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Consumer Morsel

On the Move: West side story

05 February 2024

Key takeaways

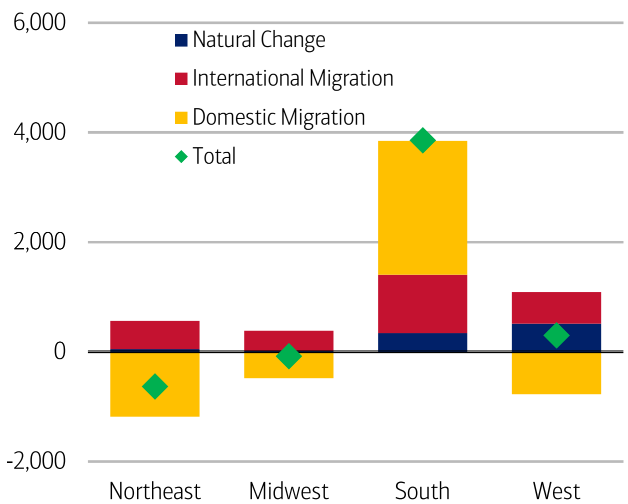
- Post-pandemic, the share of the US population in the South has been climbing - continuing a decades-old phenomenon. It is really the decline in the share of the population of the West that is new.
- According to Bank of America internal data, this population decline is ongoing. We find the populations of San Francisco, Los Angeles and other western cities continued on their downward trend as of 2023 Q4. There is better news for several of the southwestern cities, with our data showing a rise in populations in both Phoenix and Las Vegas.
- Relative housing costs still appear to be influencing much of the domestic migration story. Our data shows MSAs (metropolitan statistical areas) in the Pacific West having relatively high median mortgage payments relative to the overall US. We also find that a relatively high share of those leaving western MSAs are from higher-income households.
- How persistent could these patterns be going forward? Our data suggests that a high percentage of moves between MSAs are single person households and may therefore have greater flexibility. This holds out the possibility that for regions that have seen people leave may be able to attract them back.

The South continues its long-run growth trend but the West has faltered

The population of the South rose by 3.9 million between April 2020 and July 2023 (Exhibit 1), according to US Census Bureau data. While this rise is sometimes discussed in the context of the pandemic, in many ways it is not new 'news' – the South's share of US population has been rising for a long time (Exhibit 2).

The real story, arguably, is the decline in the share of population of the West. The West eked out some small overall population gains since the pandemic, thanks to natural change and international migration. But as Exhibit 2 shows its share of overall US population has flattened, and now appears to be falling.

Exhibit 1: Since 2020 the population of the South has surged
Net change in population components, April 2020 to July 2023, (Thousands)



Source: US Census Bureau. (Natural change: Births minus deaths)

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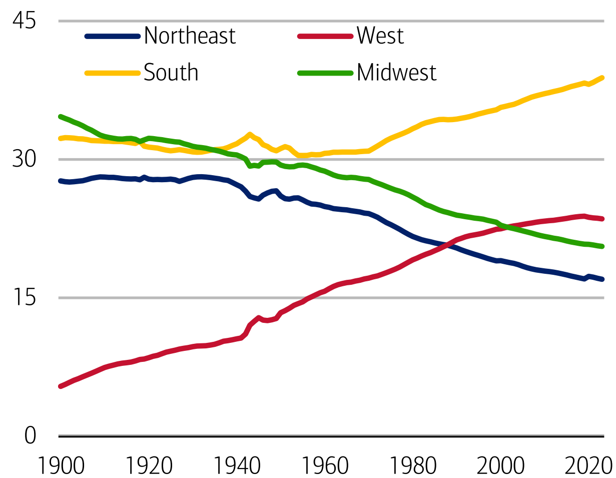
Exhibit 2: The increasing share of the South is not a new story, though the flattening in the West is.
Share of population by Census region (%)



