

THE ECONOMIC CONSEQUENCES OF RECENT SURGES IN IMMIGRATION

PRESENTATION TO THE INTERNATIONAL CONFERENCE OF
COMMERCIAL BANK ECONOMISTS

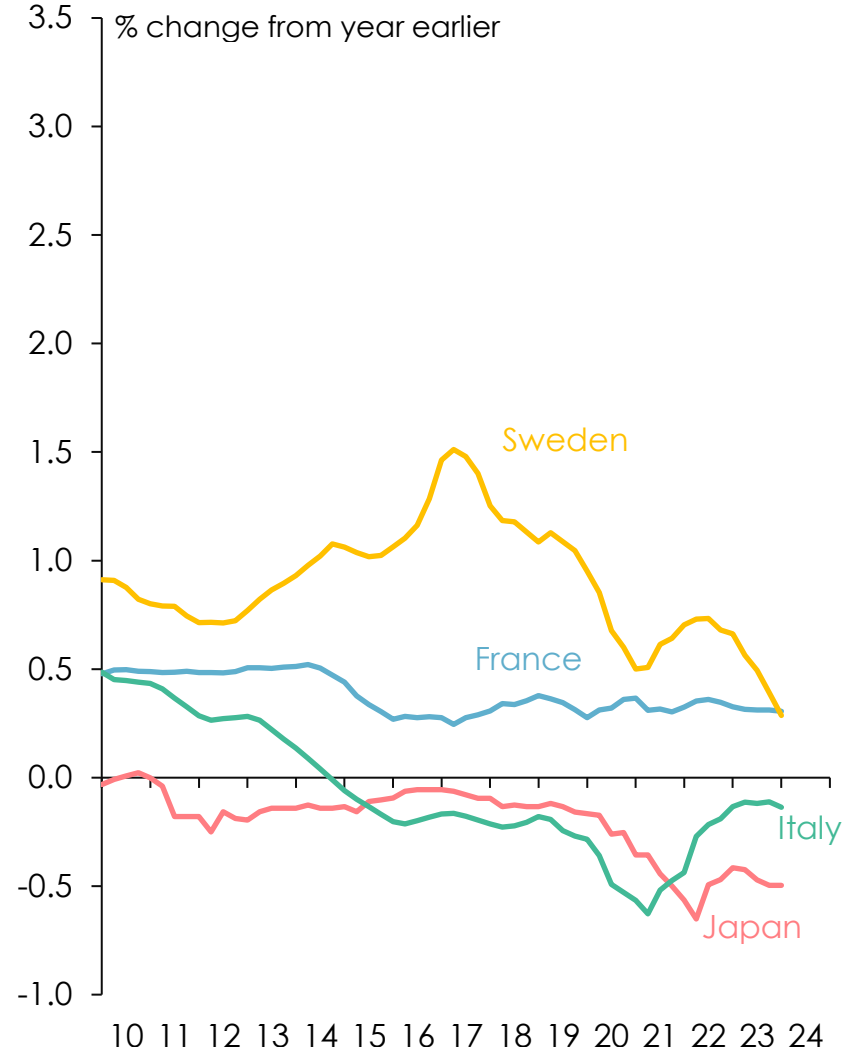
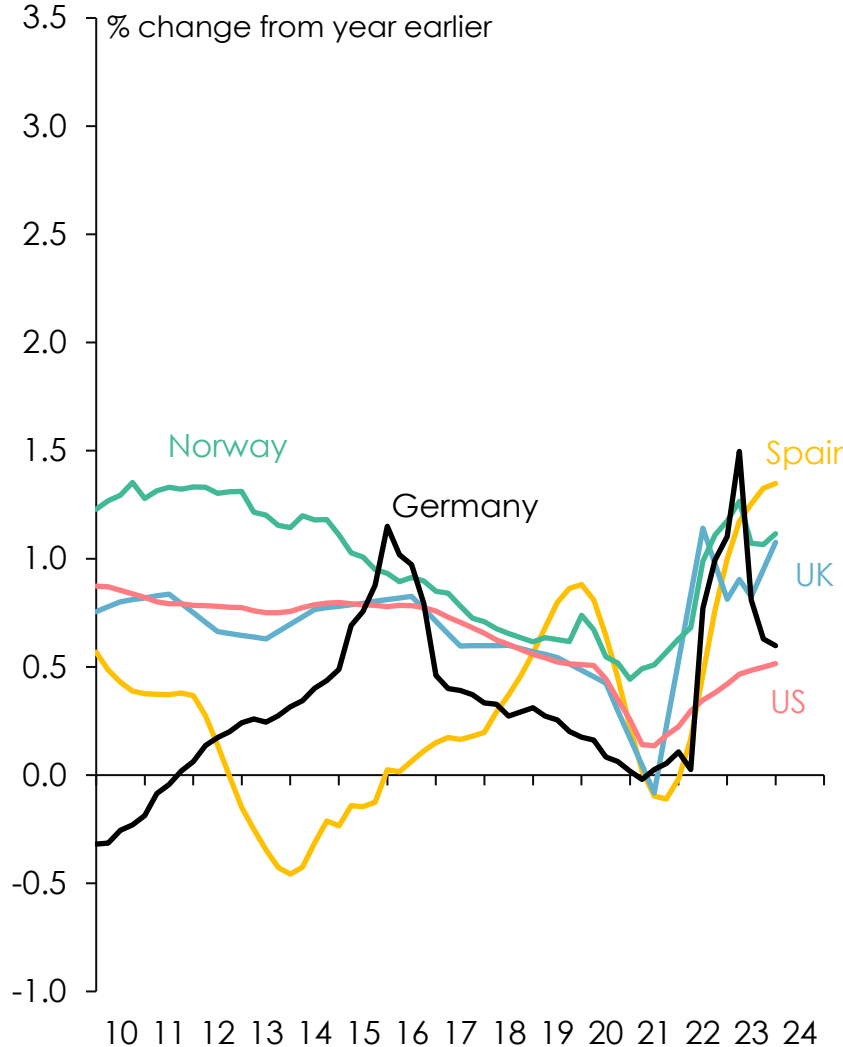
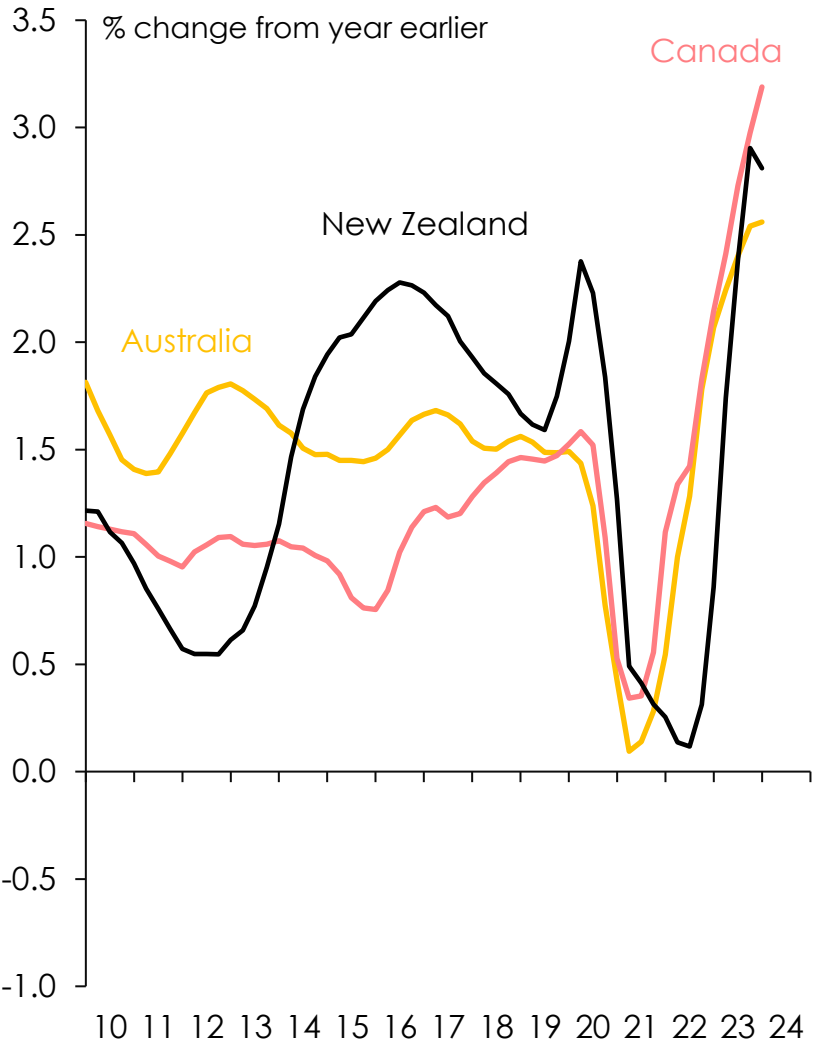
9TH APRIL 2024

