

Here's How Immigration Will Boost the US Economy, From Strong Hiring to More Housing

- Migrants seen increasing pace of job growth, consumer spending
- More construction workers may also mean more completed housing



A contractor works on a house under construction in California, US. *Photographer: David Paul Morris/Bloomberg*

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The recent surge in immigration to the US has led many economists to boost their forecasts. Now they're looking for more signs of its impact in the data.

Growth in employment has continually surprised to the upside in recent years, running at a pace formerly deemed as unsustainable. Economists have coalesced around population growth as a key explanation after a recent Congressional Budget Office report estimated higher immigration than previously thought.

With over a million people entering the country each year, it stands to reason that a bigger population will increase demand for housing and a wide range of other goods and services. For now, some of the places forecasters are looking to gauge the impact may not provide obvious answers: consumer spending data, for example, aren't broken down by demographic.

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“The flows of the magnitude in the past two years that we’ve seen have to be having some sort of an impact on the broader economy,” said Stephen Stanley, chief economist at Santander US Capital Markets LLC. “The question isn’t whether it’s happening or not, it’s how much it’s being captured in the numbers.”

A recalibration of forecasts now calling for growth rates previously deemed too strong will have important implications for the Federal Reserve. Chair Jerome Powell has credited immigration as a supply-side boost for the economy, able to generate faster growth without faster inflation.

Here are a few data sets that economists are monitoring to assess the impact of immigration:

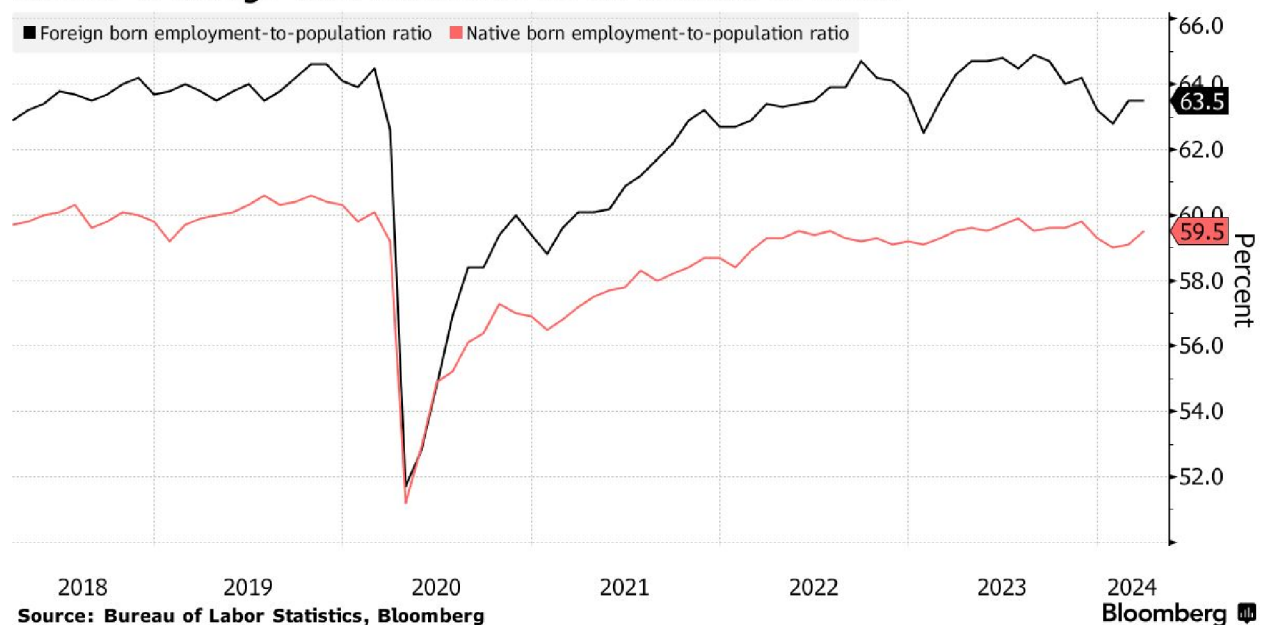
Labor Market

The most logical place to start is the labor market. After all, many migrants are coming to the US in search of work that affords them a better quality of life. Job gains have consistently topped forecasts over the past couple years, and the number of employed foreign-born workers rose to a record in March. Meanwhile, the unemployment rate has been under 4% for more than two years and is seen holding steady at 3.8% in data out Friday.

