



US Birth Rate Falls 4th Straight Year - Should We Worry?

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Overview

Forget those fears of a global “Population Bomb” and worldwide famine which were made popular several decades ago. While the world’s population is still growing, birth rates in most developed nations are falling, including the United States.

American women of child-bearing age are having fewer and fewer babies. While data is not yet available for 2019, the US birth rate declined for the last four consecutive years ended 2018, and is expected to have fallen again last year. Meanwhile, the US fertility rate has also declined for the last four years and likely again in 2019, putting it at a record low.

The US birth rate is now below the so-called “*replacement rate*” necessary to maintain our population size. If this trend continues, and most researchers believe it will, there are some troubling implications for the economy, the workforce and other aspects of our lives. That is why I want to bring this information to your attention today.

US Birthrate Falls For 4th Straight Year – Implications

The number of births in the United States declined for a fourth year in a row in 2018 and is expected to have fallen again last year. The last time the US birth rate increased was in 2014, according to a recent

report from the US Centers for Disease Control and Prevention's (CDC's) National Center for Health Statistics.

The latest report found that the number of births among girls and women age 15 to 44 in the United States in 2018 was just under 3.8 million, down 2% from 2017, marking the fourth consecutive year that the number of births declined since 2014.

The report, which analyzed the 2018 birth rates and fertility rates in the United States, also confirmed that the US fertility rate continued to decline in 2018 to a record low since such data has been kept, the researchers wrote in the report published in late November.

The total fertility rate estimates the number of live births that a hypothetical group of 1,000 women would have *over their lifetimes*, based on age-specific birth rates in a given year. The total fertility rate declined to 1,729 births per 1,000 women of child-bearing age in 2018.

In 2018, the total fertility rate for the United States remained below what's needed for the population to replace itself, according to a separate report published by the National Center for Health Statistics in January. For the nation's population to remain steady, the fertility rate would need to be 2,100 births per 1,000 women over their lifetimes, according to the CDC.

Due to the continued decline in America's fertility rate, a report of provisional birth data published by the National Center for Health Statistics found the number of births in 2018 dropped to the lowest level in over three decades.

Birth Rate Decline Varies by Race & Other Factors

For the report, researchers examined birth certificate data from the National Vital Statistics System's Natality Data File, taking a close look at births among white, black, Hispanic and Asian women in 2018. When examined by race, the data showed that fertility rates declined 2% for white and black women, 3% for Hispanic women and 4% for Asian women between 2017 and 2018.

The data also showed that the teenage birth rate, for girls ages 15 to 19, fell 7% from 2017 to 2018. When examined by race, the data showed that teen births declined by 4% for black teens, 8% for white teens, 10% for Hispanic teens and 15% for Asian teens.

Also among all births, the percentage delivered at less than "full term" (39 weeks) increased -- with pre-term births climbing from 9.93% of births in 2017 to 10.02% in 2018, and early-term births rising from 26% in 2017 to 26.53% in 2018.

Most researchers believe the rise in pre-term births is linked with a rise in births among women in their late 30s and 40s, since a later maternal age is a risk factor. However, researchers also caution that the rising age of expectant mothers does not fully explain the increase in the pre-term birth rate. Other factors may also be at work, they say.

