

Methodology

In 2023, ASU researchers introduced a refined methodology to estimate the economic contributions of Latinos. We identified several ways the Latino community impacts the US economy, including one method that captures GDP-linked expenditures made by or on behalf of Latinos. ASU also found that Latino contributions to US GDP can be identified at national and state levels using a production or income-based approach. This approach, in turn, can be linked to literature discussing the relationship between income and education levels, which is an essential contribution of ASU to LDC's effort to understand the Latino community's impact on the US economy.

[The 2023 Official U.S. Latino GDP report™](#) includes three measures comprehensively assessing how Latinos benefit the US economy. The first measures GDP purchases made “by and on behalf of” Latinos. We refer to this metric throughout the report as Latino GDP and rely on it for all international comparisons. The second evaluates GDP produced by Latinos, which is measured through the incomes earned by Latinos residing in the US and is referred to as *Gross Domestic Income* (GDI). The third, Latino Purchasing Power (LPP), measures the total expenditures of Latinos, extending beyond GDP, which will be especially useful to businesses seeking to expand their marketing and distribution efforts. This estimate is, by design, broader than GDP.

Latinos as Purchasers: GDP purchases include consumer and investment goods, as well as public goods produced by individuals and businesses. The Latino share of these purchases is estimated from the share of GDP purchases made “by and on behalf of” the Latino community. Latino allocations are then calculated as follows:

- **Consumption:** The share of total Latino household expenditures, as reported in the Consumer Expenditure Survey, is used as a proxy for overall Latino GDP purchases and assigned to the aggregate GDP consumption figure. The 2021 figure is 12.8%.
- **Investment (3 categories):** ASU divides gross private domestic investment into residential, non-residential, and inventory adjustments. Estimates of Latino investment activity are informed by their growing roles as consumers of both goods and housing

services. In light of the high rental expenditures by Latino households, ASU assigns residential housing activity to Latinos on a per capita basis. The 2021 figure is 18.8%. Non-residential investment is allocated at the same rate as aggregate consumption, assuming that new investments are intended to cater to the growing Latino market. While members of this community are not assumed to be directly responsible for these investments, ASU assumes that these investments are the result of the current and anticipated size of the Latino market.

- Exports: US exports, purchased by international consumers, are attributed to Latinos based on their overall estimated production share, which we also refer to as the Gross Domestic Income share of Latinos. The 2021 figure is 10.7%.
- Imports: As GDP measures domestic production, imports are deducted from total expenditures in its calculation. While consumption of domestic and imported goods and services may differ in composition, ASU assigns the aggregate consumption share of Latino households to total imports.
- Government Purchases: Government purchases are made on behalf of all US residents. ASU estimates the Latino share of government purchases using the overall estimated population share of Latinos. The 2021 figure is 18.8%.

ASU's allocations, although inspired by the methodology used in previous reports, involve unique assumptions and produce different empirical estimates.

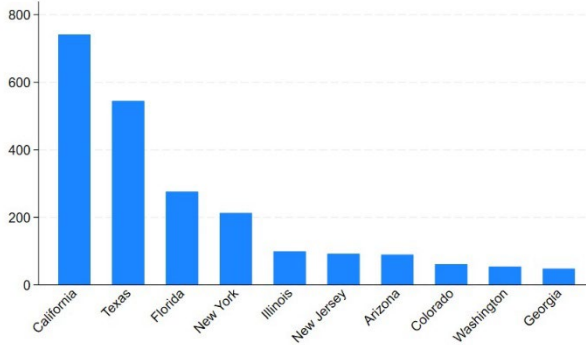
For the second metric, "Latinos as Producers," we assess Latino contributions using income data. This approach is based on the assumption that individuals' income reflects the value they add to production. We categorize Gross Domestic Income (GDI) into five buckets, then allocate the Latino share according to data from the American Community Survey (ACS).

- Compensation: The proportion of salary and wage income, along with income from self-employment, serves as a gauge for total Latino compensation. The figure for 2021 stands at 13.3%.

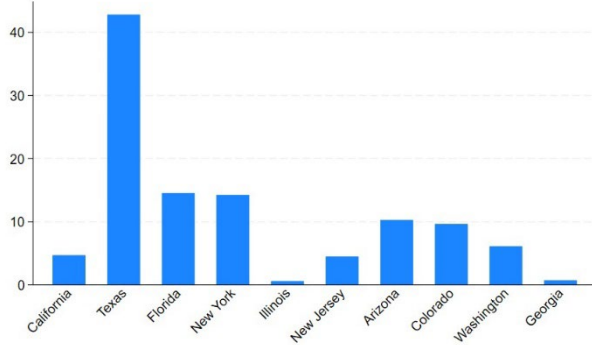
- Dividends, Interests, and Rent: This category is allocated based on the reported income from interest, dividends, and net rental income over the past year. The 2021 figure is 4.7%.
- Proprietor's Income: This refers to the surplus revenue beyond production costs of businesses owned and operated by individuals, and is formally part of Gross Operating Surplus. The Latino share of this income category is determined by the percentage of self-employment income earned by Latinos. In 2021, this figure was 13.6%.
- Gross Operating Surplus (excluding proprietor's income): This allocation is based on the percentage of income derived from interests, dividends, and net rental.
- Net Taxes on Production and Income (TOPI): ASU allocates TOPI on a per capita basis, following the same convention used to assign government purchases in the Expenditure's Approach. The figure for 2021 is 18.8%.

The third measure, "Latino Purchasing Power (LPP)," captures the Latino community's wider economic impact beyond GDP contributions. Many US businesses also market, distribute, and transport imported goods to US consumers. LPP excludes exports and imports from the "Latinos as Purchasers" measure. While not a GDP equivalent, this measure of overall Latino purchasing power is highly relevant to many US businesses.

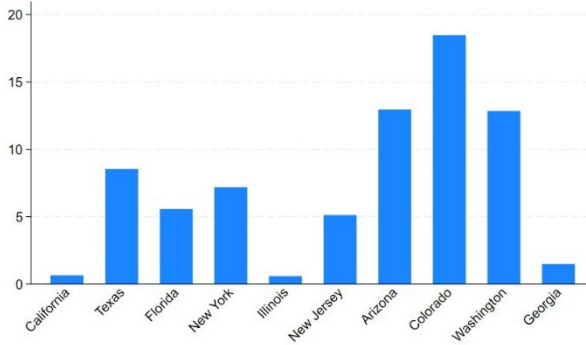
Appendix: State GDI



A. Latino Gross Domestic Income in 2022 among the ten largest U.S. states measured by Latino GDP. Figures correspond to billions of current dollars.



B. Additions to inflation-adjusted state GDI by Latinos between 2021 and 2022. Figures correspond to billions of dollars from 2022.



C. Real annualized percent growth rates of Latino state GDI between 2017 and 2022.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Department of Commerce, Census Bureau, American Community Survey.