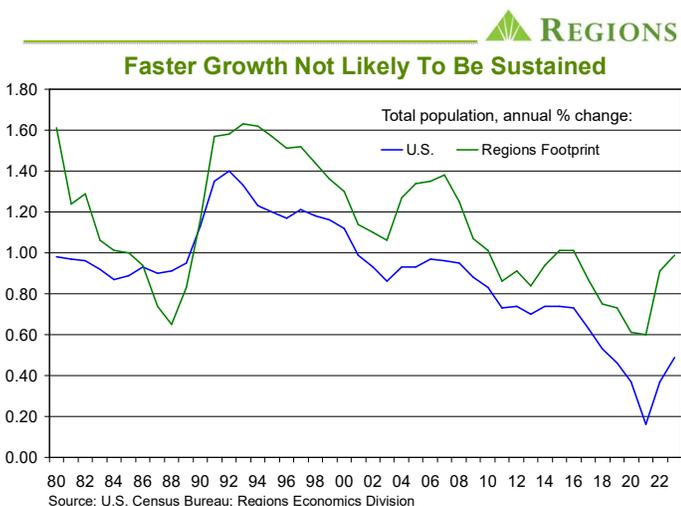




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2023 State Population: Regions Footprint

The U.S. Census Bureau recently released comprehensive data on 2023 state level population, including the components of change in population. While 2023 marked a second straight year in which population growth increased, that is no more than the ongoing adjustment from the horrible toll exacted by the pandemic, which to some extent continues to be reflected in the population data. Though having fallen further in 2023, mortality rates remain above pre-pandemic norms, and the long-running decline in birth rates remains in place. The biggest factor behind the acceleration in population growth over the past two years, nationally and within the Regions footprint, has been significantly faster net foreign in-migration, while the Regions footprint has also experienced a much higher rate of net domestic in-migration in the years since the onset of the pandemic. While the natural change (i.e., the difference between births and deaths) in population within the footprint was much larger in 2023 than over the prior two years, the longer-term trend remains downward, and it remains to be seen whether flows of in-migration can be sustained at levels near those seen over the past few years. And, with the rate of population growth having been slowing in the decades prior to the pandemic, it seems unlikely that the rates of population growth registered in 2023, nationally and within the footprint, will be sustained in the years ahead, particularly if, as we suspect, the rate of domestic net-in migration within the footprint slows in the years ahead. 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.

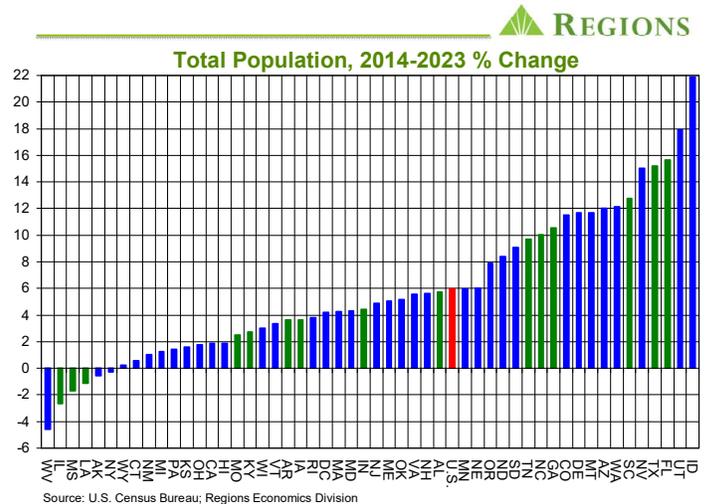
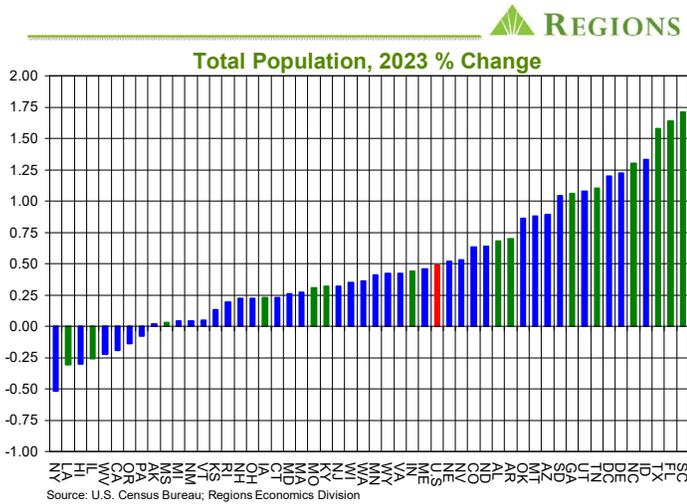