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Some 'advanced' economies have experienced surges in population growth since the end of Covid – and some haven't

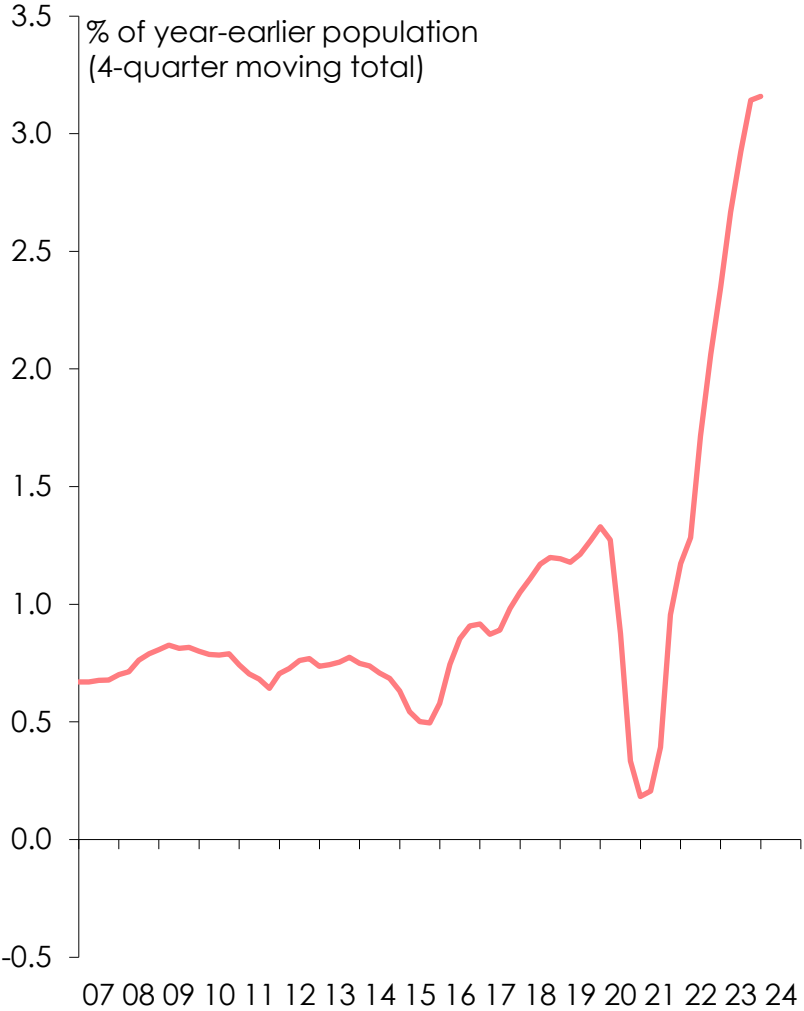
Population growth in selected 'advanced' economies



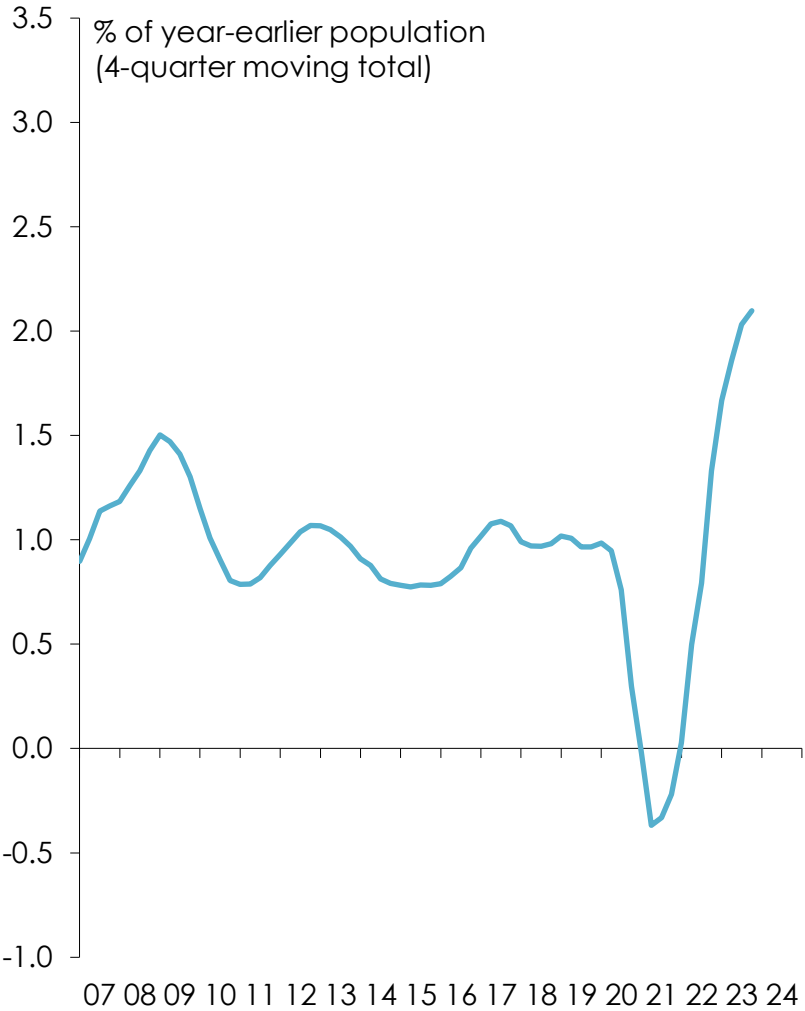
Sources: Statistics Canada; Australian Bureau of Statistics; Statistics NZ; US Bureau of Economic Analysis; Eurostat; UK Office for National Statistics; Japan Cabinet Office; Statistics Norway; Statistics Sweden.

