



Executive Summary:

Seizing the Market Opportunity of the Growing Latino and Caribbean Community in the United States

Integration and Trade Sector



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Executive Summary

In 2020, the Latino¹ population in the United States (U.S.) reached 62.1 million up from 50.5 million in 2010. This substantial increase outstripped the nation's overall growth rate. As the general US population gradually ages and shrinks, its dynamics are shifting. The country is undergoing a demographic transformation powered by the dynamic growth of the Latino and Caribbean community.

The increasing role of the Latino and Caribbean demographic is evident from coast to coast: all 50 states and the District of Columbia have experienced a sizable expansion of their communities in the last decade. Today, the Latino and Caribbean community accounts for nearly one in five people in the US. Due largely to this growth, the future US population is shaping up to be multiracial, multiethnic, and younger than before.

As the Latino and Caribbean community continues to expand nationwide, it is becoming a significant demographic, economic, social, cultural, and political force. Not only has the Latino and Caribbean community led population expansion, it is also the principal economic driver fueling entrepreneurship, investment, and business growth. This rapid growth has transformed the social and cultural landscape of the US: today, Latino and Caribbean food, music, and film exemplify the vital role that the community is playing across the nation. It is gaining political momentum, as evidenced by increased voter registration and participation in recent election cycles. Additionally, through its cultural, linguistic, and other types of affinities to its home countries, the community is demonstrating its potential as a major vehicle through which to deepen economic, commercial, business, and trade ties to Latin America and the Caribbean (LAC).

In response to the accelerated growth of the Latino and Caribbean population nationwide, a domestic market has evolved to cater to the community's specific needs and interests. This development, in turn, has created opportunities for greater commercial, business, trade, and other linkages with LAC. From the regional perspective, the community serves as a substantial consumer base and an entry point for companies that are either considering or have entered the US market. As a result, the community is influencing trade and connectivity with LAC both directly and indirectly.

This study analyzes the impact of the Latino and Caribbean community in the US and opportunities to harness its increasing influence to enhance economic, commercial, business, and trade linkages with LAC.

¹ According to the U.S. Census Bureau, the terms "Hispanic" and "Latino" refer to an ethnicity. U.S. Census Bureau and Office of Management and Budget (OMB) use the terms Hispanic and Latino interchangeably in reference to ethnicity not race. According to their definition, Hispanic or Latino refers to a person of Cuban, Dominican, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race.

To demonstrate the considerable, transformational influence that the community is having in the US, it highlights the historical and current developments in population flows, economic and business engagement, financial, investment, and linkages with LAC through foreign direct investment (FDI) and diaspora direct investment (DDI). It also includes four case studies that stress the importance of the community's influence in four major cities: Houston, Los Angeles, Miami, and New York. Several key factors were examined, including demographic growth, economic engagement, entrepreneurship and venture capital ecosystem, cultural impact, nostalgia trade, and the potential of FDI and DDI. The key findings of the study are summarized below.

Dynamic demographic growth: The Latino and Caribbean community's role is rising and will continue to expand. Today, Latinos are one of the fastest-growing segments of the US population. Since the 2000s, Latinos have played a major role in US population growth and are the largest minority group in some states. Immigration has slowed in recent decades, and over the last ten years, Latino population growth has been driven by births, with 9.3 million Latino babies born in the US. As a result, four in five Latinos are US citizens, and the share of Latinos in the US who speak English proficiently is rising, as are college education attainment rates. As a result, the community is making significant strides and the future is promising, given that Latinos are the youngest demographic in the nation on average. Approximately 1 million US Latinos will turn 18 every year for the next 20 years. While Latinos are present in all 50 states and the District of Columbia (DC), the states with the largest Latino populations are California, Texas, Florida, New York, and Illinois (in order of population size).