As seen in the chart to the side, total population growth in the Regions footprint has consistently outpaced growth for the U.S. as a whole. Indeed, the last year in which population growth in the footprint lagged growth for the U.S. as a whole was 1989. Still, overall trends in population growth have 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. The past two years, however, saw significantly higher net foreign in-migration, nationally and within the footprint, that greatly accounted for the acceleration in total population growth. As we have noted in other forums, one implication was faster growth in the labor force than would otherwise have been the case, helping to sustain rapid growth in nonfarm employment while blunting upward pressure on growth in labor costs. With many states having seen natural declines in population over recent years, foreign in-migration has been critical

in sustaining growth in total population. Even allowing for further declines in mortality rates after the spike seen with the onset of the pandemic, net migration flows will remain the key determinant of rates of population change, nationally and within the Regions footprint, in the years ahead. As this discussion illustrates, 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. 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 0.49 percent in 2023, which would more or less be in line with the (decelerating) pre-pandemic trend rate of growth, while within the Regions footprint increased by 0.99 percent in 2023, the fastest annual growth since 2016. Nationally, the total population increased by 1,643,484 persons in 2023, while the population within the Regions footprint increased by 1,342,678 persons in 2023, 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. South Carolina posted the nation's fastest population growth in 2023, with an increase of 1.71 percent, while Florida "slipped" to number two, with a 1.64 percent increase in 2023. Texas (1.58 percent), North Carolina (1.30

percent), Tennessee (1.10 percent), and Georgia (1.06 percent) were also among the ten states with the fastest population growth in 2023. At the same time, eight states saw their population decline in 2023, with the 0.52 percent decline in New York the largest of any state, with Louisiana (0.31 percent) posting the second largest decline and Illinois (0.26 percent) posted the fourth largest decline. Mississippi saw its population basically remain flat in 2023, with a 0.03 percent increase. Looking over the past ten years, Idaho logged the nation’s most rapid population growth, with an increase of 21.88 percent, with Florida ranking third (15.65 percent), Texas ranking fourth (15.20 percent), and South Carolina ranking sixth (12.74 percent). In most states, however, the past decade shows clear splits between the pre-pandemic and post-pandemic portions, and population growth within the Regions footprint has been notably faster over the most recent five-year period than over the first five years of the past decade. Still, three in-footprint states – Illinois, Louisiana, and Mississippi – experienced net population declines over the past decade.

