

REGIONAL ECONOMICS



Southbound and Up: Region Continues Adding Residents

A huge wave of new arrivals to the Southeast, mostly from the Northeast and Midwest, has transformed the region. It shows few signs of stopping.

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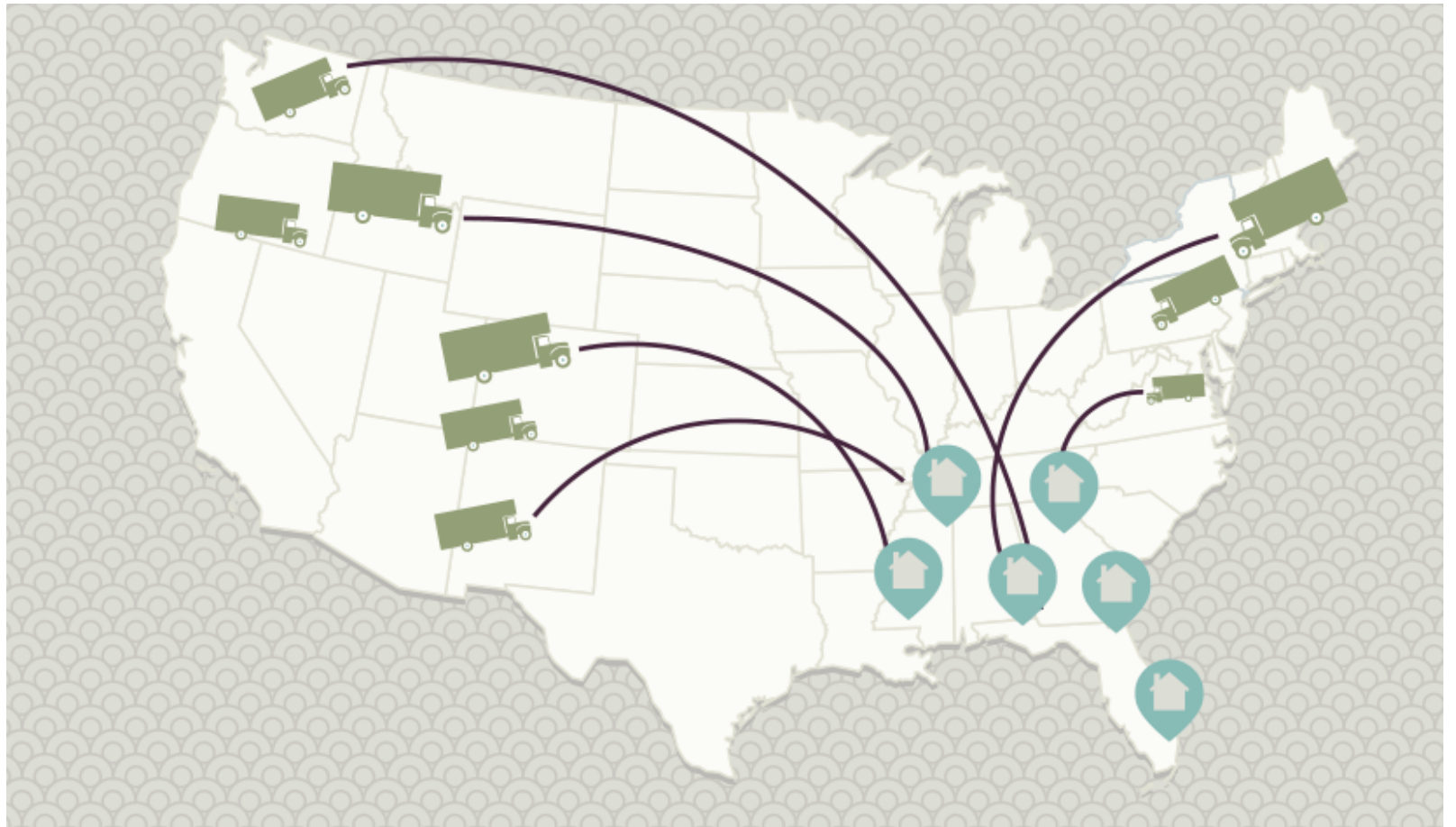
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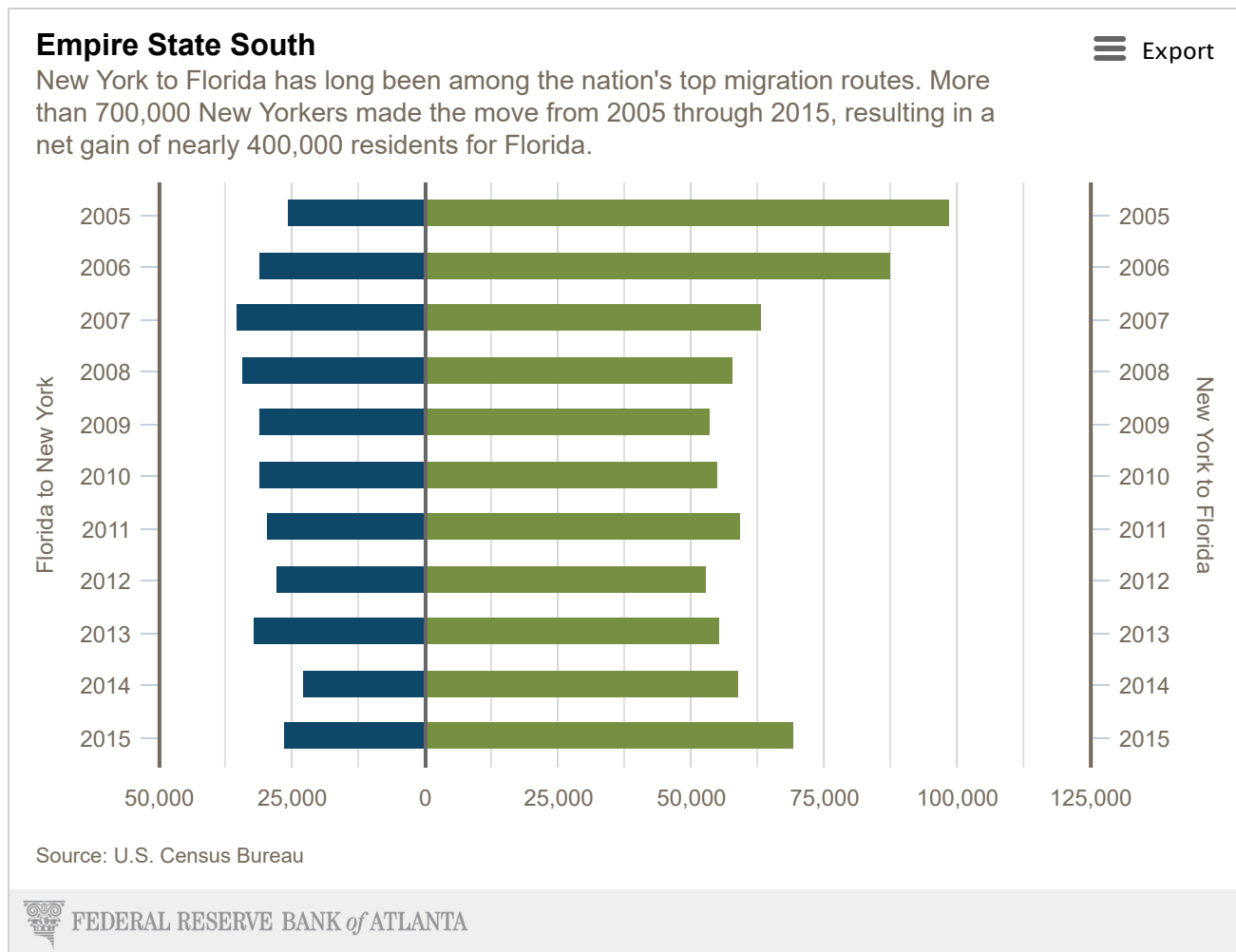
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One day in December 2014, Florida officially became more populous than New York State. It was just a matter of time.

New Yorkers have been streaming southward for decades. Just from 2005 through 2015, more than 700,000 people moved from the Empire State to the Sunshine State, resulting in a net population gain for Florida of almost 400,000 (see the chart). When Florida edged ahead of its biggest supplier of people, it became the third most populous state, behind California and Texas, according to U.S. Census Bureau data.