Energetic economic driver: Not only is the Latino and Caribbean population leading demographic growth, it is also powering the economy and driving economic growth. In 2019, the total economic output (or GDP) of Latinos in the US was US\$2.7 trillion. According to the Latino Donor Collective's Latino GDP Report, Latinos represent the fastest-growing economy in the world. Most recently, Latino GDP has grown to be the seventh-largest GDP in the world (Hamilton et al., 2021), surpassing the GDPs of several countries, including Italy, Brazil, or Canada. It is projected that by 2025, the US Latino GDP will become the fifth-largest GDP, making it the fastest-growing among developed economies.

► **The Latino and Caribbean community in the U.S. is becoming a significant demographic, economic, social, cultural, and political force.**

► **Latinos are energizing the nation's economy, driving entrepreneurship, stimulating business growth, and simultaneously influencing the social and cultural landscape.**

Robust business and entrepreneurship leader: Latinos account for nearly 80% of all net new businesses created in the last decade. Latino-owned companies are growing at more than twice the rate of all businesses across the US. Latino-owned firms tend to generate revenue faster than the economy as a whole. Today, approximately 5 million small businesses in the US are owned by Latinos, of which over 2 million are owned by Latinas. Recent data indicates that Latino firms are spurring economic recovery in the US following the pandemic.

Increasingly skilled and active workforce participation: More Latinos are attaining higher education degrees (29% hold college degrees). Today, there are approximately 29 million Latinos in the US workforce, and at a rate of 65.6%, Latinos have one of the highest labor force participation rates in the US. Furthermore, Latinos are gaining ground in various industries, including technology, healthcare, and management/business science. The Latino workforce participation rate in the US is currently 5% higher than that of non-Latinos.

Growing consumer market and purchasing power: In the past decade, Latino purchasing power increased from US\$1 trillion to US\$1.7 trillion. This 72% growth is faster than for non-Latinos. US Latinos are also contributing to growth in real income and personal consumption. Since 2005, 29% of the growth in real income in the US has come from Latinos, and from 2010 to 2018, Latino real consumption grew 133% faster than non-Latino consumption. Latinos represent 46% of new homeownership and 68% of auto industry growth. According to the National Association of Hispanic Real Estate Professionals, the Latino homeownership rate has increased for the last six years.

Cultural and political impact: The Latino and Caribbean population is having a tremendous influence on US cultural life. As demonstrated by the popularity of Latin and Caribbean music, food, and culture, it is evident that the community's impact is now mainstream in the US. Netflix has had phenomenal success with Latinos, as reflected in the company's focus on Spanish-language content. Latino music has been growing faster than the overall market, expanding by 28% in 2019 and now accounting for 5% of industry revenues. Latino and Caribbean athletes play a huge role in the sports industry, particularly baseball. Given the community's growth and the increase in market demand, there is an incredible opportunity for the entertainment industry to increase Latino and Caribbean representation.

► Given the accelerated growth of the Latino and Caribbean community in the U.S., significant opportunities are developing for greater regional connectivity, economic trade, commercial activities, and closer integration between the U.S. and the LAC region.

LAC venture capital developments: In 2021, a record-breaking US\$12 billion was invested by venture capital (VC) across Latin America. This remarkable capital raise highlights a thriving startup ecosystem in Latin America and has driven greater interest in the region's talent. The emergence of unicorn companies is heralding a new era, with LAC leading in burgeoning sectors such as fintech and biotechnology. This development is in stark contrast to the VC environment encountered by Latino entrepreneurs in the US. However, this challenge also signals an opportunity to leverage regional development to create closer ties. Specifically, it opens up the potential for knowledge sharing and for Latino entrepreneurs to capitalize on economic momentum in LAC.

Nostalgia trade: Over the last several decades, the burgeoning Latino and Caribbean community in the US has driven the growth of markets, grocery stores, corner shops, and websites selling nostalgia products. As a result, a transnational industry has developed to service the wide variety of communities across the US. This nostalgia trade has created supply chain linkages and fueled economic activity beneficial to US Latinos and those living in LAC. The leading markets for nostalgia goods trade are in the states with the highest concentration of Latinos, with the top three being California, Texas, and Florida. As a result, numerous opportunities exist to strengthen the current trade in nostalgia goods and expand existing commercial ties to meet growing needs. Some key products include alcoholic and nonalcoholic beverages, bakery and milling, coffee, flour, arts and crafts, confectionary, and hot sauces/salsa.