Birth Rate Vs. Fertility Rate: Implications For The Population

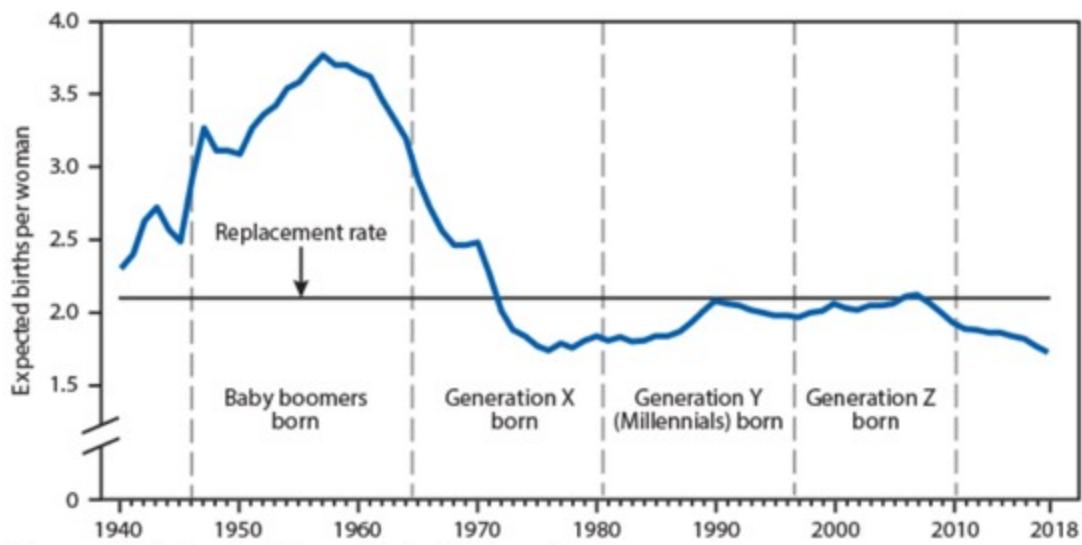
The birth rate, as noted above, is the actual number of live babies born by US women each year, which was just under 3.8 million in 2018. The fertility rate, on the other hand, measures the number births per 1,000 women aged 15-44, which was 1,729.5 in 2018, according to the CDC.

The CDC says that number (1,729.5 births per 1,000 women) is the lowest number of births in 32 years. For the nation's population to remain stable, the rate would need to be 2,100 births per 1,000 women of child-bearing age. That's a deficit of over 370 babies a year, and rising.

Demographers around the country are studying why American women are having fewer babies. One development the demographers agree on is the fact that the median age of first marriages has increased significantly in recent decades. For women, the median age for first marriages rose from 21 to 28 since 1970; and for men, the median age has climbed from 23 to 30 over the same period. That's significant.

As a result, women are having babies later in life. But the fact that women (and men) are marrying later in life is not the only reason they are having children later in life. Most demographers also agree that most couples want to establish themselves – professionally and financially – before having children.

U.S. Fertility Rate Below Replacement Level



Source: US Centers For Disease Control & Prevention

Put differently, they want to make sure they have adequate resources to raise their children in the lifestyle they desire. This often means they work for several years after getting married before having babies. Most demographers agree this is a big change from the 1950s, 1960s and 1970s when most couples chose to have children much sooner after they were married.

How Low Fertility Rate Could Affect The Economy, Etc.

An aging society has already weighed on economic growth in the United States in the past decade, with the vast Baby Boom generation retiring and fewer young people replacing them. Economic growth is generally driven by population growth and worker efficiency, both of which have slowed in the past decade in the United States.

Roughly 10 years ago, the number of Americans working or looking for work was growing about 1% annually. With birthrates declining, that figure has since fallen to about a 0.3% growth rate. That essentially acts as a 0.7% point drag on America's long-run growth.

The US economy has grown at a 3% average annual rate since World War II. Yet it hasn't reached that pace for a full calendar year since 2005. The Baby Boomers first reached retirement age in 2008.

Aside from fewer workers, an aging society can hold back growth because fewer people are buying homes, cars and other costly purchases. Savings generally rise as people age and prepare for retirement. And as elderly people live longer, they usually slow their spending while in retirement.

Most economists attribute the low interest rates and low inflation of the past decade in the United States, Europe and Japan, at least in part to aging. An interesting discussion our leaders will need to have in coming years will be on the subject of immigration. Immigrants, especially skilled ones, can supplement the workforce and keep the economy growing.

Yet as you know, the subject of increased immigration is a very politically-charged topic. So, it will be very interesting to see how this plays out in the new decade as our population ages even more.

In any event, if the economy slows down significantly in the years ahead due to our aging population, that will not be good for the stock markets. This is another reason why you need to restructure your investment portfolio to prepare for the next recession and bear market in stocks. I'll have more to say about that in the weeks and months to come.

Best regards,
Gary D. Halbert

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