The wave of migrants to Florida, some 14 million in the past half century, has dominated the influx into the Southeast. Thanks mainly to Florida—and, to a lesser extent, Georgia and Tennessee—the region's population has more than doubled since 1960. Only the West has exceeded its growth.

Much of this population increase is driven by Americans moving south, particularly from the colder northern states. Historically, the South did not attract a lot of international migrants, but they have moved here in greater numbers in recent decades (see the sidebar).

International Migration Adds to Southeastern Influx

The Southeast's population has taken on a global patina in recent decades.

The U.S. Census Bureau's American Community Survey shows that since 1990, some 3.8 million people have immigrated into the Atlanta Fed's region.

Florida is the top destination for immigrants, but more recently, immigrants in greater numbers have also come to neighboring states. Between 1990 and 2015, the percentage of foreign-born residents in Alabama tripled to 3.5 percent. In Georgia, the share leapt from 2.7 to 10 percent, and Tennessee's share climbed from 1 to 4.8 percent, according to census data.

As in other states in the region, Florida's population continues to diversify. The foreign-born proportion in the Sunshine State climbed from 12.9 percent in 1990 to 20 percent in 2015. But the countries of origin of Florida's newcomers have continually changed. Cubans were the first to arrive in large numbers, starting in the 1960s following the Castro-led communist revolution. Cubans remain the state's biggest Hispanic group, followed by Puerto Ricans, according to census data.

Florida is home to about 1 million Puerto Ricans, second among U.S. states to New York. Nearly 20 percent of Puerto Ricans arrived between 2006 and 2015, largely settling in central Florida, according to the Center for Puerto Rican Studies at the City University of New York.

Venezuelans heading to Doral

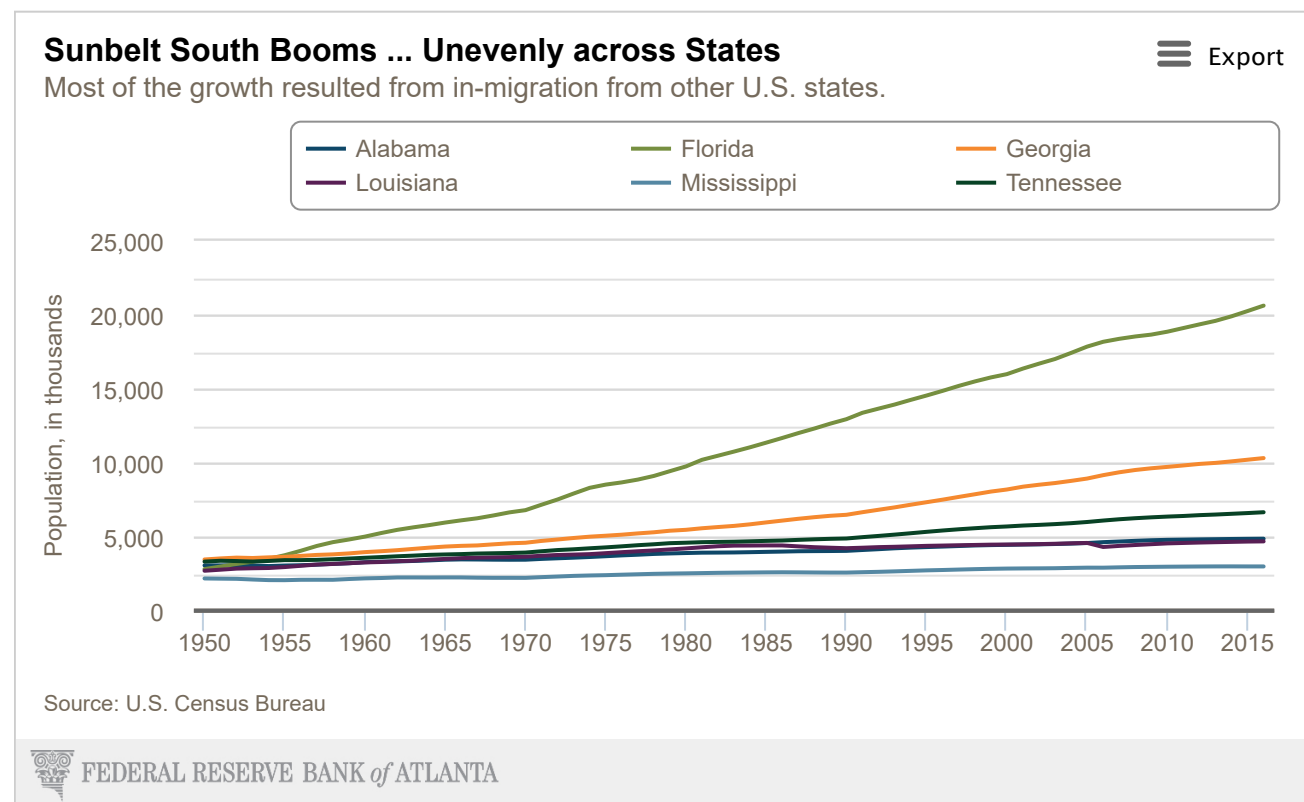
On a smaller scale, the city of Doral in Miami-Dade County has attracted a number of Venezuelans. The city has the highest percentage of Venezuelan residents of any incorporated place in the United States, according to various reports, making up about 11 percent of the city's population of 58,000. Fueled by newly arrived Venezuelans, the city's population soared by 27 percent between 2010 and 2016, according to the Census Bureau. The Venezuelans join the roughly 80 percent of Doral residents who are Hispanic or Latino, according to the 2010 Census.

