



MONEY

Another economic blow: a slowdown in US population growth worsened by COVID-19

Paul Davidson

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The COVID-19 pandemic has upended the U.S. economy by forcing restaurants and stores to close and keeping Americans stuck at home. But the crisis is also taking a less visible toll on activity.

It's further slowing the nation's population growth.

The number of U.S. residents is likely to increase by just 700,000, or 0.2%, this year, the slowest pace since 1918, when the Spanish Flu and World War I combined to shrink America's population, according to estimates by Moody's Analytics.

A solidly growing population is a major economic engine, creating more consumers – whose spending makes up 70% of the economy – and a larger labor force to churn out more goods and services.

By contrast, sluggish population gains “make the economy less dynamic,” says Mark Zandi, Moody's chief economist. “Fewer people means fewer homes (purchased), fewer cars, fewer vacations.”

The pandemic is curtailing population growth most obviously by killing Americans who otherwise would both consume and produce goods and services. The outbreak has caused nearly 290,000 deaths this year and is projected to lead to nearly 540,000 deaths by April 1, according to the Institute for Health Metrics and Evaluation.

But the crisis is also amplifying three other forces already impeding healthy population advances – a lower birth rate, rising mortality and reduced immigration. In fact, annual U.S. population increases have been slowing the past decade, from about 2.2 million, or 0.7%, in the

early part of that period to about 1.6 million, or 0.5%, in 2019, Census figures show. Last year marked the previous low in population gains over the past century, according to the Federal Reserve Bank of St. Louis.

The U.S. generally had seen more robust population increases than other developed countries, which have suffered from lower fertility rates and aging societies. But the pandemic has had a more severe impact in the U.S., helping narrow that gap.

All told, the American economy is set to contract by 3.5% this year because of COVID-19, Zandi estimates, and he blames about a quarter percentage point of that drop on the listless population growth.

A closer look at what's hindering healthy population increases:

More deaths

The 540,000 pandemic-related deaths projected by next April is likely to have a meaningful impact on the nation's mortality rate. The number of deaths in the country already has climbed from 2.7 million in 2015 to 2.8 million last year because of the aging population, according to David Kelly, chief global strategist for JPMorgan Funds. The opioid crisis also has been a big factor, Zandi says

However, Jonathan Millar, deputy chief U.S. economist at Barclays, notes the pandemic is mostly affecting seniors who are retired and so it's unlikely to have a big impact on the workforce and productivity.

Fewer births

The number of babies born in the country peaked at 4 million in 2015 and has fallen every year since, reaching 3.8 million last year, Kelly says. Many millennials have delayed marriage and children, in part because of the financial hardships spawned by the Great Recession of 2007-09 and

The pandemic is likely to accelerate the trend by generating financial anxiety that prompts people to put off starting families, Zandi and Kelly say. The crisis also could affect the birth rate over the longer-term by making it more difficult for men and women to meet because of contagion fears and by killing some adults in their childbearing years, Millar says.

Because of the pandemic, the fertility rate – the average number of children a woman has in her lifetime – is expected to decline from 1.7 in 2020 to 1.6 children next year, the Congressional Budget Office said in a September report. That’s below the “replacement level fertility rate” of 2.1 children per woman that ensures the population remains steady, excluding the effects of immigration, the report said.

Immigration decline

The low fertility rate places a bigger burden on immigration to help drive population growth. But President Trump’s restrictions on both legal and illegal immigration have reduced net migration into the country from about 1 million to just under 600,000 last year, according to Kelly and Zandi.

The pandemic is likely to further slash net immigration to 250,000 this year, Zandi estimates, because of Trump’s COVID-19 related travel bans from Europe and China and fewer voluntary movements of people globally due to the crisis.

Long-term effect?

It’s not clear to what extent the factors suppressing population growth will have a long-term impact on the economy. A vaccine is expected to be widely available in the U.S. by spring. Also, medical advances are boosting longevity, and the CBO notes life expectancy is projected to increase over the next 30 years.

The fertility rate is estimated to rise to 1.9 children per woman by 2028, CBO says, though that’s still below the replacement-level rate. Couples were homebound during the pandemic and may have had more time to conceive, possibly boosting births next year, says **Bernard Baumohl, chief global economist for the Economic Outlook Group**, though he acknowledges that’s “mere speculation.”

And President-elect Biden is largely expected to reverse Trump’s immigration crackdown.

Still, the CBO estimates the U.S. population will total 374 million in 2046, 10 million fewer than its 2018 estimate, at least partly because of the pandemic, according to the CBO and the World Economic Forum.