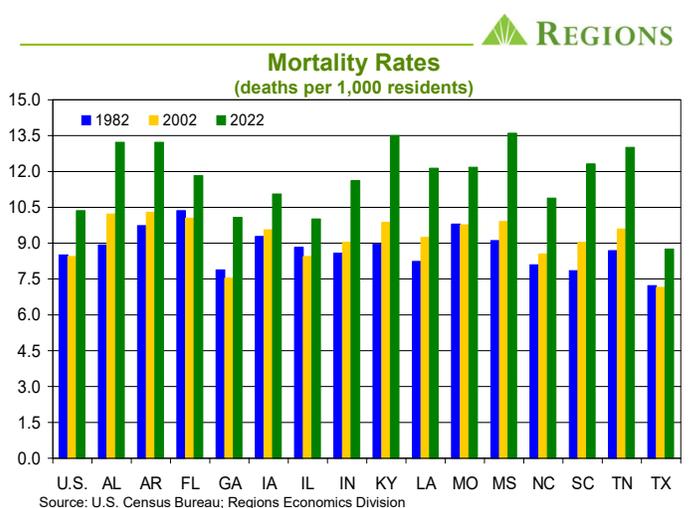
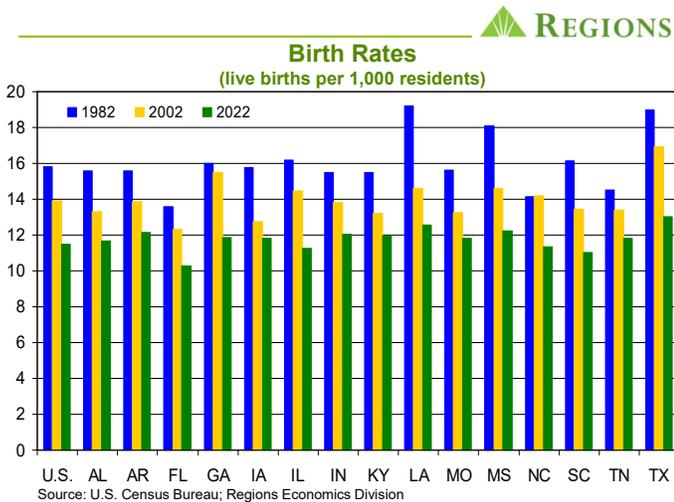
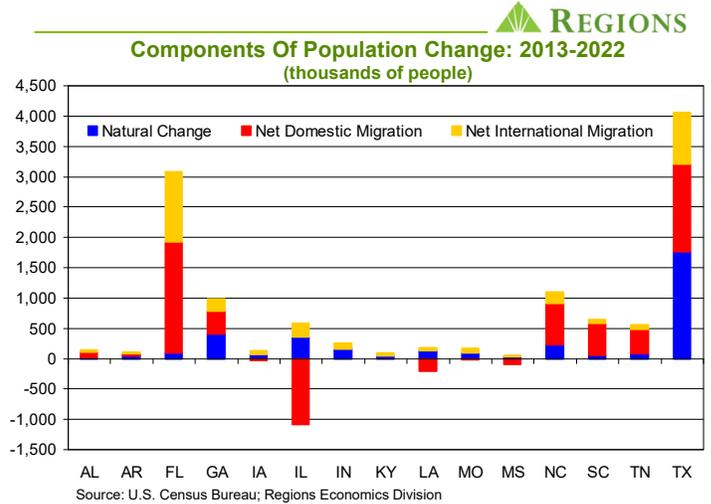
Clearly, the pandemic and how people, businesses, and governments have responded have had a major impact on migration and population patterns over the past few years. For instance, firms offering more flexible working arrangements combined with aggressive fiscal and monetary policy responses triggered migration into states perceived to have better quality of life and more favorable cost of living and taxation profiles. This clearly contributed to stepped-up domestic in-migration into several states within the Regions footprint, even on top of what tended to be above-average inflows in the years prior to the pandemic. At the same time, however, rising mortality rates have held down overall population growth, particularly having come on top of what for many years prior to the pandemic were declining birth rates.



This detail goes to our earlier point about looking at the components of change rather than only at changes in total population, and the above charts summarize the components of change in total population for the U.S. and the Regions footprint over the past ten years (keep in mind that, by definition, net domestic migration for the U.S. as a whole is zero). That natural change had been diminishing in the years prior to the pandemic reflected steadily declining birth rates, and that natural change dropped off so dramatically in 2021 and remained notably low in 2022 reflects sharply higher mortality rates. As seen in the second chart above, the footprint saw a marked increase in net domestic in-migration in 2020, with the largest such inflow since 2007, and net domestic in-migration increased further in both 2021 and 2022. Both charts show how net foreign in-migration tailed off in the years prior to the pandemic then fell even further

in 2020 and 2021 before rebounding in 2022. With both components of in-migration, i.e., domestic and foreign, there is reason to wonder whether the increased levels seen in 2022 will be sustained going forward. For instance, with labor market conditions softening and the demand for labor falling to become more aligned with the supply of labor, even if at a slow pace at present, workers may no longer have the same leverage over firms as they've enjoyed over the past few years. If not, more firms may demand that more workers are in the office more of the time, and if remote work is no longer an option or only a limited option, that could curtail population growth amongst several in-footprint states. As for foreign in-migration, with no comprehensive immigration policy anywhere near, let alone on, the horizon, it is impossible to make any inferences as to how foreign in-migration may contribute to population growth over coming years.