"You see Venezuelan restaurants, art galleries, and businesses all around the city," says Karen Gilmore, vice president and regional executive at the Atlanta Fed's Miami Branch, which is in Doral. "It is booming with construction and business activity. In the last 10 years, the influx of Venezuelans has changed the face of this community."

Immigration numbers are generally a bit imprecise, especially in times of heavy migration. Venezuela is suffering severe economic and political turmoil, inducing those who are able to leave to do so. According to the *Economist* magazine, the country's gross domestic product (GDP) between 2013 and the end of 2017 will have shrunk by more than 35 percent—eight times as much as the U.S. GDP contracted during the Great Recession.

A reversal of longtime patterns

In 1950, Florida's population was smaller than Alabama's and barely larger than those of Louisiana and Mississippi. Today, Florida is nearly twice as populous as those three states combined (see the chart). Net migration accounted for nearly 90 percent of the Sunshine State's population surge of the past half century, according to researchers at the University of Florida's Bureau of Economic and Business Research.

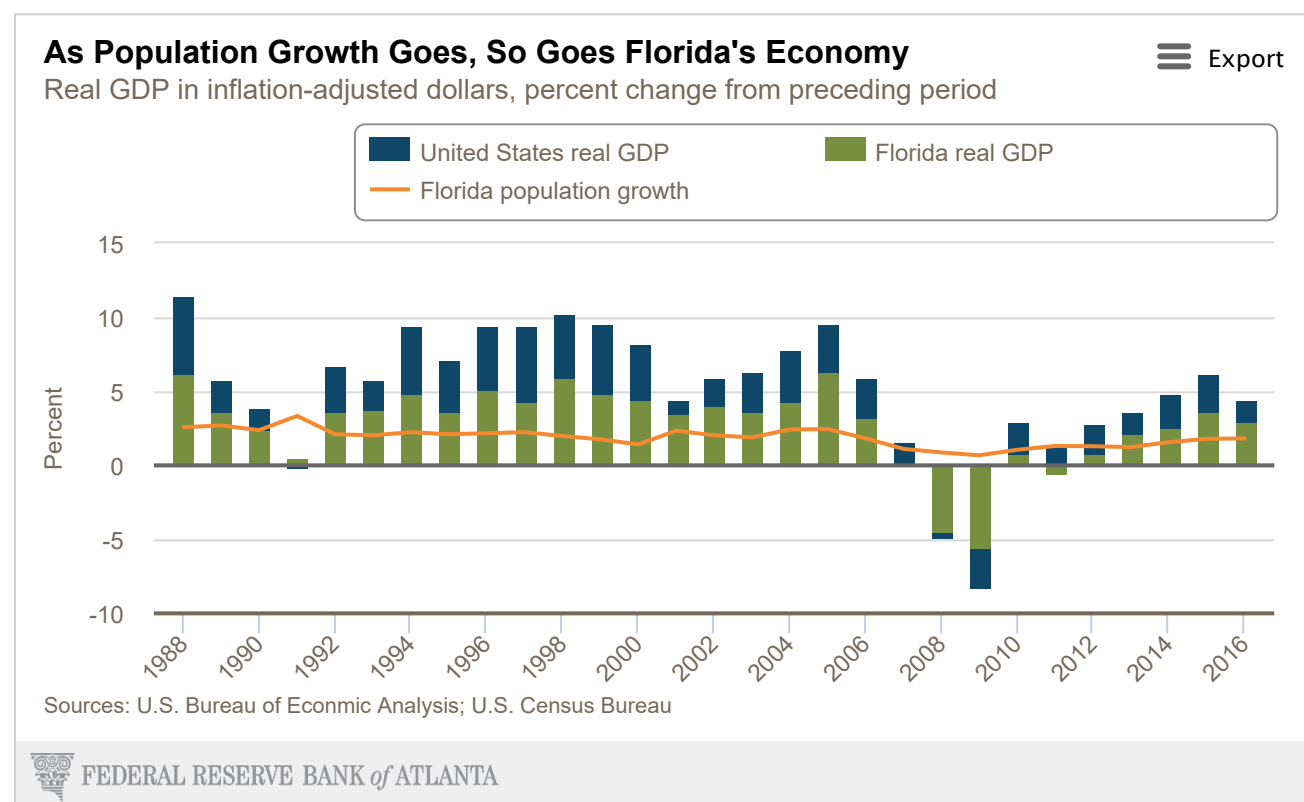


During the 1950s, all six states in the region except Florida experienced net out-migration, according to census data. Though African Americans were not alone in leaving the South, the 1950s were part of the "Great Migration," a movement that began in the early part of the 20th century and ended around 1970. In that time, about 5 million blacks left the region for industrialized cities elsewhere in the United States. In recent decades, the Great Migration reversed as millions of African Americans have moved back to the South. Metro Atlanta, in particular, has been [a leading destination](#).

In ways large and small, the region's new arrivals have moved the regional economy forward. Broad measures of economic health such as nonfarm employment and incomes have risen in a region that spent many impoverished decades experiencing a brain drain.

"A very different Florida"