Source: US Census Bureau

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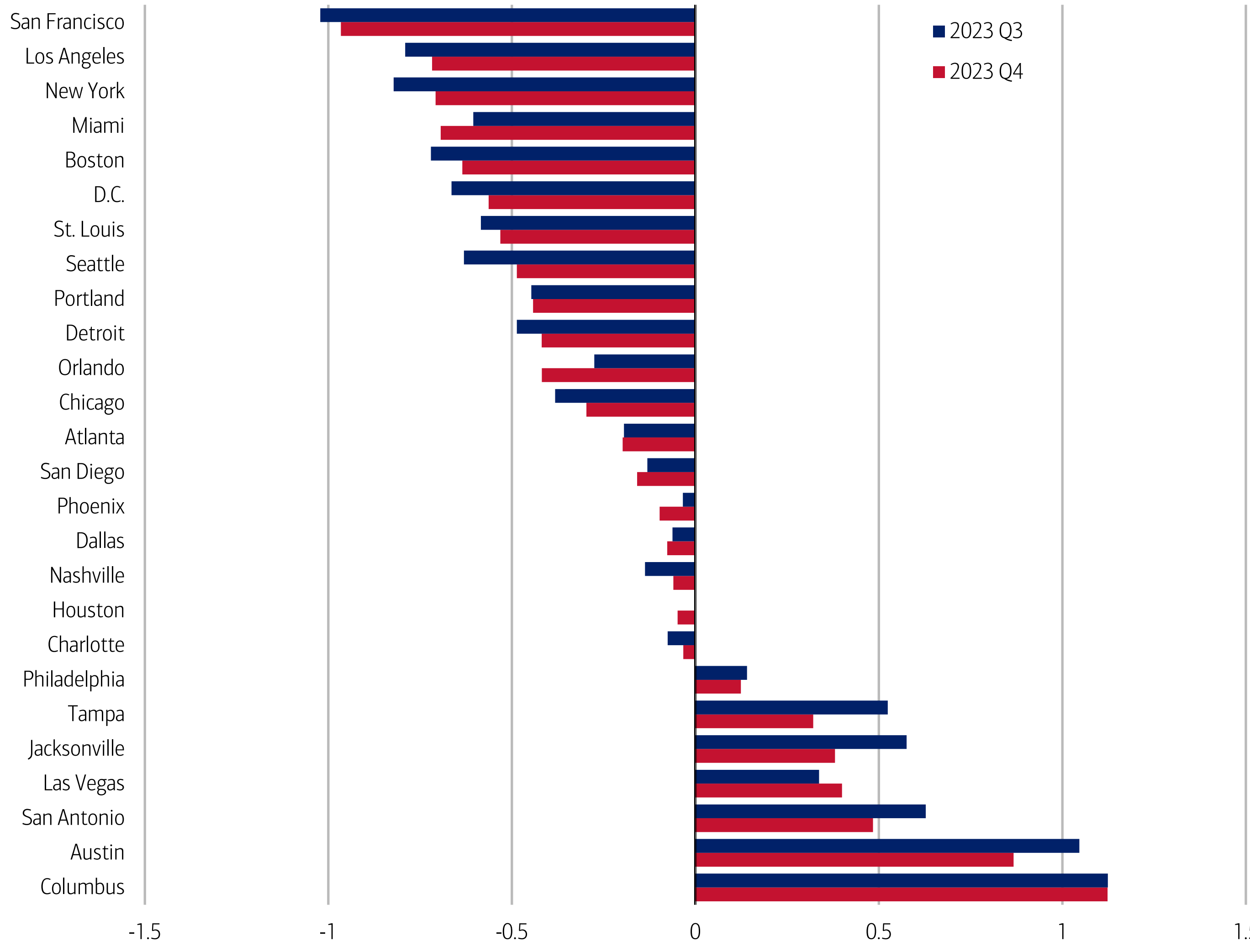
Signs of slowing domestic inward migration in Florida and Texas

Census Bureau population data currently track to mid-2023. But we use Bank of America internal aggregated and anonymized customer data to provide a more real-time estimate of these domestic population flows. Our analysis is based on a fixed sample of Bank of America customers who had an open consumer checking, savings, credit and/or other investment accounts for every quarter between 4Q 2019 and 4Q 2023. We track domestic migration by the changes of address of customer. International migration does not affect our data.

Exhibit 3 shows the net year-over-year (YoY) population increase across the 26 major MSAs (metropolitan statistical areas) we track in 2023 Q3 and Q4. Overall, the post pandemic story of people leaving the West and Northeast continues. We see continued growth in the population of number of southern MSAs such as Tampa, Jacksonville, San Antonio and Austin. By contrast, many MSAs in the West and Northeast are still seeing declining populations, including in San Francisco, Los Angeles, New York and Boston.