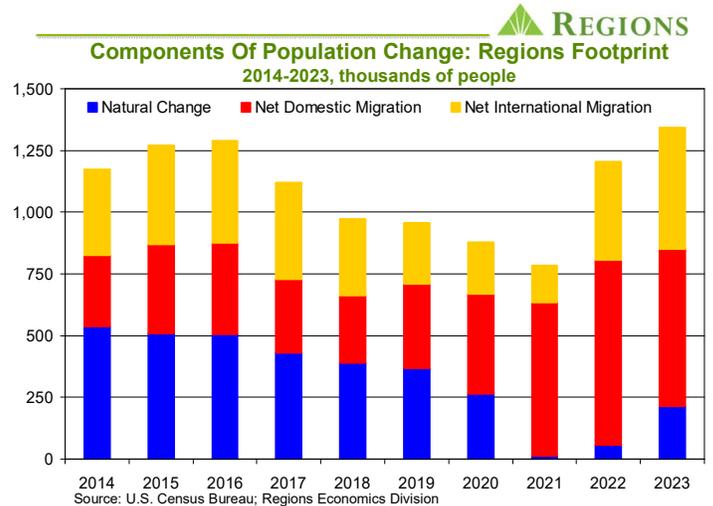
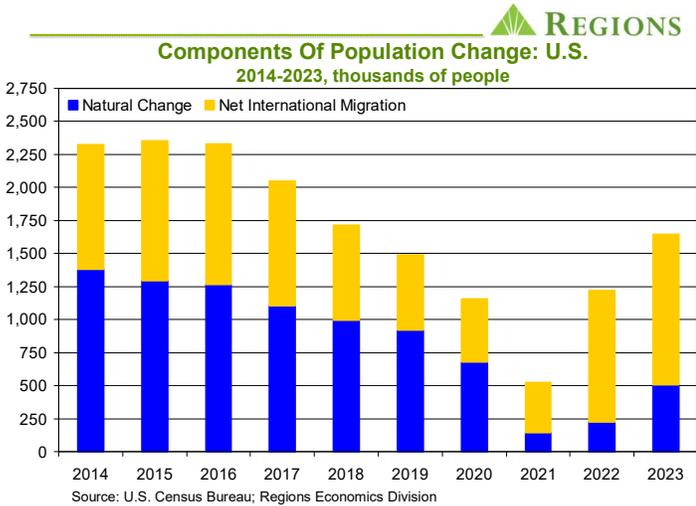


The effects of the pandemic and the policy responses, on the part of businesses and governments, have clearly had significant impacts on patterns in migration and population growth over recent years, and while having lessened in degree, many of these impacts remain. The greater incidence of remote work has favored those states perceived to have better quality of life and/or more favorable cost of living and taxation profiles. At the same time, some areas may be falling victim to their own success in drawing in-migration, as living costs, particularly housing costs, have risen more rapidly in many of the states with heavier net in-migration, to that point that what started out as decided cost of living advantages have either narrowed or evaporated altogether. Moreover, with labor market conditions having begun to loosen, there has been more pushback against remote work, with firms becoming more insistent on at least a part-time presence in offices, which stands to weigh on domestic migration patterns. And, while the spikes in mortality rates seen after the onset of the pandemic have abated, mortality rates in most states remain above where they were prior to the pandemic while birth rates have continued to decline. All of these points are consistent with the premise that the faster rates of population growth seen over the past two years will not be sustained going forward.