Again, consider Florida. The state's economy as measured by gross domestic product (GDP) grew faster than the nation's in 22 of the past 29 years, according to the U.S. Bureau of Economic Analysis (see the chart). For six years during and after the Great Recession, Florida's economy underperformed the nation's, and in those years the state's in-migration and population growth fell. (Florida's GDP growth also lagged the nation's in 1997, when the national GDP was 5.2 percent and Florida's was 4.3 percent.) Determining the precise degree to which population shifts affect economic growth is difficult, but history and extensive research suggest migration into Florida and economic conditions are interrelated. Succinctly put, when Florida's population grows fast, so does its economy.



During 2006–11, when Florida's economic growth lagged that of the nation, the state's annual rate of population growth was about half what it had been in the previous 18 years. Since that lull, Florida's population growth rate, fueled by in-migration, has ticked up in each of the past three years, and its year-over-year GDP improvement has exceeded the national level for each of the past four years.

"I grew up in central Florida and remember a very different Florida," says Karen Gilmore, vice president and regional executive at the Atlanta Fed's Miami Branch. As recently as the 1970s, Florida was marked by vast orange groves, mom-and-pop motels, and quirky roadside attractions. An appealing climate, declining economies in the Midwest and Northeast, low taxes and living costs, affordable housing, and expanding job opportunities helped transform the Florida and Southeast of Gilmore's youth.

An extensive body of economic research explores why certain areas attract people and jobs. Much of that research points to cities' "agglomeration" effects. Harvard University economist Edward Glaeser, an expert on the role of cities in economic growth, said in a 2010 Atlanta Fed [podcast episode](#) that the primary determinants of a place's growth in recent decades were average January temperatures and the density of educated workers. An educated population tends to attract other educated people, and this population fosters conditions conducive to economic growth, research finds.