Exhibit 3: Southern MSAs are continuing to see positive population growth, with declining populations in Northeast and Western MSAs

Net population change in major MSAs, according to Bank of America internal data (year-over-year percentage change from 3Q and 4Q 2022, positive means net inflow, negative means net outflow)



Source: Bank of America internal data

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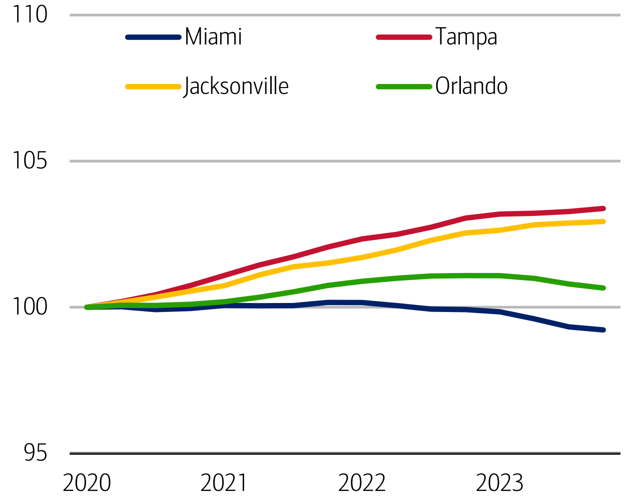
However, there are some signs appearing of slowing population growth in several MSAs where it had once been strong. In Florida, for example, population growth in Tampa and Jacksonville looks to be cooling in 2023 Q4, though still remains positive. And it appears Orlando's population may be joining Miami's in actually showing a decline (Exhibit 4). Looking at Texas, we are also seeing some signs of slowing population growth – in Austin and San Antonio, for example. But Austin remains one of the standout beneficiaries of the South's continued population growth (see Exhibit 5).

Exhibit 4: MSAs in Florida appear to be seeing slowing population growth, with a decline in Miami more recently
Number of customers with a home address in MSAs in Florida (index, 1Q 2020=100, non-seasonally adjusted)



Source: Bank of America internal data

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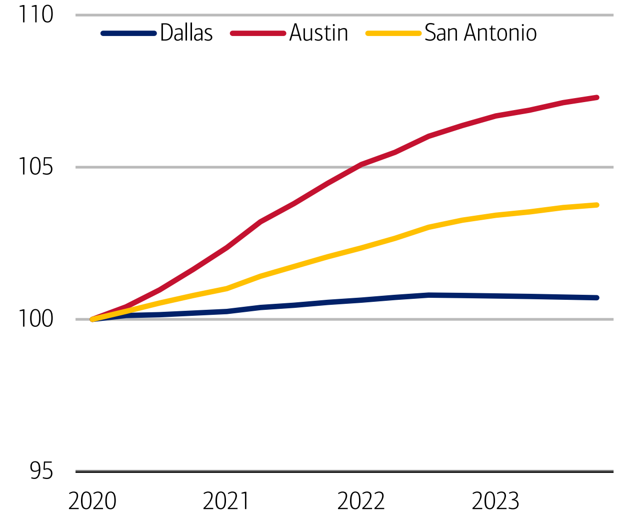
Exhibit 5: While growth in population is slowing in Texas MSAs, it appears to be doing so gradually
Number of customers with a home address in MSAs in Texas (index, 1Q 2020=100, non-seasonally adjusted)