The jump in population growth in Canada, Australia & New Zealand has been driven by surges in immigration

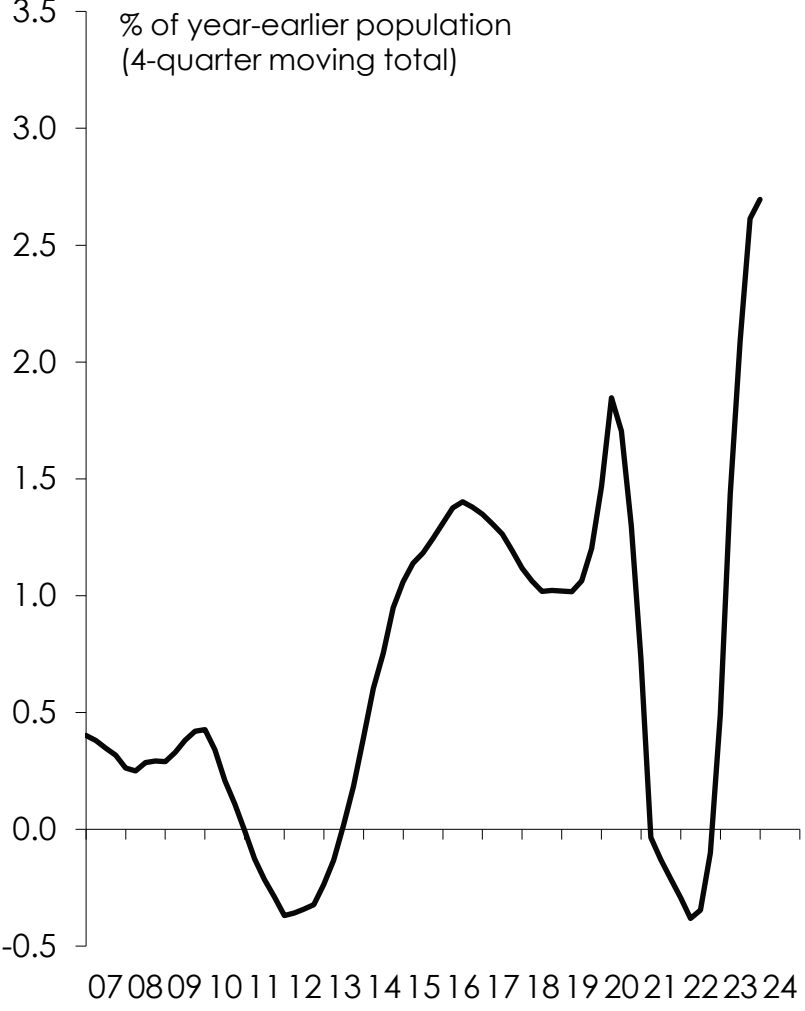
Net immigration contribution to population growth – Canada



Net immigration contribution to population growth – Australia



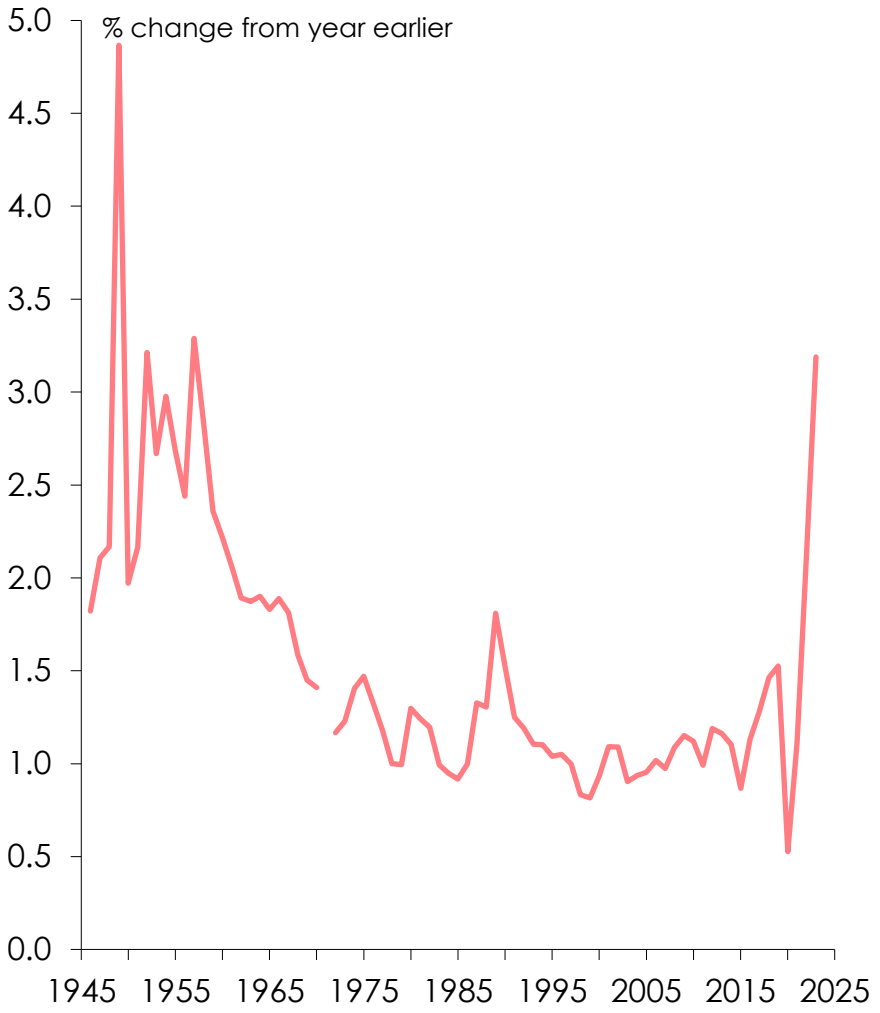
Net immigration contribution to population growth – New Zealand