People follow the money

"Bigger cities pay more," says Chris Cunningham, Atlanta Fed research economist and associate policy adviser. "And though we haven't proven this definitively, we think the size of the city—independent of any particular endowments—makes its firms and workers more productive. Workers in larger cities also appear to acquire skills more quickly."

Indeed, most who have moved to the Southeast appear to have settled in cities and suburbs. Among the three states that have gained the most migrants, the percentage of the population classified as urban climbed substantially from the 1960 census to that of 2010: from 75 to 91 percent in Florida, 55 to 75 percent in Georgia, and 52 to 66 percent in Tennessee.

Cunningham points to seminal research on geographic limitations on housing by Massachusetts Institute of Technology economist Albert Saiz, whose [2010 paper](#) maintains that "robust national demographic growth and increased urbanization [have] translated mostly into higher housing prices in San Diego, New York, Boston, and Los Angeles, but into rapidly growing populations in Atlanta, Phoenix, Houston, and Charlotte."

One [line of research](#), Cunningham says, even contends that the difficulty of moving to some of the most productive U.S. cities contributes to the nation's low rate of productivity growth. Tepid productivity growth is among today's key economic hurdles, according to Atlanta Fed economists. However, while these limitations have cost the country as a whole, they have benefited the Southeast. Those workers who moved south instead of to, say, San Francisco, Los Angeles, New York, or Boston have made southern cities bigger and smarter and thus more productive, Cunningham says.



Tourists watch workers picking fruit in an orange grove in Clermont, Florida. Photo courtesy of the State Archives of Florida's Florida Memory Project

Overall, more Americans are staying put

Even as Americans have overall become less likely to move, the Southeast has attracted millions of transplants in recent decades. Indeed, 2016 marked the lowest rate of relocations since the Census Bureau began tracking moves in 1948. Between 2015 and 2016, 11 percent of U.S. residents one year old or older moved, about half the mover rate of the late 1940s, according to census data.

Such numbers matter, as migration is one way the nation's population adjusts to regional differences in labor markets, says Kyle Mangum, an economist at Georgia State University and visiting scholar at the Atlanta Fed. "Empirically, however," he writes in [a 2015 research paper](#), "the response of population to labor market differentials is small and slow." Since 1990, Mangum says, only about 4 percent of U.S. households move each year from one metropolitan area to another.