Source: Bank of America internal data

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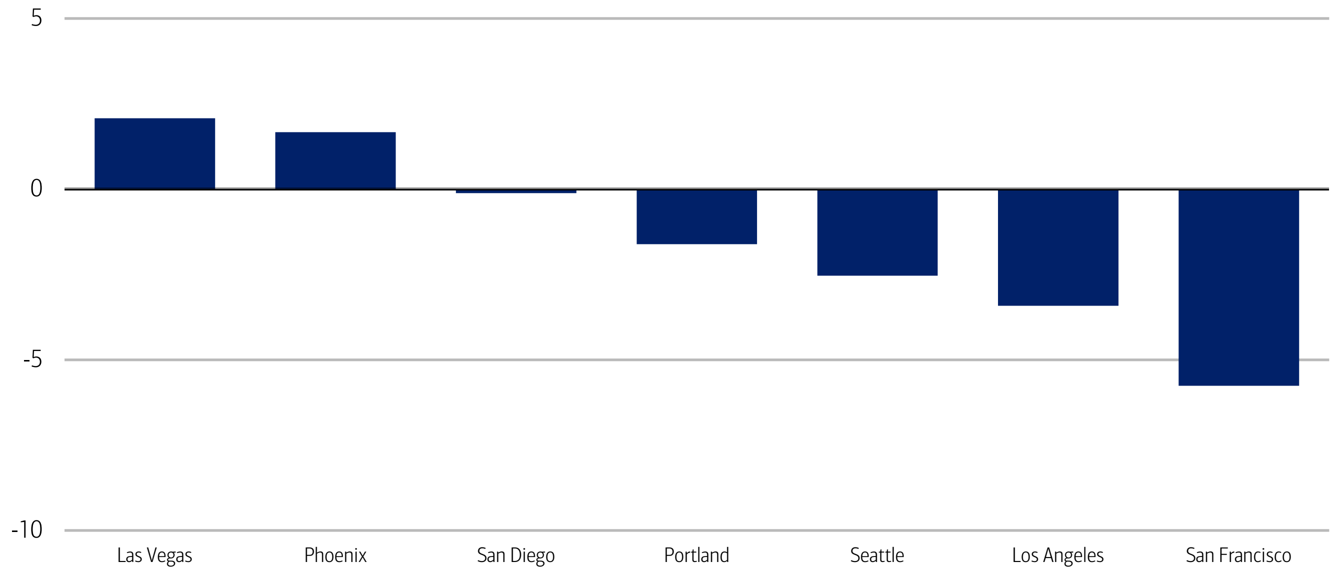
The West – Pacific and Mountain differences

While different MSAs within the South are showing a more nuanced picture, the overall story appears to be that population growth in the region is slowing but still continuing. But the same cannot be said of the West where, with the exception of Las Vegas, our data suggests populations in the MSAs we track are declining vs. a year earlier.

In fact, compared to 2020 Q1 only Las Vegas and Phoenix have seen a rise in population (Exhibit 6) according to our data, suggesting something of a Pacific/Mountains split in the region. This is also apparent in the Census Bureau's data: between April 2020 and July 2023, the southern Mountain states' population rose by 3.2%, while the Pacific States' population dropped by 0.9%.

Exhibit 6: The fall in population growth in the West is more of a Pacific story
Growth in number of customers with a home address in MSAs in West Census region 2020 Q1 – 2023 Q4 (%)



Source: Bank of America internal data

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Housing affordability – when might we see a shift?

What might be driving these differences in population changes in the West? We believe relative housing affordability remains a key part of the story.

Exhibit 7 shows a fairly close relationship between where an MSA's median mortgage payment in December 2023 stands compared to that of the overall US and the net change in population growth in that MSA over the last year, according to Bank of America internal data. Where an MSA has a relatively high median mortgage payment, its population growth has usually been negative or at best weakly positive, in terms of YoY growth.

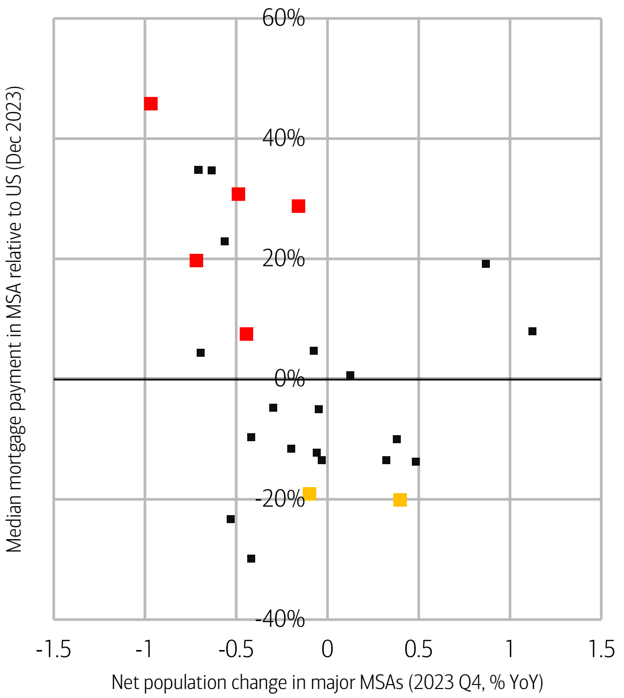
Looking at the MSAs in the Pacific states in the West (red squares in the exhibit), they all tend to have higher-than-average mortgage payments relative to the US. By contrast, in the southern Mountain states (yellow squares), mortgage payments are lower than the US average, so outward migration is potentially a reaction to housing costs.