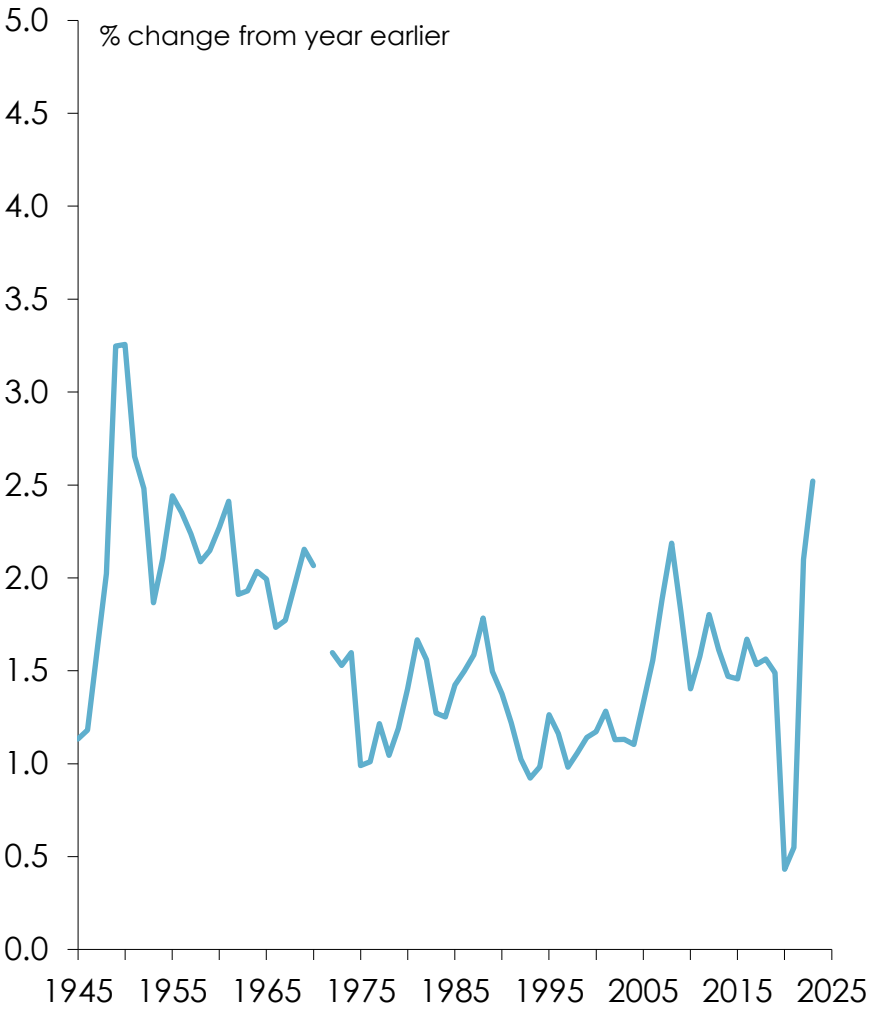
Sources: Statistics Canada; Australian Bureau of Statistics; Statistics New Zealand.

Canada, Australia and New Zealand have experienced their fastest population growth since the late 1940s or early 1950s

