First Trust
Weekly OUTLOOK

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A Low-Immigration Economy

One of the most dramatic policy shifts under President Trump has been a massive change in net immigration.

Good or bad, right or wrong, estimates suggest that in the past eighteen months the net flow of immigrants (including the number of illegal immigrants who were deported) may have been negative. By contrast, in the prior four years the US took in more than eight million immigrants, on net. All these numbers could be revised or argued with over time.

The point is immigration flows have shifted dramatically. And, as many suspect, this shift is having widespread effects on the US economy. Take the job market, for example. In the last two years of the Biden Administration, nonfarm payrolls grew about 146,000 per month and yet the unemployment rate rose from 3.5% to 4.0%. Jobs growing moderately, but with a higher unemployment rate. Since then, in the past year and a half, payrolls have only grown at a 33,000 monthly pace and the unemployment rate is basically unchanged at 4.1%. Slow job growth, flat unemployment.

It doesn't take a rocket scientist to figure out what has been going on. Much of the rapid job growth in the prior two years was because of immigrants, both legal and illegal, getting jobs.

It also suggests that investors should not be worried about slow job growth right now. If the native population is aging while immigration is near zero (or even negative) we should expect job growth to be very low, with some months negative, without it meaning that native workers or legal immigrants are having a tougher time finding jobs.

Other data also suggest the shift in immigration is having an impact. According to the Labor Department, median usual weekly earnings are up 4.6% from a year ago for full-time wage & salary workers.

But here's where it gets interesting. Earnings at the 25th percentile (these are workers on the low-income side, where 75% of workers earn more than they do), are up 5.5% from a year ago, while earnings at the 75th percentile (workers on the upper-income side, where only 25% of workers earn more than they do) are up 1.5% from a year ago.

Yes, you got that right, income gains have been faster for low-income workers than high-income workers. And there are other data points corroborating this story. Median earnings for those who never finished high school are up 7.1% from a year ago, while earnings for those with a bachelor's degree were up 2.1%. This reverses a trend that has persisted for decades.

Why do we think this is related to immigration? Because the huge amount of low-skilled immigration in prior years put downward pressure on low-skilled wages, if not in an absolute sense, then at least in a relative sense versus high-skilled workers. Econ 101, supply and demand. But now that strict immigration enforcement is keeping out many low-skilled workers and sending others out of the country, low-skilled natives and legal residents should have more bargaining power.

Another sector affected by low immigration has been housing. National average home prices are up about 1% annualized since January 2025, lower than general price inflation and the slowest appreciation since the bottom of the housing bust in 2012. With the US building fewer homes in the past decade than the previous decade, this is unusual.

Why is this happening? We think it's because slower immigration has freed up many more rental units than would otherwise be the case. In turn, national average rents have been stagnant. Apartments.com suggests an increase of only 0.7% from a year ago, while the Apartment List National Rental Report says national rents are down 1.1% from a year ago.

In turn, when rents are flat, tenants are less motivated to buy a home. Slower home price appreciation is not necessarily a bad thing. Tenants are in a better position when home prices grow more slowly; so are smaller homeowners who aspire to move up the value chain in the future.

Again, we are not here to advocate for or against the immigration policies of the Biden Administration or the Trump Administration. Everyone is entitled to their policy preferences on this hot-button issue. But regardless of where each of us stands, it's important to recognize how the shift in policy is affecting the economy.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
8-11 / 9:00 am	Existing Home Sales – Jul	4.050 Mil	**4.040 Mil**		4.090 Mil
8-12 / 7:30 am	CPI – Jul	+0.1%	**+0.1%**		-0.4%
7:30 am	"Core" CPI – Jul	+0.2%	**+0.2%**		0.0%
8-13 / 7:30 am	Initial Claims – Aug 8	202K	**199K**		199K
7:30 am	PPI – Jul	+0.2%	**+0.2%**		-0.3%
7:30 am	"Core" PPI – Jul	+0.3%	**+0.4%**		+0.2%
8-14 / 7:30 am	Retail Sales – Jul	+0.1%	**+0.2%**		+0.2%
7:30 am	Retail Sales (Ex-Auto) – Jul	+0.2%	**0.0%**		-0.2%
9:00 am	Business Inventories – Jun	+0.1%	**+0.1%**		+0.3%