

Macro Roundup Article

Headline: [Surging Population Growth From Immigration May Have Little Effect on Inflation](#)

Article Link: <https://www.dallasfed.org/research/economics/2024/0709>

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Publication	Federal Reserve Bank of Dallas
Publication Date	July 11, 2024

Tweet: A @DallasFed analysis finds that “over the past year, the immigration wave contributed to the higher GDP growth by adding nearly 2 million newly employed workers...with very little effect on inflation.”

Summary: If immigration increases the population by 1%, and these newcomers integrate into the labor force at rates comparable to native-born citizens, both employment and output expand immediately. In the absence of capital as a factor of production—machines, plants, and equipment—employment, output, and consumption would each expand by 1%, balancing demand and supply, maintaining price stability, and keeping GDP per capita unchanged. Accounting for capital as an input in the production process complicates the transmission mechanism. When labor inputs increase by 1%, reaching the same per capita output necessitates a simultaneous 1% increase in capital, which only builds over time. This delay creates temporary shortages of capital relative to labor, boosting real returns to capital but depressing real wages. If new immigrants are less skilled and more likely to accept manual labor positions, the need for capital accumulation diminishes, softening the inflationary impacts.

Related Articles: The Demographic Outlook: 2024 to 2054 and Unprecedented US Immigration Surge Boosts Job Growth, Output and Importing Shelter Inflation

Primary Topic: Business Cycle

Topics: Business Cycle, Database, GDP, Immigration, Inflation, Op-Ed/Blog Post, Workforce

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