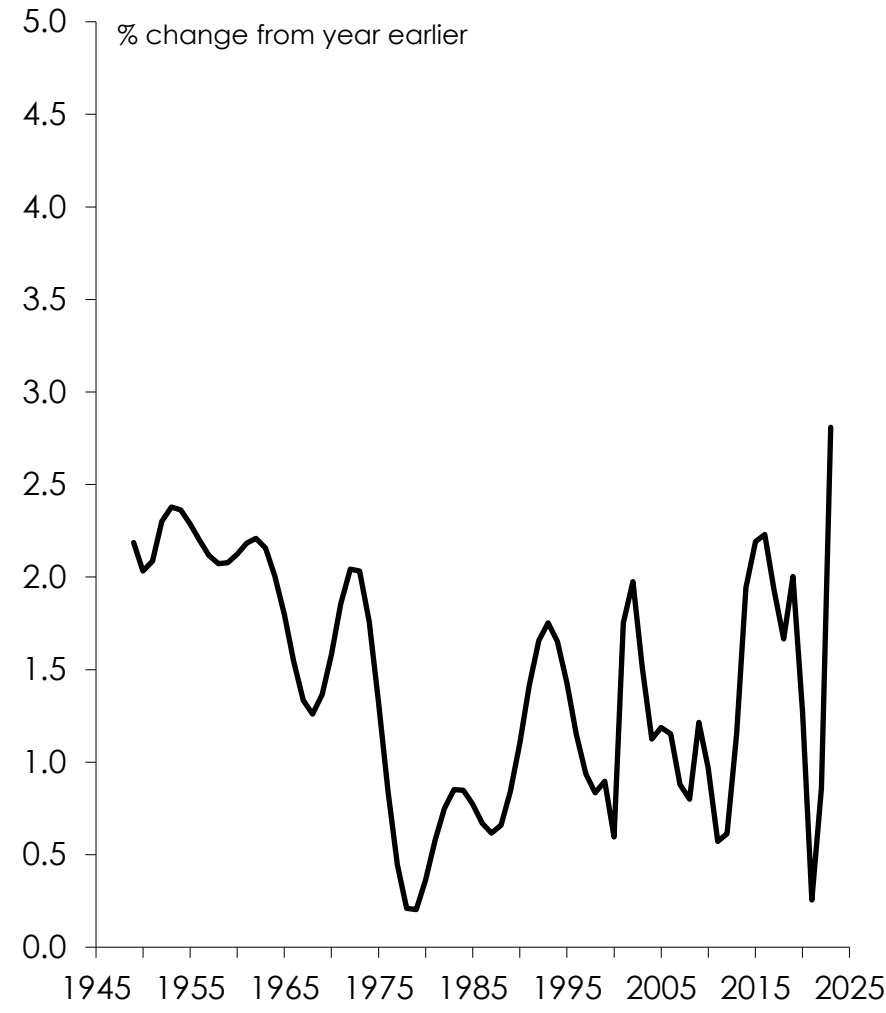
Long-term population growth – Canada



Long-term population growth – Australia



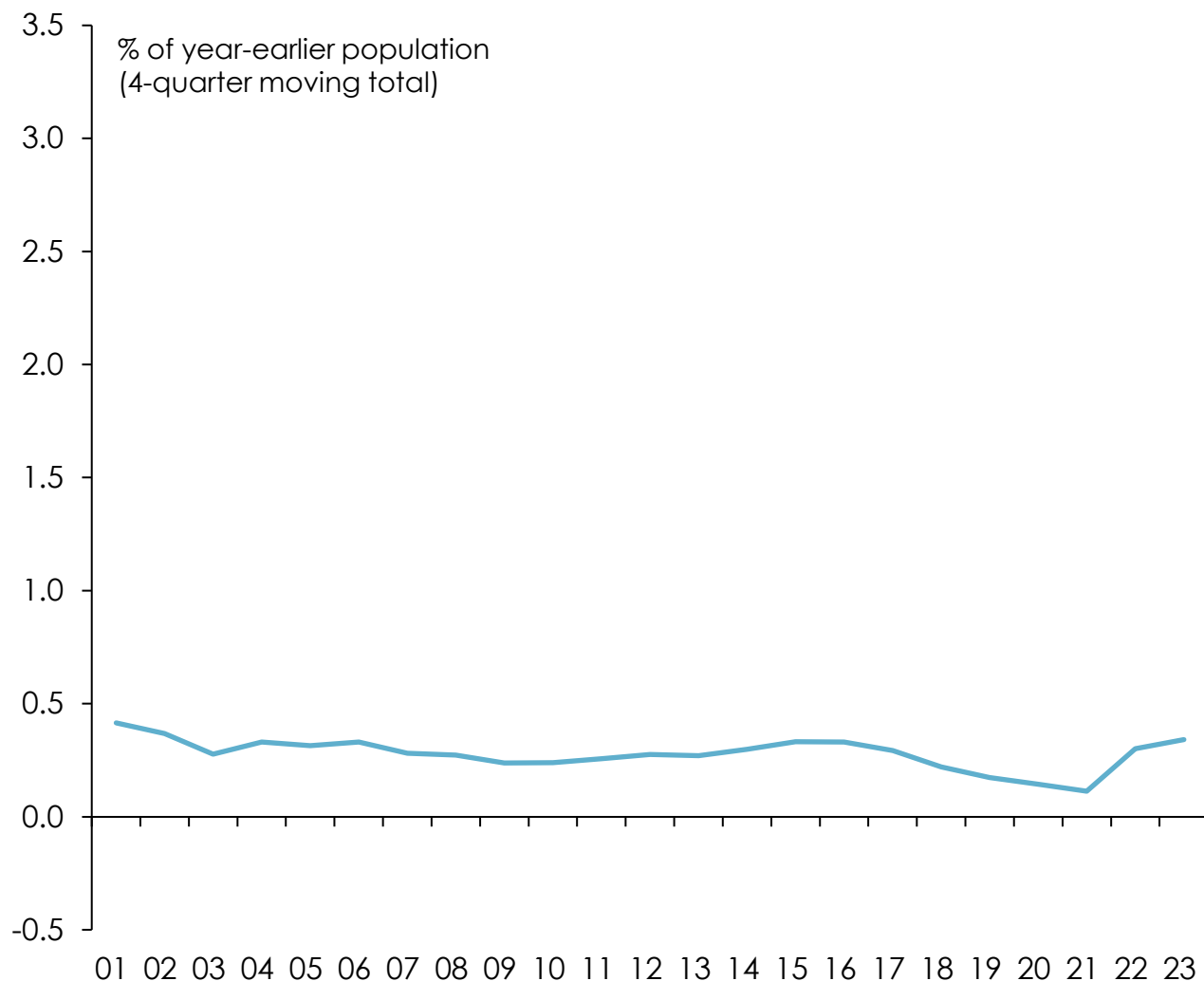
Long-term population growth – New Zealand



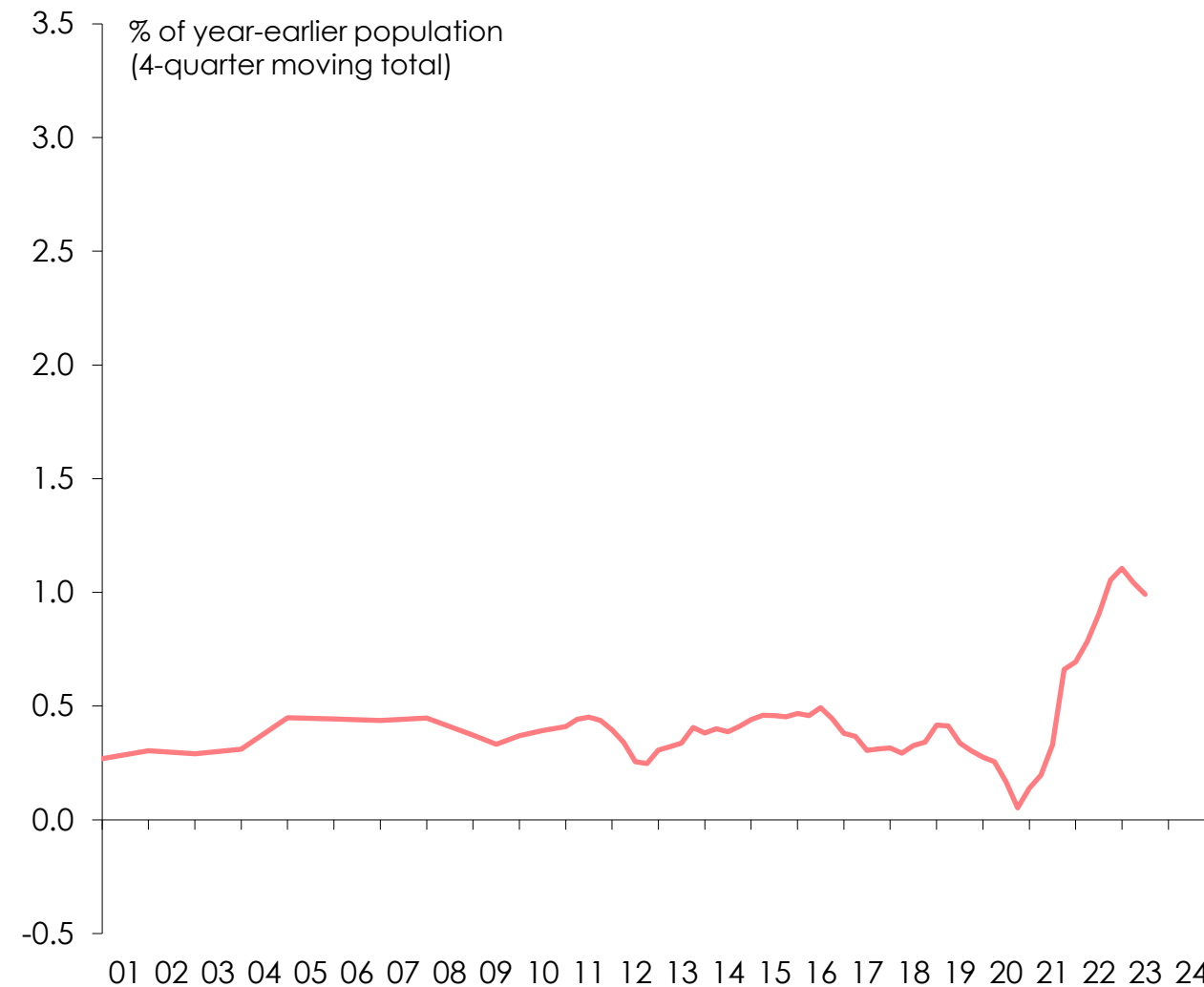
Note: Population series for Canada and Australia have series breaks in 1971 due to changes in methodology for estimating population between censuses.
Sources: Statistics Canada; Australian Bureau of Statistics; Statistics New Zealand.