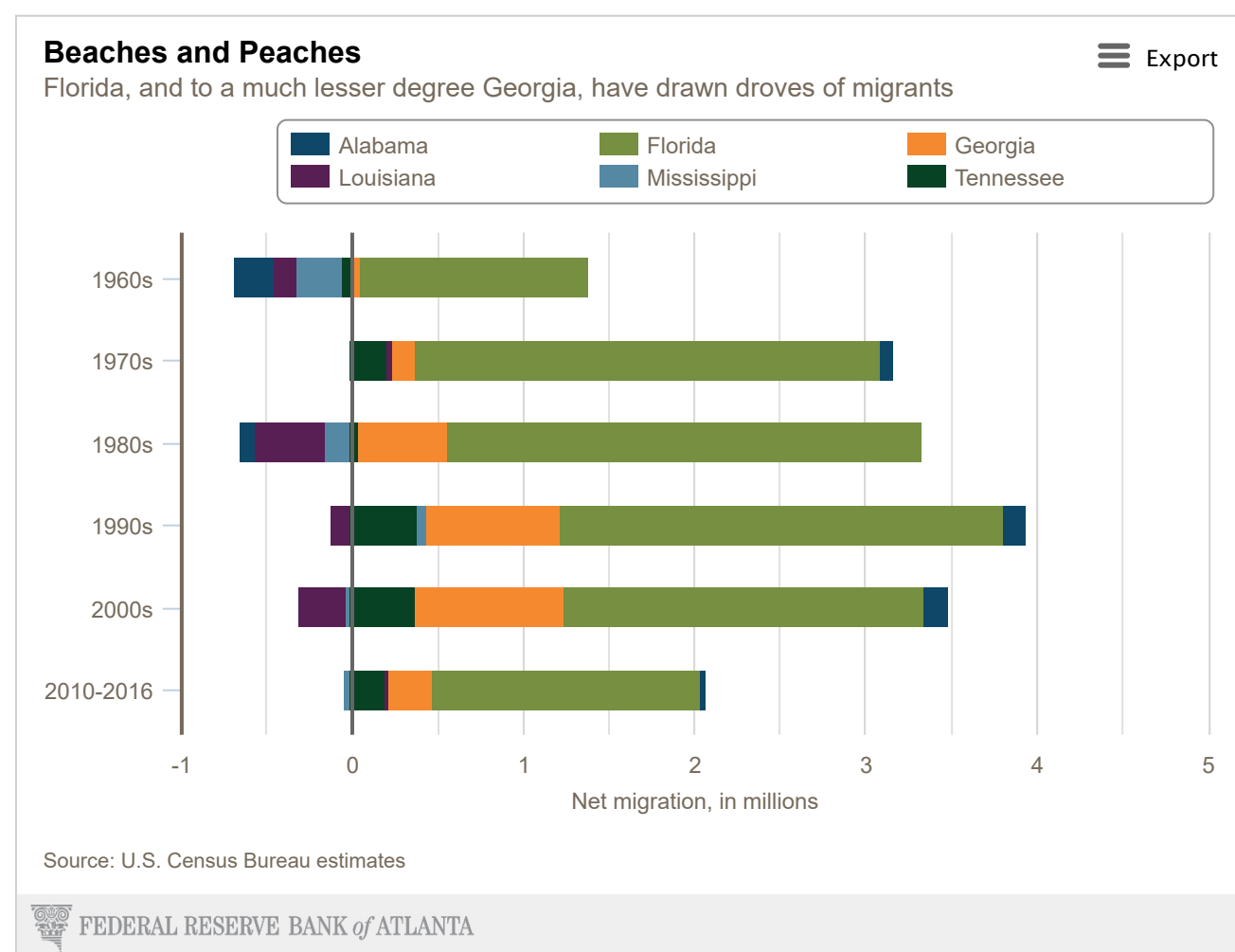
The number of people who move across state lines has steadily fallen since the 1980s, according to a 2011 [study](#) by economists from the Federal Reserve Board of Governors and the University of Notre Dame. Even the flow into the Southeast has slowed as a proportion of the overall population. For example, Florida's population growth, which essentially parallels the in-migration rate, averaged 3.6 percent a year during the 1970s, but has declined each decade since. (Florida hit its peak annual population growth—more than 6 percent—in the 1950s.)

No one reason explains diminished mobility across the country, Mangum says. Economists and demographers cite various forces that probably play a part: an aging population tends to move less and cities are becoming more similar in terms of amenities and types of jobs. Also, Mangum notes, we could be seeing a fundamental shift in migration patterns following the widespread move to cities during the middle of the last century.

In-migration varies across the Southeast

Florida has been attracting new residents in big numbers since the early 1950s. The state grew as people moved there for reasons including jobs, warm weather and beaches, and the lack of a state income tax. Conversely, in the 1950s, the other five states in the Atlanta Fed's district all told a distinctly different story: more people moved out than moved in.

But that pattern changed with the passing decades. Georgia's in-migration, mainly into metropolitan Atlanta, intensified in the 1980s, and transplants began pouring into Tennessee in large numbers in the 1990s, many of them drawn to the Nashville metropolitan area. But migration-fueled population growth has not spread evenly across the Southeast (see the chart). In fact, more people have moved out of Louisiana and Mississippi since 1960 than moved in, and Alabama is barely in positive territory. Still, migration has accounted for more than half of the Southeast's population growth since 1960.



For all of Florida's appeal, the Great Recession showed the state was not immune to larger economic forces. In 2008, for the first time in more than a quarter century, more people left Florida—sledgehammered by the housing bust—than moved in. Yet despite uncertainty about when Florida would regain its economic legs, the movers returned fairly quickly. From 2010 to 2016, the Sunshine State led the nation in in-migration, drawing about 180,000 more newcomers than more populous Texas, according to census data. Georgia ranked eighth in that period and Tennessee 10th, and neighboring southern states not in the Atlanta Fed's district, North Carolina and South Carolina, were fourth and ninth, respectively.