The chart to the side shows the change in population in each of the in-footprint states over the past ten years broken down into the three sub-components. One thing that jumps out is the extent of domestic out-migration in Illinois, which more than negated domestic in-migration and natural increase to drag the state's population down over the past ten years. In contrast, Florida and Texas have enjoyed favorable migration trends, both domestic and foreign, that have buttressed total population growth, though the contrast in natural change between the two states is striking. Given its older population, Florida's birth rate is easily below the national average and its mortality rate above the nation average, while its younger population helps account for a higher birth rate in Texas. The extent to which domestic in-migration has accounted for overall population growth in North Carolina, South Carolina, and Tennessee over the past decade also stands out. Seeing how little natural change and domestic in-migration contribute to population growth in a number of states highlights what a meaningful contribution foreign in-migration could make.

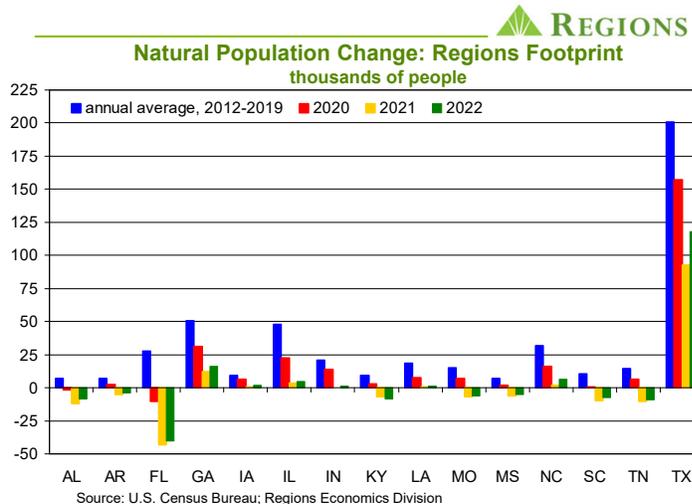


The first chart above illustrates the longer-term decline in birth rates, and the second chart above shows the jump in mortality rates since the onset of the pandemic. The long-term decline in the birth rate has been the most significant drag on growth in total population over the past two-plus decades, and there are obvious implications for the economy. For instance, we've noted that no one should be surprised by the pronounced slowdown in labor force growth given that the demographic writing has been on the wall for years. While the increase in birth rates seen in 2022 is a ray of hope, at this point it is no more than that as it would have to be sustained and, even then, would take years to be reflected in improved labor force growth.

Perhaps the most vivid illustration of the impact of the pandemic on population growth patterns is the significant increase in the number of states with natural declines (i.e., mortality rates exceeding birth rates) in population since the onset of the pandemic. In 2019, only four states – Maine, New Hampshire, Vermont, and West Virginia – had natural declines in population, each being relatively sparsely populated with an older population. In 2020, however, twenty-one states saw natural declines, with twenty-six seeing natural declines

in 2021, and 25 seeing natural declines in 2022. Mortality rates were little changed in most states between 2021 and 2022 and in many states in which the birth rate rose, it did so by very little. In each of the past two years, Florida has seen the nation’s largest natural decline in population (-42,821 in 2021, and -40,216 in 2022), but seven other states within the footprint saw natural declines in 2022. That Florida saw the nation’s fastest population growth in 2022 despite also seeing the largest natural decline is a testament to the strength of in-migration, domestic and foreign, in Florida. To that point, in each of the past two years Florida boasted the largest levels of net domestic in-migration in the nation.

The chart to the side shows the longer-term annual average natural change in population for each state within the Regions footprint, along with the changes in each of the past three years. It is true that natural change improved in most of the in-footprint states in 2022, even if in many cases this meant a smaller decline than that seen in 2021. At the same time, however, the natural change in population in 2022 was weaker than the average natural change in the years leading up to the pandemic. Again, this to a large degree reflects higher mortality rates, but what before 2022 had been steady declines in birth rates is also a contributing factor. This highlights the potential role to be played by foreign in-migration. It is also possible, if not likely, that the higher mortality rates seen over the past few years will subside which, for any given birth rate, would provide at least some support for total population growth and labor force growth.



It will take years to have a sense of the extent to which the pandemic truly changed things, and that includes population growth patterns. In addition to the effects on natural population change, the pandemic and the response to it in both the private and public sectors had a meaningful impact on domestic migration patterns. While to some extent this reflected people moving to improve quality of life, it is also possible that more people felt willing and able to flee from high-cost states/metro areas to lower-cost states/metro areas. One impact is that housing costs in many of these lower-cost areas rose significantly, perhaps to the extent that they forfeited their “lower-cost” status while at the same time state and local governments in areas with large in-migration flows will face increased pressure to fund things such as infrastructure, education, transportation, and public safety. To the extent that it was higher-income residents who left, the states seeing sizable outflows of residents will also be feeling increased budgetary pressures.

Finding ways to revitalize the nation’s population growth will be a key element of not only fully rebounding from the pandemic but also of supporting a faster sustainable rate of economic growth over the longer-term. Of course, raising the question of how to accomplish this is far easier than actually answering that question.