The upturns in immigration to the US and UK have been more modest, and in the US case completely unexceptional by historical standards

Net immigration contribution to population growth – United States



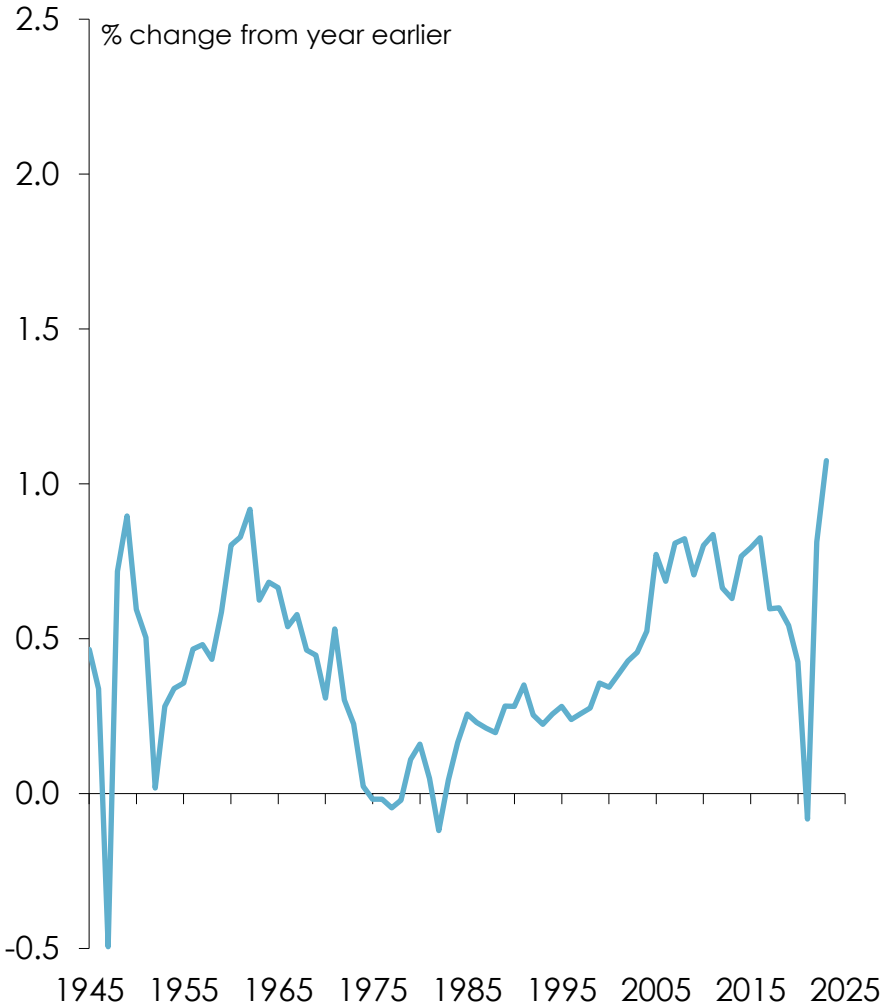
Net immigration contribution to population growth – United Kingdom



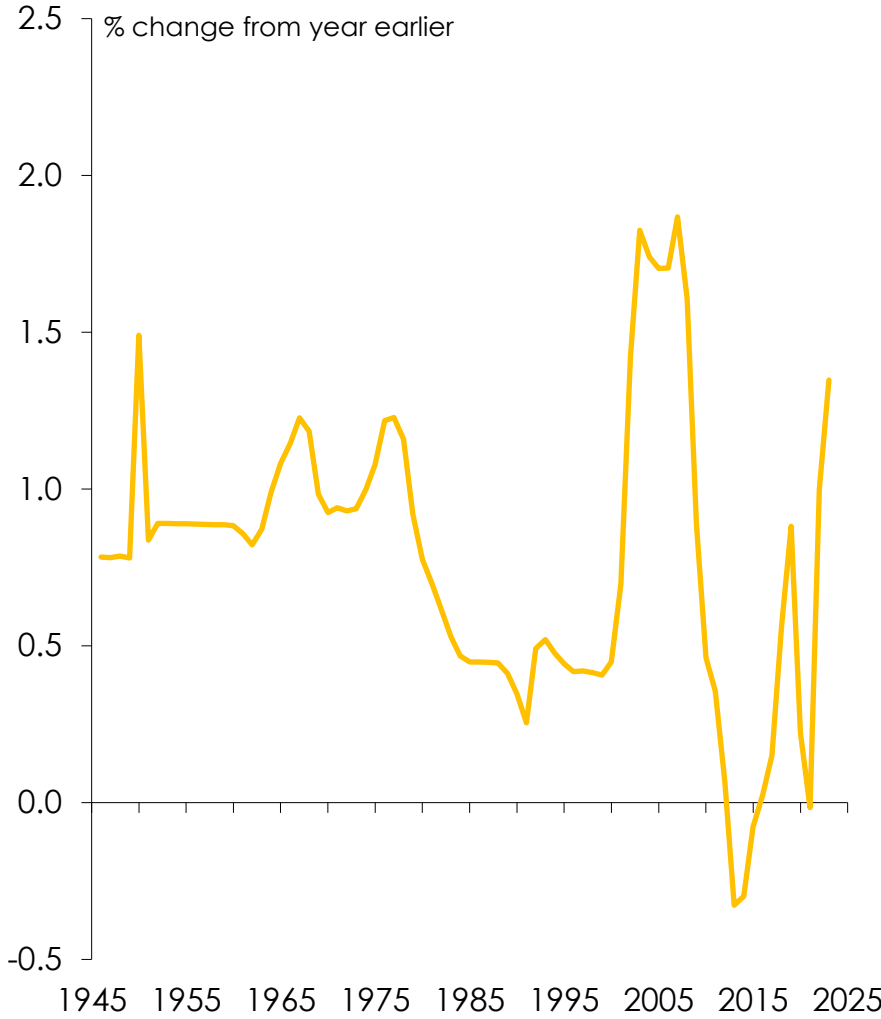
Note: US data is for years ended 30th June. Sources: William H. Frey, [Immigration is driving the nation's modest post-pandemic population growth, new census data shows](#), Brookings, 4th January 2024; The Migration Observer, [Net migration to the UK](#), Oxford University, 22nd January 2024; House of Commons Library, [Migration statistics](#), UK Parliament, 26th March 2024.

From a longer-term perspective population growth in the UK and Spain has been unusually high in the past two years – but not in the US

