

Recently, news outlets have been flooded with articles, commentary and opinion on the refugee crisis at our southwestern border. Waves of people from Central America and Mexico have overwhelmed the authorities with asylum requests. According to the U.S. Customs and Border Protection, apprehensions in March exceeded 100 thousand people, more than double the number apprehended the same month last year. Total apprehensions during the 2019 fiscal year (October – March) already exceed 400 thousand, the largest six-month influx in over five years. There are many cringe-worthy aspects to this crisis, including humanitarian displacement, health dangers, safety fears, legal battles and political posturing. For years, government inaction on immigration has been a problem with daunting consequences for cities, states and companies attempting to comply with employment law. There is one facet of the problem that has not received much attention, yet may be the most consequential for the country, the demographic implications.

In a report released in January, the Centers for Disease Control and Prevention published 2017 data on births in the U.S. The bottom line is the birth rate in the U.S. has continued to decline. The general fertility rate (GER) in 2017 was 60.3 births per 1,000 females, a record low. The GER declined from 64.1 in 2010 and resulted in almost 144,000 fewer births in 2017 than in 2010. The GER is a measure applied to females aged 15-44, essentially their child bearing years. A deeper reading of the data is more discouraging because births to women in their 20s is declining and has shown a steady move lower for years. The birth rate for women in their 30s also declined in 2017, although the decline is less pronounced and not continuous as seen in younger age groups. In general, the data confirms women are waiting longer to have children and having fewer of them when deciding to procreate. These data are consistent with data confirming an upward trajectory in women seeking higher levels of education and participating more actively in the labor force.

In our first quarter 2013 letter, our commentary discussed the labor force participation rate and highlighted the demographic forces depressing the number of available workers. For that commentary we studied data from the 2010 census and noted the “bulge” in the labor force created by the “baby boomers” who had begun to reach retirement age. We wrote: “Demographic analysis can help explain economic developments, often with the benefit of hindsight. It seems clear, that coming demographic shifts present significant challenges for the country and the economy. Firstly, the soon retiring boomers, who helped expand the economy at a healthy pace during their more productive years, are expected to live 8 years more today than seniors in 1966. At the time the boomers commenced their working lives, the 65+ age cohort made up approximately 8.5% of the population and there were about 5.1 workers per retiree. In 2010 the 65+ cohort made up 13.0% of the population and there were only 3.0 workers per retiree. In addition, the Centers for Disease Control and Prevention (CDC) announced in February 2013 that the U.S. birth rate hit an all-time low in 2011. The demographic implications of this combination are daunting. The largest population cohort is retiring and the smallest cohort is not having babies.”

According to the 2010 census data, in year 2000 the largest five-year cohort was the 35 to 39 years olds (born between 1961 and 1965). The four cohorts around those, ages 30 - 49, averaged of 21.4 million per five-year cohort, or about 5.4 million people per year. On the next page, Table 1 shows the number of live births in the U.S. since 2010, along with the combinations of five-year cohorts. In 2010, the smallest working-age five-year cohort (Table 2) was larger than all of the cohorts in the table below. Given current trends in childbirth, household formation, work and leisure preferences, it would appear the demographic trend depicted by the table below will continue. Perhaps mirroring Europe, Japan and other developed nations, the U.S. has become an aging nation.

<i>All Races and Origins</i>	<i>Number</i>	<i>Birth Rate</i>	<i>Fertility Rate</i>	<i>Rolling 5-year</i>
2017	3,855,500	11.8	60.3	19,700,129
2016	3,945,875	12.2	62.0	19,797,470
2015	3,978,497	12.4	62.5	19,805,185
2014	3,988,076	12.5	62.9	19,826,074
2013	3,932,181	12.4	62.5	
2012	3,952,841	12.6	63.0	
2011	3,953,590	12.7	63.2	
2010	3,999,386	13.0	64.1	

Source: National Vital Statistics Reports, Volume 67 Number 8, November 7, 2018

Given these trends, it would be beneficial to legislate a comprehensive immigration policy. One of the laudable characteristics of the U.S. is that it has the capability of absorbing and assimilating large numbers of people, although it should be done in a thoughtful and measured way. Leaving politics aside, a reasonable policy might consider specific immigration targets. Data from the Customs and Border Protection suggests most asylum seekers are young and those arriving as families are accompanied by young children. While many adults may lack education, they tend to be eager to work and, more important, have offspring that can be educated and taught the skills to become more productive.

Comprehensive immigration policy requires thorough analysis and a thoughtful long-term strategy. The Census Bureau is preparing to conduct its decennial census giving the department data that can become a foundation for policy. One reasonable place to start is analyzing the demographic impetus to economic growth. Using existing data, simplistic analysis suggests: 1) a large youthful population is a harbinger of higher growth rates, and 2) the economy performs better with larger working age cohorts (i.e. like the Boomers traversing their productive years).

<b>Age</b>	<b>2000</b>				<b>2010</b>				<b>2020</b>			
	<b>Number</b>		<b>Number</b>		<b>Forecast*</b>		<b>Capacity**</b>					
Under 5	19,175,798	20,201,362	19,700,129	1,799,871								
5 to 9	20,549,505	20,348,657	19,805,185	1,694,815								
10 to 14	20,528,072	20,677,194	20,201,362	1,298,638								
15 to 19	20,219,890	22,040,343	20,348,657	1,151,343								
20 to 24	18,964,001	21,585,999	20,677,194	822,806								
25 to 29	19,381,336	21,101,849	22,040,343	-540,343								
30 to 34	20,510,388	19,962,099	21,585,999	-85,999								
35 to 39	22,706,664	20,179,642	21,101,849	398,151								
40 to 44	22,441,863	20,890,964	19,962,099	1,537,901								
45 to 49	20,092,404	22,708,591	20,179,642	1,320,358								
50 to 54	17,585,548	22,296,125	20,890,964	609,036								

\*Forecast uses birth data and advances 2010 numbers by 10 years  
 \*\*Assumes optimal cohort size of 21.5 million  
 Sources: U.S. Census Bureau and National Vital Statistics Reports



Table 2 above shows population cohorts from the 2000 and 2010 census. By advancing the 2010 cohorts by 10 years and taking birth data to populate the youngest, we can generate a working estimate for results in 2020. If we use the "boomer generation" size as a proxy for the desirable demographic composition of the population, each five-year cohort could be targeted to reach 21.5 million people. Even though this would have to be accomplished over many years following a disciplined review process, the data suggests that, on current trends, the country can benefit from a meaningful boost to its demographic composition.

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Gloria Carlson  
Director, Sales and Marketing  
212 893-7835  
[gcarlson@gjallc.com](mailto:gcarlson@gjallc.com)

Arnold West  
Director, Institutional Sales  
212 893-7815  
[awest@gjallc.com](mailto:awest@gjallc.com)

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