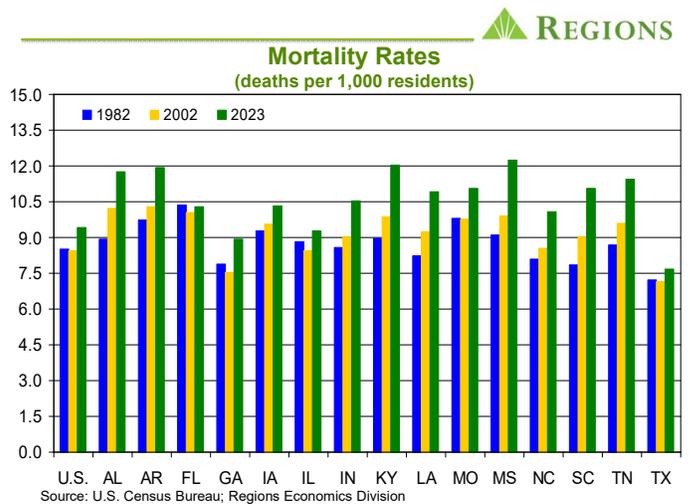
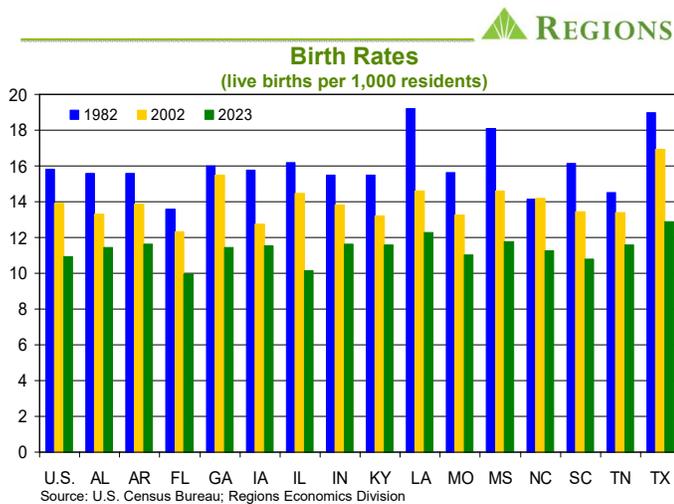
To our earlier point about the importance of examining the individual components, the first two charts on the following page summarize the components of change in total population for the U.S. and the Regions footprint over the past ten years (keep in mind that, by definition, net domestic migration for the U.S. as a whole nets out to zero). The diminishing magnitude of natural change was a trend in place for decades prior to the onset of the pandemic, largely driven by declining birth rates. With the onset of the pandemic, however, mortality rates spiked, which is starkly illustrated in the data for 2021, and while mortality rates have eased, the natural change in population in 2023 was below where it would have been had the pre-pandemic downward trend remained in force. Moreover, seven in-footprint states experienced a negative natural change in population in 2023; Georgia, Iowa, Illinois, North Carolina, and Texas are the only in-footprint states not to have experienced at least one year of negative natural change since the onset of the pandemic, while Alabama, Arkansas, Florida, Kentucky, Missouri, Mississippi, and South Carolina have each seen negative natural change in each of the past three years (four straight years in a few of these states). Nationally, nineteen states saw negative natural change in 2023, the fewest in any year since 2019, though still a notably large number.

Even as mortality rates continue to recede, the long-running decline in birth rates shows few, if any, signs of reversing. This suggests limited upside for natural change as a significant driver of total population growth over coming years. It is worth noting that while years of significant net in-migration, foreign and domestic, have likely contributed to Texas having the highest birth rate of any state within

the Regions footprint and the second highest in the nation (behind only Utah), Texas' birth rate exhibits the same long-running decline seen in other states and for the U.S. as a whole (so too does Utah's, for that matter).

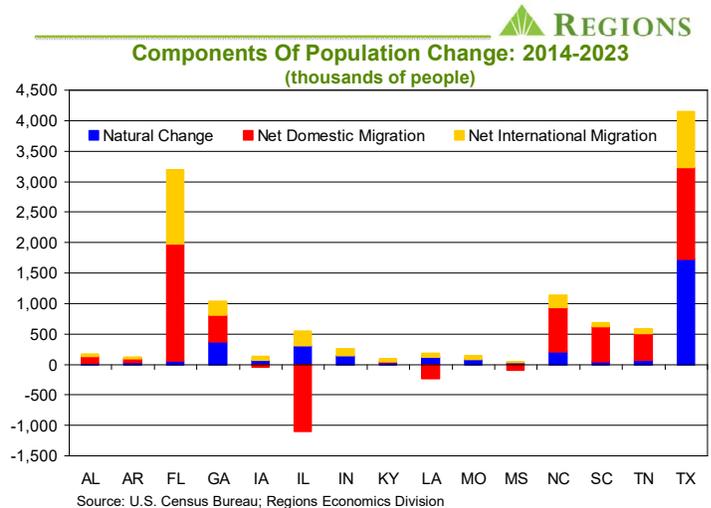


This brings up a broader point, which is that declining birth rates acting as a drag on population growth is neither a new story nor one exclusive to the U.S., as this has been an ongoing and increasingly broad based constraint around the globe. For a trend with implications as impactful as this one carries, we're always surprised at how little discussion this gets. Simply stated, economies are reliant on labor supply and the capital stock to generate growth over time, and having less of one, or both, means either finding a way to utilize those resources more efficiently or accepting a lower trend rate of growth and, in turn, a lower threshold for triggering inflation pressures. This is something we typically discuss in terms of an economy's "speed limit" (sustainable rate of non-inflationary growth), and poor demographic trends have contributed to the U.S. economy's speed limit having come down significantly over the past two decades, which is a story being repeated across much, if not most, of the globe.