The relationship between housing costs and migration is not perfect. Phoenix's population did fall back slightly over the last year in our estimates, even though it does not have high relative mortgage payments. But relative to 2020 Q1, Phoenix's population is well up, suggesting that relative housing costs do exercise some 'gravitational pull' on population flows, even if shorter-term factors also make an impact.

Over time, we would expect these domestic migration flows across the US to lead to some ironing-out in relative housing costs. MSAs that are losing residents would likely see reduced pressure on house prices and rents, eventually meaning cheaper housing costs compared to areas gaining newcomers. Interestingly, our data also shows a relatively high proportion of higher-income households in the outflow of people from MSAs in the West to the South, which could boost demand for housing in southern MSAs by more than a straightforward count of the people leaving would suggest. Likewise, the West may find demand for housing weakening more if higher-income households are leaving.

Exhibit 7: Relative housing affordability continues to drive domestic migration flows

Net population change (2023 Q4 % YoY) in 26 major MSAs versus median mortgage payment in MSA relative to US median



Source: Bank of America internal data. Red squares – MSAs in Pacific division. Yellow squares – MSAs in Mountain division.

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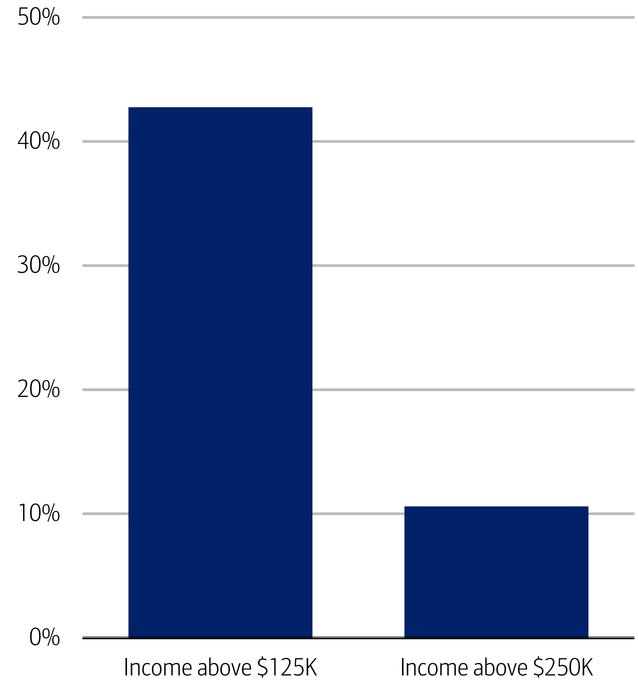
Exhibit 8: Higher income households constitute a relatively high proportion of the flow of migration from the West to the South

Share of higher-income households in overall outward migration from MSAs in the West to the South (2023 average)