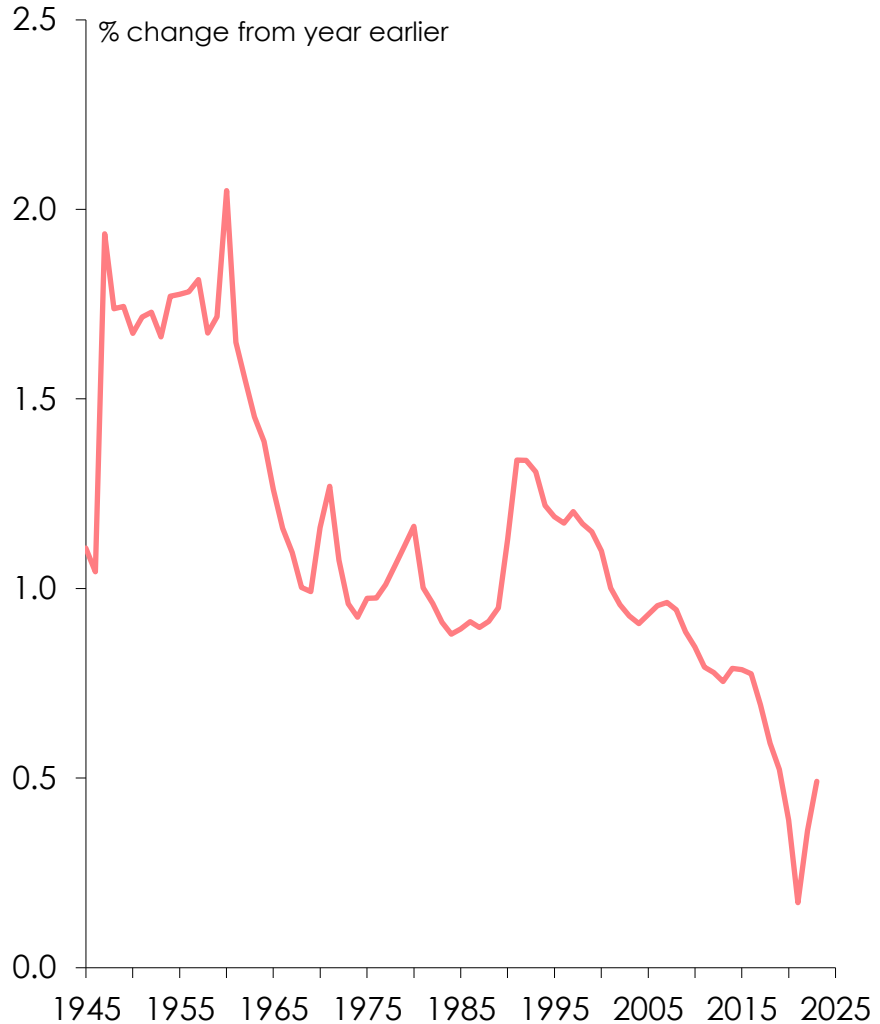
Long-term population growth – United Kingdom



Long-term population growth – Spain



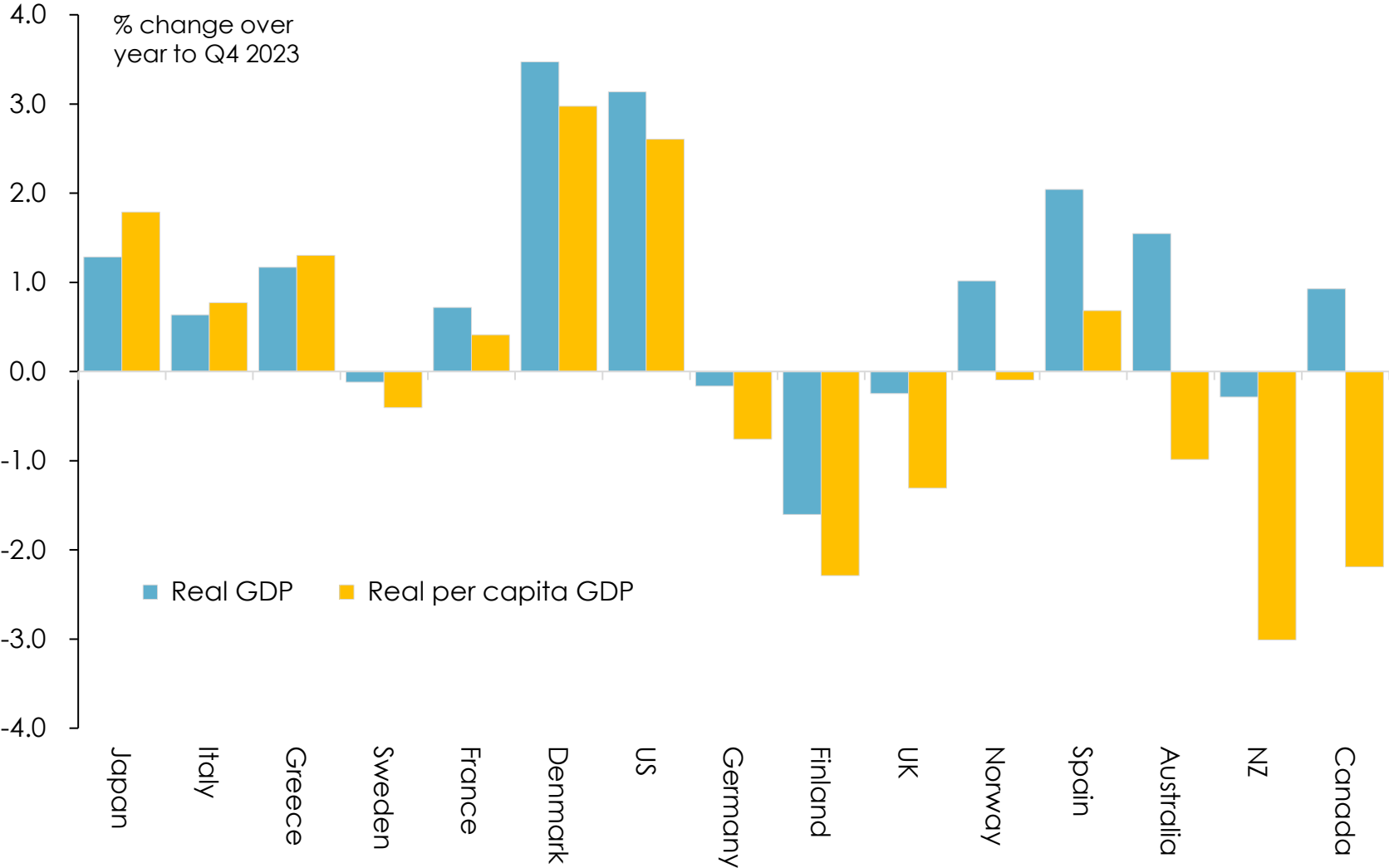
Long-term population growth – United States



Sources: UK Office for National Statistics; The Madison Project; Eurostat; US Bureau of the Census.

For some countries (including Canada, Australia, Germany and Sweden) strong population growth has prevented 'technical recessions'