The first chart above illustrates the longer-term decline in birth rates, nationally and within the Regions footprint. On top of the secular decline in birth rates, the onset of the pandemic may have played a role in the declines seen over the past few years, to the extent that the uncertainties and changes in lifestyles triggered by the pandemic led younger couples to defer having children. To the extent this has been the case, this effect would figure to reverse over time, but it could also be that financial stresses, including housing affordability or student loan debt, continue to factor into decisions on starting families. The second chart above shows mortality rates, which in many states increased significantly with the onset of the pandemic. That said, mortality rates within the Regions footprint peaked for some states in 2021 and for other states in 2022, but fell in each in-footprint state in 2023, as was the case nationally. One implication of a decades-long decline in birth rates, however, is that populations have aged more rapidly, suggesting higher, not lower, mortality rates over time. All of this factors into why natural change is unlikely to be a significant support for population growth going forward.

That leaves, at least on the state level, in-migration as, at least potentially, the main driver of population growth. 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 components. Clearly, the fortunes of the individual states have differed, often dramatically, when it comes to retaining residents/attracting new residents from either other states or from abroad. For instance, Illinois, Louisiana, and Mississippi each experienced declines in total population over the past ten years, and over this span each state has experienced net domestic out-migration (i.e., more people have moved out of the state than have moved into the state) which has more than offset positive natural change and net foreign in-migration. In stark contrast, Texas has seen all three components contribute to its robust growth in total population, while Florida’s draw for people from other states and from other countries has been so strong that in-migration has more than compensated for tepid natural change which, to a large extent, reflects an older population weighing down birth rates and pushing up mortality rates. As alluded to earlier, other states within the footprint, specifically, Georgia, North Carolina, South Carolina, and Tennessee, have seen higher rates of net domestic in-migration since the onset of the pandemic, contributing to more rapid growth in total population over the past few years than had been seen in the years leading up to the pandemic.



As noted earlier, however, the flip side of significant and sustained net in-migration is that this can put upward pressure on living costs, particularly housing costs, while also driving up prices of discretionary services. Increasing congestion resulting in, amongst other things, longer drive times can weigh on quality of life perceptions while putting more stress on basic infrastructure. This will, ultimately, put increased stress on budgets of state and local governments who will, in turn, be forced to look for alternative revenue streams through which to fund infrastructure repair and/or expansion. This isn’t to say that the states that have been the strongest magnets for new residents are no longer desirable, but it is reasonable to wonder whether, or to what extent, rising costs and changes in quality of life perceptions are eroding the inherent advantages these states enjoy. Also, don’t assume that states seeing persistent out-migration aren’t impacted; persistent outflows of residents lead to gaps in revenue streams that make it harder for these states to fund basic services and infrastructure upkeep. To the extent that there continues to be growing pushback against remote work, that would be one factor tempering the degree of domestic migration, but the states that were the biggest draws prior to the pandemic are likely to remain the biggest draws.

While the obvious effects are those on birth and mortality rates, issues related to stronger flows of in-migration in certain states are another way in which the pandemic has impacted, and continues to impact, patterns in population growth. While the effects on birth rates and mortality rates will reverse in time, the issues related to stronger flows of in-migration will likely persist for much longer. While demographics may or may not be destiny, they do indeed bring significant implications for economic growth and public policy. To be sure, these issues tend to play out over extended periods of time, but they do need to be planned for. If we are bound to settle back into the trend of decelerating population growth that had been in place for decades prior to the pandemic, the potential implications need to be understood and accounted for.