Source: Bank of America internal data

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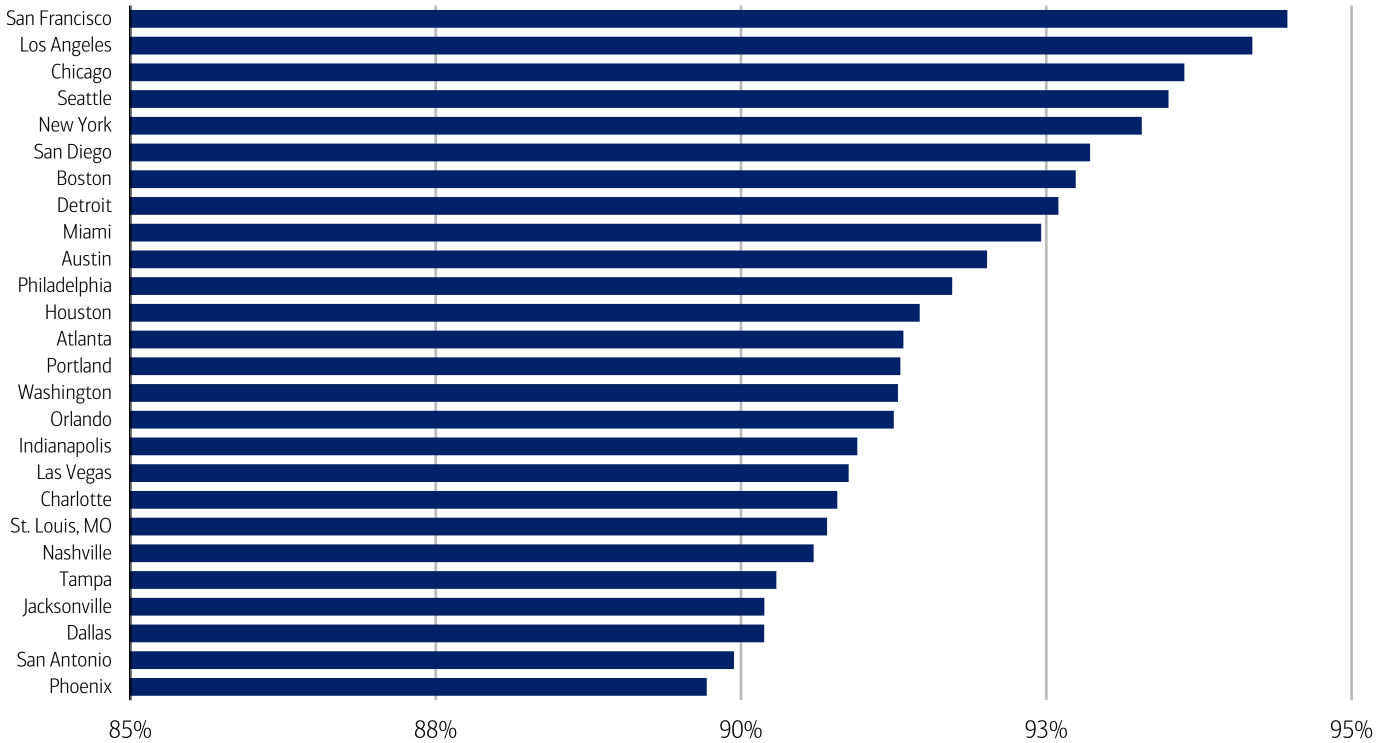
How 'sticky' might the migration from the West be? One potentially positive statistic in the data for the West that a high proportion of moves into MSAs are one-person households (Exhibit 9). It could be that these movers are relatively flexible in response to changes in the economy, which holds open the possibility that they may return to the region as circumstances evolve.

Exhibit 9: Moves between MSAs tend to have a disproportionately high proportion of single person households

Estimate of the proportion of moves into given MSA over 2023 that are single person households (%)



Source: Bank of America internal data

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Overall, as the pandemic itself fades as an influence, whether the internal migration flows we have observed in Bank of America internal data will continue or ease is an open question. While current patterns may seem entrenched, over time, we think relative housing cost adjustment is likely to have an impact.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Our analysis for migration pattern is based on the group of Bank of America customers who had an open consumer checking, savings, credit and/or other investment accounts for every quarter between 4Q 2019 and 3Q 2023. Migration pattern is then extracted based on customer home addresses. This methodology yields a fixed sample size of roughly 45 million customers.

Job change is determined if a customer has at least 12 consecutive months of pay via direct deposit but did not receive direct deposit from the same employer in the most recent quarter.

For Bank of America's Homebuyer Insights Report, Sparks Research conducted a national online survey on behalf of Bank of America between September 25 and September 28, 2023. A total of 1,000 surveys (500 homeowners / 500 renters) were completed with adults 18 years old or older, who make or share in household financial decisions, and who currently own a home/previously owned a home or plan to own a home in the future. Survey completions were monitored by gender and age or proper balancing.

Generations, if discussed, are defined as follows: 1. Gen Z, born after 1996; 2. Millennials: born between 1978-1995; 3. Gen Xers: born between 1965-1977; 4. Baby Boomer: 1946-1964

Additional information about the methodology used to aggregate the data is available upon request.

Contributors

David Michael Tinsley

Senior Economist, Bank of America Institute

Sources

Kimberly Warren

Director, Global Risk Analytics

Disclosures

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