FDI, DDI, and remittances: While the pandemic impacted FDI flows in LAC, five countries in the region received more foreign capital in 2020 than in 2019—Bahamas, Barbados, Paraguay, Ecuador, and Mexico. In the US, Texas received the largest investment (US\$18.6 billion), followed by California (US\$17.8 billion) and New Jersey (US\$14.1 billion). These flows highlight the US's strength in attracting FDI due to its large consumer base. The country is also endowed with a highly productive labor force and a large supply of highly skilled labor, including from LAC. The latter faces a competitive FDI market of roughly over US\$200 billion that can be leveraged through innovative strategies. The key sectors continue to be manufacturing, services, and natural resources. From 2015 to 2019, the US invested US\$4,737 billion in LAC, with Brazil, Chile, and Venezuela receiving roughly 9% of the total investment.

► The Latino and Caribbean community will play a key role in the U.S. for decades to come. Its current economic contributions demonstrate clearly how the community can directly and indirectly create opportunities for greater regional trade and integration.

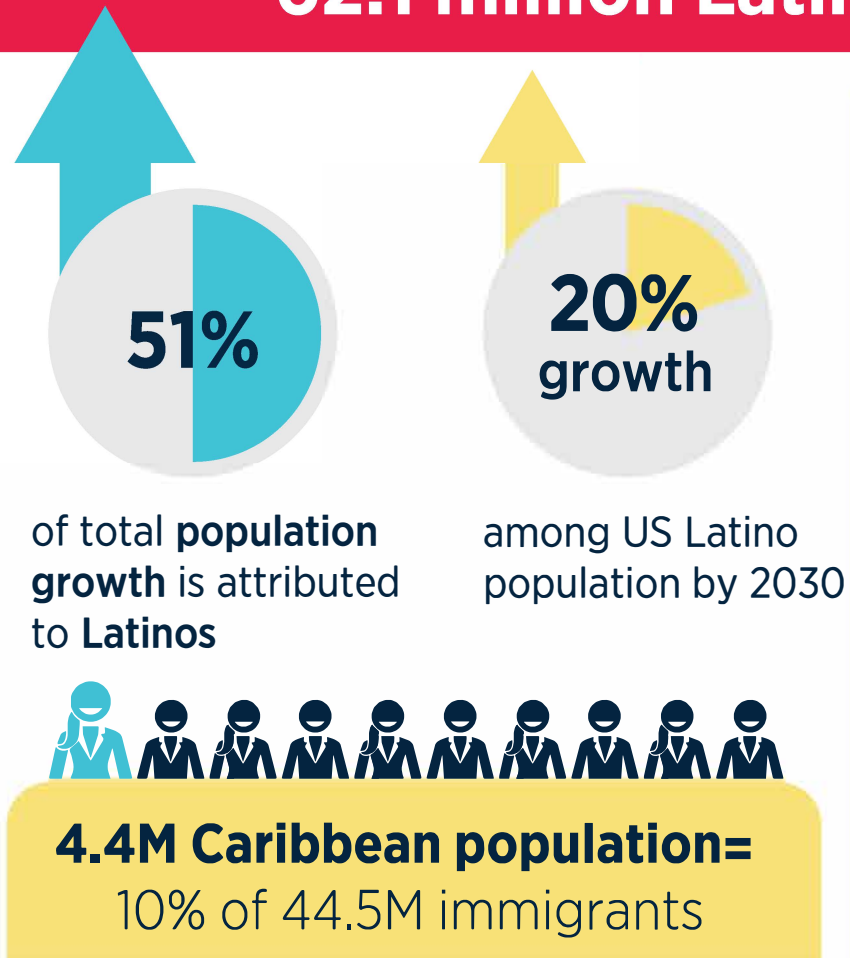
In 2021, remittances rebounded, demonstrating the importance of cross-border flows from the US into LAC. Mexico accounted for more than 63% of the remittances received. Colombia received 38%, while Brazil, Ecuador, and Peru each received 18% of total inflows to the subregion. For the last two decades, the Central American countries and Mexico have had the highest remittances/GDP ratios. Importantly, according to the latest World Bank report, growth in remittance flows in 2021 was exceptionally strong in LAC. Given the resilience of remittances in the recent past, it is projected that there will be growth in 2022. Furthermore, the average cost of money transfers in LAC has been lower than in most other groups of countries both before and after Covid. The rise of fintechs in the remittance sector is also contributing to keeping remittance flows steady. Moreover, DDI presents opportunities to foster closer connectivity and greater ties between the US and the region.

