

# Recently Asked Questions

New Census Population Projections

April 16, 2018

## ***What are the implications, if any, of the new Census population projections for the outlook?***

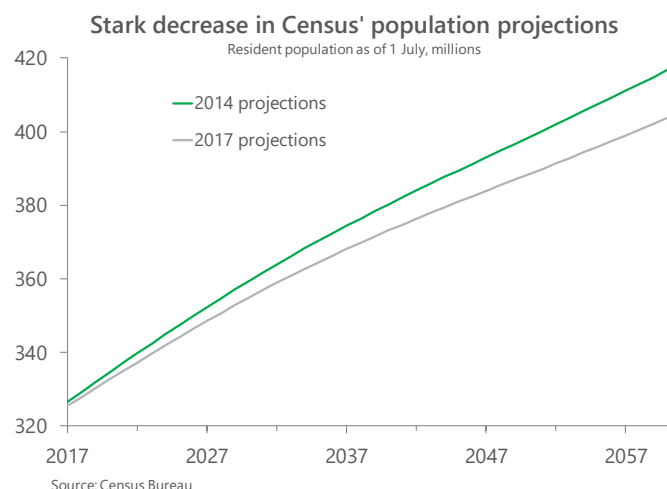
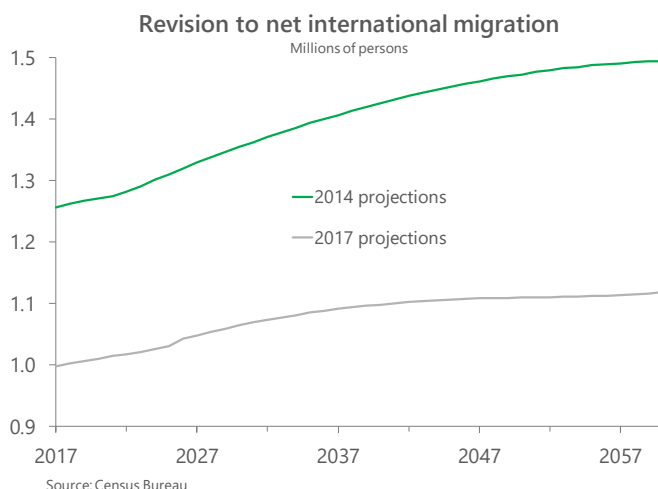
### ***New Census projections point to slower population growth, less immigration, offsetting any positive impacts from the new tax cuts on potential GDP by 2027.***

New long-term population projections from the Census Bureau suggest materially slower growth of the US population and imply correspondingly slower growth of GDP than its prior projections. On 13 March, the Census Bureau released a new set of population projections for the first time since 2014. The new projections show overall population growth through 2028 of 0.67%, versus 0.75% in the previous projections, a downward revision of 0.07%. The projections for growth through 2060 are also roughly 0.07% lower than the previous projections, at 0.50%. Notably, the downward revision over the 10-year horizon implies a roughly similar decline in the projected growth of the working-age population and labor force, of 0.7%. This roughly matches (though opposite in sign) our estimate of the positive effect of the Tax Cut and Jobs Act on the growth of potential GDP, meaning that the lower population projections

have the result of offsetting the upward revision to growth we expected from the recently enacted tax reform.

Compared with the 2014 projections, the Census' 2017 population projections show a sharply lower contribution from net international migration to US population growth. Revisions ranged from -259,000 in 2017 to roughly -375,000 annually in the 2050s, averaging approximately -320,000 per year through 2060. The new immigration figures are, on average, roughly 23% lower than in the prior projections. Births and deaths were also revised down on average compared with the 2014 projections. Births were revised down on average by 1.6%, while deaths were revised lower by roughly 3.0%.

The Census Bureau studied the data from 1990 to 2014 to establish the trends underlying the new population projections. Historical death data were used to produce a series of mortality rates by age, sex, race, Hispanic origin, and nativity. The UN Model Life Tables, with life expectancies of 87 years for males and 91 years for females in 2100, provided the ultimate targets used to project the mortality rates. These historical rates were then applied to the forecast.



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While recent trends in mortality rates are essentially “baked-in” to the projections, as historical patterns were key factors in creating the new projections, special consideration was not given to recent trends in how Americans are dying. Neither the opioid epidemic nor the rising rates of obesity were explicitly addressed by the Census in its methodology.

Recent research by prominent Princeton economists Anne Case and Angus Deaton has helped draw attention to what they have termed “deaths of despair.” Their research highlights a marked increase in the all-cause mortality of middle-aged white non-Hispanic men and women in the United States between 1999 and 2013. This change not only reversed decades of progress but was also unique to the United States when compared with similarly wealthy countries. The increase in mortality can be largely attributed to drug and alcohol poisoning, suicide, and chronic liver disease and cirrhosis. Among middle-aged whites, those with less education saw the greatest increase. Case and Deaton noted that had the white mortality rate held steady at its 1998 value, 96,000 lives would have been saved between 1998 and 2013. Had the mortality rates for that group continued to fall at previous historical rates of decline, nearly half a million lives could have been extended, a figure on a par with the number of deaths caused by the AIDS epidemic in America.

It is likely that these new Census population projections understate future mortality rates and may still overestimate the contribution net migration will make to future population growth, as America’s obesity epidemic has finally come home to roost, the opioid crisis has yet to be comprehensively addressed, and international and domestic political uncertainty are impacting net migration patterns. These population projections play a critical role in anchoring our own forecasts for housing starts and the labor force. As noted above, the new downwardly revised population projections directly flow through the projections of lower growth of the labor force and the growth of potential output. Slower population growth over the forecast also means fewer household formations over the coming decades.

Earlier this year, we concluded that the Tax Cuts and Jobs Act will have a relatively small impact on overall economic growth through the forecast period, adding only 0.6% to the level of potential output by 2027. Thus, the new projections from the Census of slower growth in the population completely offset any positive impact from the new tax cuts on potential GDP by 2027.

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