



Economics Group

Sarah Watt House, Economist
sarah.house@wellsfargo.com • (704) 410-3282
 Erik Nelson, Economic Analyst
erik.f.nelson@wellsfargo.com • (704) 410-3267
 Alex Moehring, Economic Analyst
alex.v.moehring@wellsfargo.com • (704) 410-3247

Millennials in the Economy I: Talkin' 'Bout My Generation

Comprising nearly 30 percent of the U.S. population, the entire Millennial generation is now of working age. In this series, we examine key characteristics of this group and their implications for the broader economy.

Generation Why?

The term “Millennial” has received a great deal of circulation in recent years. Although there is no precise definition of the Millennial generation, a range of birth years from the early 1980s to the early 2000s is typically used to describe this cohort. For our purposes, we define Millennials as anyone currently aged 16-34.

With a population of 85 million, Millennials are the largest generation in U.S. history, 10 million more than the Baby Boomer generation. In addition to accounting for a significant share of the total population of this country, Millennials comprise roughly 35 percent of the U.S. working age population, defined as the total population of people aged 16 and over (top chart). With many of them just starting their careers, the group will likely play a key role in shaping the economic landscape in the coming years.

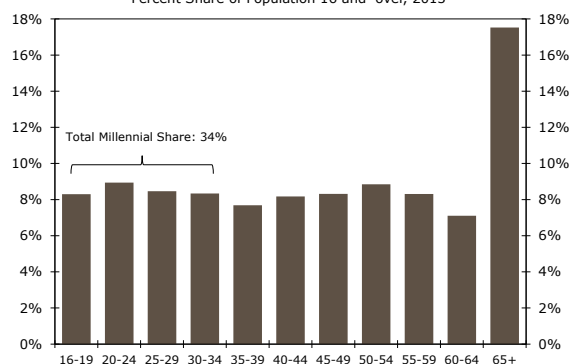
What the Future Holds

Millennials’ economic situation was heavily influenced by the Great Recession, which for many people in this cohort was their first taste of economic hardship. Worse yet, many Millennials graduated school in the midst of the downturn, which will likely have lingering effects on their income and participation in the labor market. According to a Wells Fargo survey of Millennials, the Great Recession taught 80 percent of this group that they have to save now to survive future economic problems.¹ Despite this, we have seen that this cohort is not making significant strides in saving for retirement. This is likely due in part to the oft-mentioned student debt burdens this generation has been saddled with; the survey indicated that Millennials’ main financial concern after day-to-day expenses was student debt. This has significant implications, as student debt burdens have weighed on Millennials’ ability to make big ticket purchases, such as buying a home or investing in financial assets.

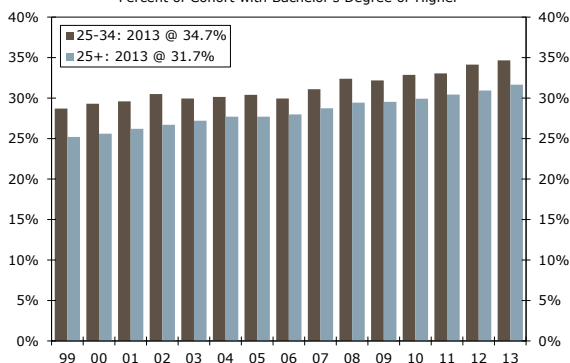
Student debt is a double-edged sword, however, as more Millennials aged 25-34 have a Bachelor’s degree or higher than the general populace aged 25 and over (middle chart). This trend emerged well ahead of the downturn and should ultimately benefit this cohort and the broader economy. Data show that increased educational attainment leads to better wages, higher labor force participation and a greater chance of finding employment (bottom chart). Thus, while debt burdens will weigh on net worth and spending power in the short term, the hope is that their higher educational attainment will start to pay increased dividends in the longer term. As their financial situation improves, we expect more Millennials will begin to purchase homes and invest in the stock market, giving a boost to asset values in the broader economy.

In future installments of this series, we will dive deeper into a multitude of aspects of the economic situation of Millennials—stay tuned for more.

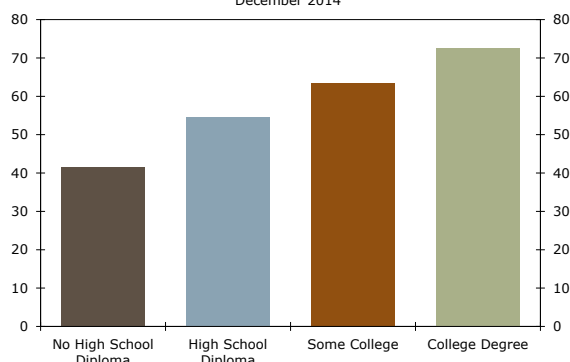
Age Group Share of Working Age Population
Percent Share of Population 16 and over, 2013



Educational Attainment by Age
Percent of Cohort with Bachelor's Degree or Higher



Employment-Population Ratio by Education
December 2014



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities, LLC

¹ Harris Poll. (2014). 2014 Wells Fargo Millennial Study.

Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Anika R. Khan	Senior Economist	(704) 410-3271	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Sarah Watt House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Michael T. Wolf	Economist	(704) 410-3286	michael.t.wolf@wellsfargo.com
Zachary Griffiths	Economic Analyst	(704) 410-3284	zachary.griffiths@wellsfargo.com
Mackenzie Miller	Economic Analyst	(704) 410-3358	mackenzie.miller@wellsfargo.com
Erik Nelson	Economic Analyst	(704) 410-3267	erik.f.nelson@wellsfargo.com
Alex Moehring	Economic Analyst	(704) 410-3247	alex.v.moehring@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Cyndi Burris	Senior Admin. Assistant	(704) 410-3272	cyndi.burris@wellsfargo.com

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