Moreover, many jobs that economists see immigrants as more likely to take – including in construction, household cleaning, home health aides as well as leisure and hospitality – are showing strong growth, with employment levels in those sectors at or above their pre-pandemic trend.

“The reason you’re seeing sturdy continued payroll prints and the unemployment rate maintaining is that you’re simply seeing higher population growth,” said Brett Ryan, senior US economist at Deutsche Bank AG. “The Fed looks at that as a supply-side boost. You could have a stronger growth profile without stoking inflation.”

Foreign-Born Population Tends to Be Employed at Higher Rate Number of foreign-born workers in US hit a record in March



Analysts are somewhat divided as to where in the jobs report immigration will be most evident. Some maintain the headline nonfarm payrolls number that comes from a large survey of businesses does a better job of capturing it, while others say it’s more likely to register in the smaller poll of households.

There's also the effect on wages to consider. While many economists say immigrants will likely fill low-paying jobs that shouldn't add to wage pressures, they'll still be earning money to spend, said Yelena Shulyatyeva, senior US economist at BNP Paribas.

"Even if immigration depresses average hourly earnings in aggregate, it will boost personal income this year, and that in turn would support personal spending," Shulyatyeva said.

[Read more on immigration's impact on the economy](#)

[NYC Migrants Are Being Called by Kansas City to Fill Jobs Demand](#)

[Immigration Helps US Jobs Grow Faster Than Powell's Speed Limit](#)

[Foreign-Born Share of US Population Highest Since 1910: Census](#) 

Spending, Inflation

With more people entering the country, that means more demand for necessities like food, clothing and shelter. In March, retail sales topped forecasts and inflation-adjusted consumer spending advanced by the most this year.

"Some of what we're seeing here in terms of the resilience of the consumer and the resilience of labor market, that definitely has the fingerprints of this immigration story in it," said Scott Anderson, chief US economist at BMO Capital Markets.

While the boost to demand will be immediate, it may take longer for some migrants to find work. That's why Anderson said the influx could put upward pressure on prices in the near term, even if it's more neutral or even beneficial for the inflation trajectory in the longer run. Others see increased immigration as a factor that has helped alleviate inflationary pressures over the last year or two.

"We have to consider the possibility it could be adding a bit to price pressures right now," Anderson said.

Housing

Since immigrants likely won't be looking to buy homes right away, economists are looking to rent measures from sources like Zillow Group Inc. and Apartment List to see not only if those prices go up, but where as well. There's also the possibility that some migrants may not show up in housing data for a while if they initially stay with family and friends who are already in the US before finding work, Anderson said.

With more people working in construction, more homes will probably be built, and building projects already underway will finally be finished. That could help alleviate pressure on home prices, especially since the US has struggled with a chronic shortage of housing since the 2008 financial crisis.

"It would be natural to see a pickup in completions as opposed to under construction, or to expect the gap to at least narrow," Shulyatyeva said.

US Home Completions Are Catching Up

Homes under construction had surged relative to completions



An [academic study](#) published in February found that an increase in immigration boosted the supply of US housing, which in turn made new homes more affordable.

Growth

Given that consumer spending is the biggest driver of US gross domestic product, economists are [marking up their forecasts](#). While first-quarter GDP growth disappointed last week, a gauge of underlying demand [continued to rise](#) at a strong pace.

“At its most basic, GDP is the sum of population growth and productivity growth,” Deutsche Bank’s Ryan said. “When you’re raising population growth, you’re raising spending growth. And if you have more spending growth, you have more things to spend on and more production to meet that spending.”

Granted, it’s still early in the trend and thousands of migrants are entering the country every day. That means it’s not just a short-term story for the US economy, but also one that can play out over at least the next five years, Shulyatyeva said.

“It takes time to get adjusted, get a job, get a place to live,” said Shulyatyeva, who immigrated to the US from Russia in 2001. “I think we’ll continue to see the impact of these developments going forward in the years to come as they assimilate, as they get credit cards, get approved, have children, and hopefully we’ll get some population growth out of that.”