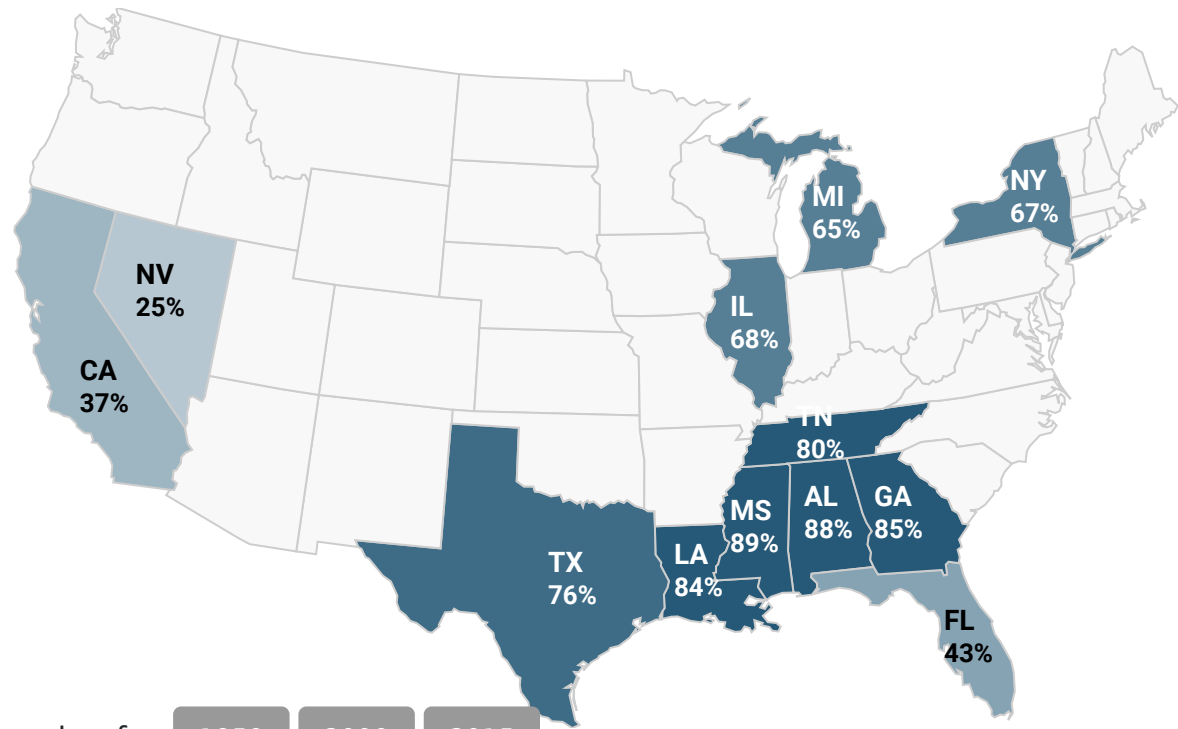
So the southbound march, now a half-century old, persists. Mangum notes that once migration patterns take hold, they tend to last. University of Florida population experts Stanley K. Smith and Scott Cody also point out that once migrants settle into a place, their bonds with out-of-state relatives often lead family members to join them. "The momentum of past migration is an important determinant of future migration," Smith and Cody wrote in a [report](#) for the university's Bureau of Economic and Business Research.

Even though migration patterns shift only gradually, they can still shift, Mangum says. Today's robust regional in-migration rates could fall prey to rising land prices, inadequate road systems, and assorted related headaches. "But compared to the San Francisco Bay area, or the Boston area, there's still a lot of potential for development in places like Atlanta and Nashville and Orlando," Mangum says. "I wouldn't say there are any obvious reasons in-migration is going to slow down soon."

Where Are We from?

Export

Percentage of residents born in the state where they live: 1950



View data for: 1950 2000 2015

Source: U.S. Census Bureau

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Charles Davidson

Staff writer for *Economy Matters*