Finally, this study presents the case studies of four US cities. Each city reveals a clear picture that the Latino and Caribbean community is not only growing but is cementing its role as a major economic, social, cultural, and political force. These cities were chosen based on their established Latino and Caribbean population, including the fact that three states witnessed increases of more than 1 million in these populations in the past decade. California, Texas, and Florida together accounted for 43% of the nation's population growth. New York is the next largest increase: its population grew by approximately 531,000. Furthermore, Latinos have become the largest group in California. All these factors are creating an interesting backdrop against which ties to LAC can be enhanced.

Overview

The US Latino and Caribbean Community in Numbers

62.1 million Latinos in 2020



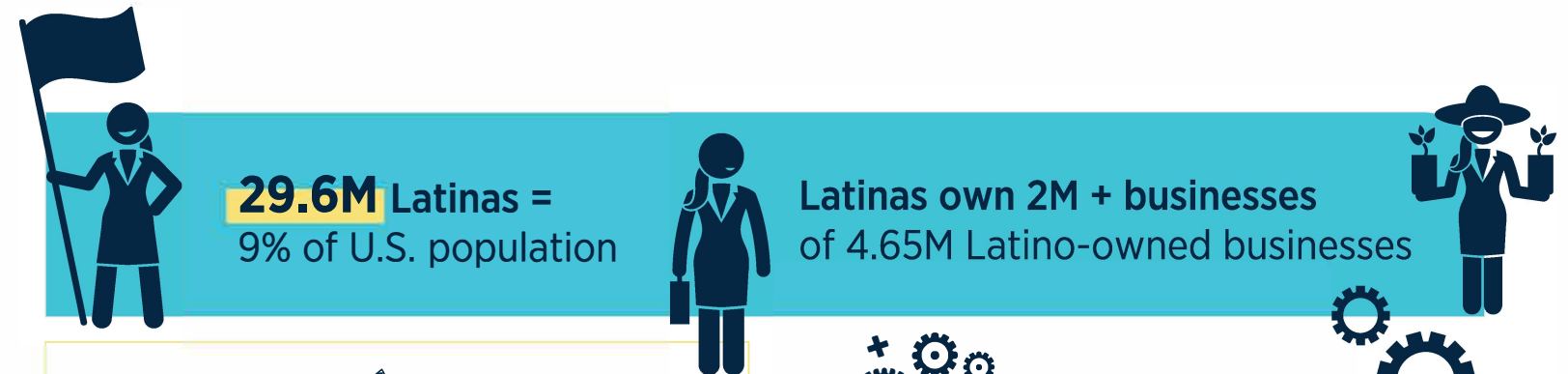
19% of the US population are Latinos

26% of US population under 18 are Latinos

12 US states have 1M+ Latino residents



Caribbean population in US 18% growth 2010-2017



Latino purchasing power = \$1.7T

72% faster economic growth than non-Latinos 2010-2020

Latinos driving the economy

% Latino contribution to US growth



66% labor force participation by Latinos 2021

2.5 million Latinos with advanced degrees in 2021

Latinos are the 2nd-largest voting bloc

32M Latinos eligible to vote = 13% of eligible US voters

16.6M Latinos cast a ballot in 2020