Real and real per capita growth in GDP, year to Q4 2023



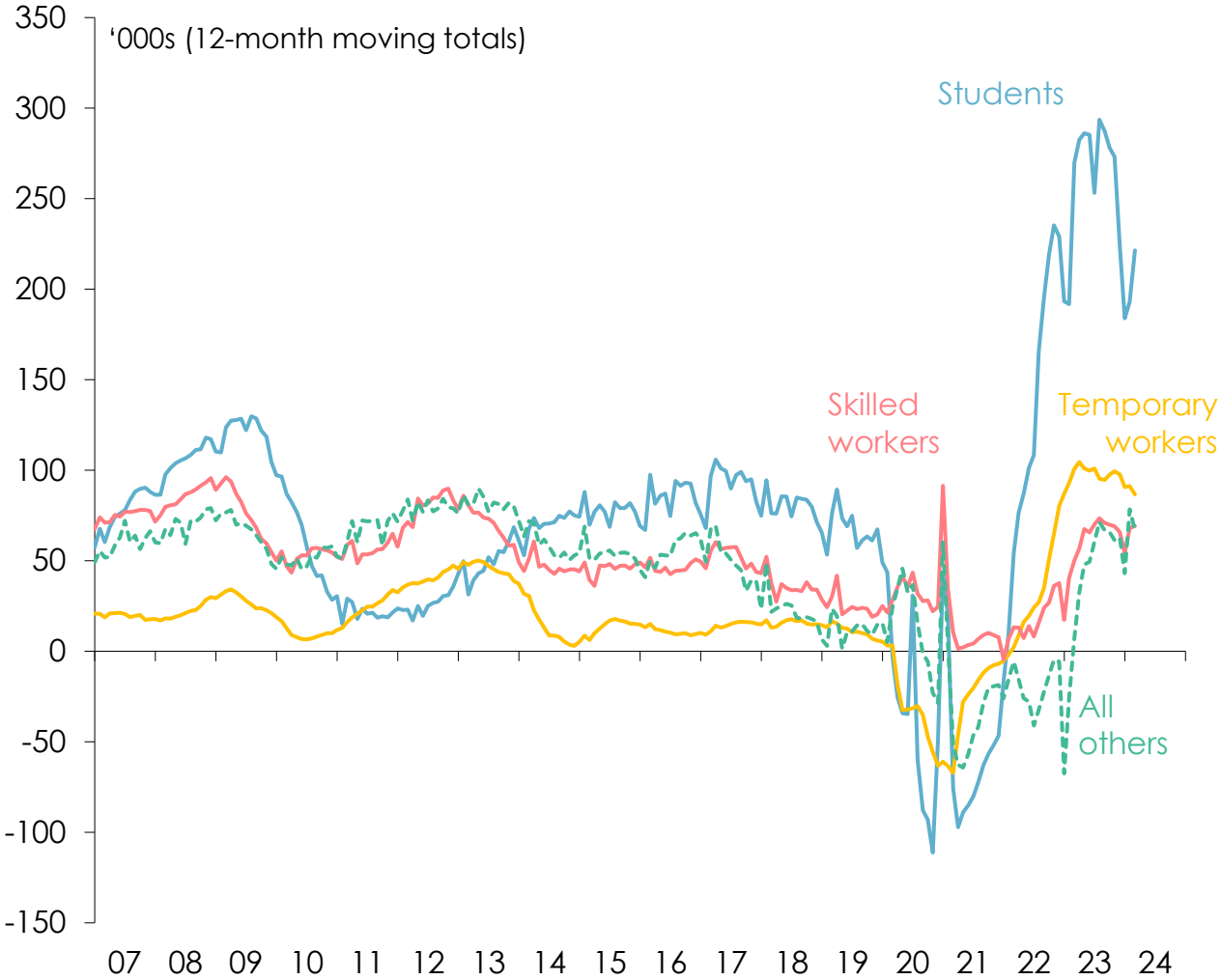
Number of quarters of 'negative growth', Q2 2022-Q4 2023

	Real GDP	Real per capita GDP
US	1	1
Japan	2	2
Germany	3	5
UK	3	6
France	0	2
Italy	1	1
Spain	0	0
Canada	2	5
Australia	0	4
NZ	4	5
Norway	3	3
Sweden	4	4
Denmark	3	2
Finland	5	5
Greece	1	1

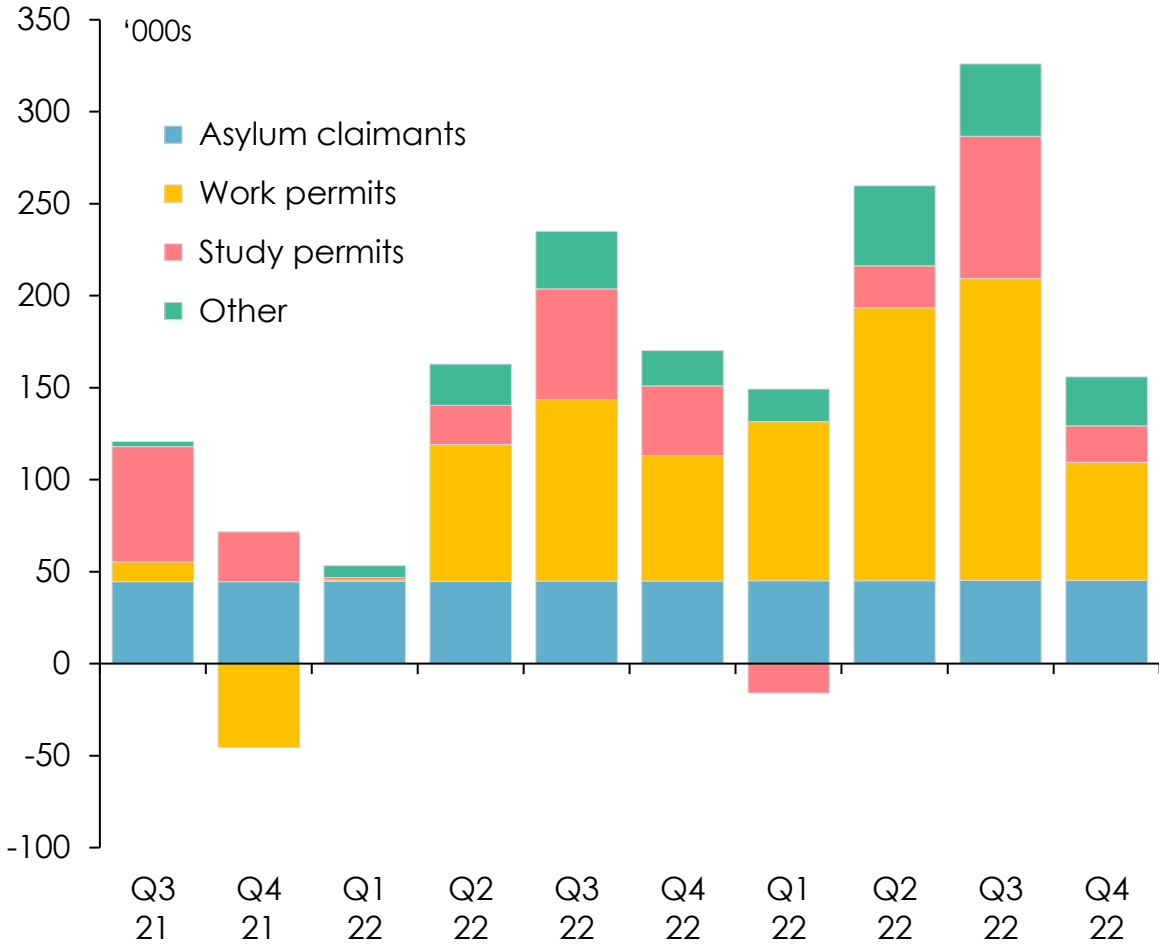
Sources: US Bureau of Economic Analysis; Japan Cabinet Office; Eurostat; UK Office for National Statistics; Statistics Canada; Australian Bureau of Statistics; Statistics NZ; Statistics Norway; Statistics Sweden; Corinna.

For both Australia and Canada the surge in immigration has been driven by students and temporary (skilled and unskilled workers)

Australia – net permanent and long-term arrivals, by visa category



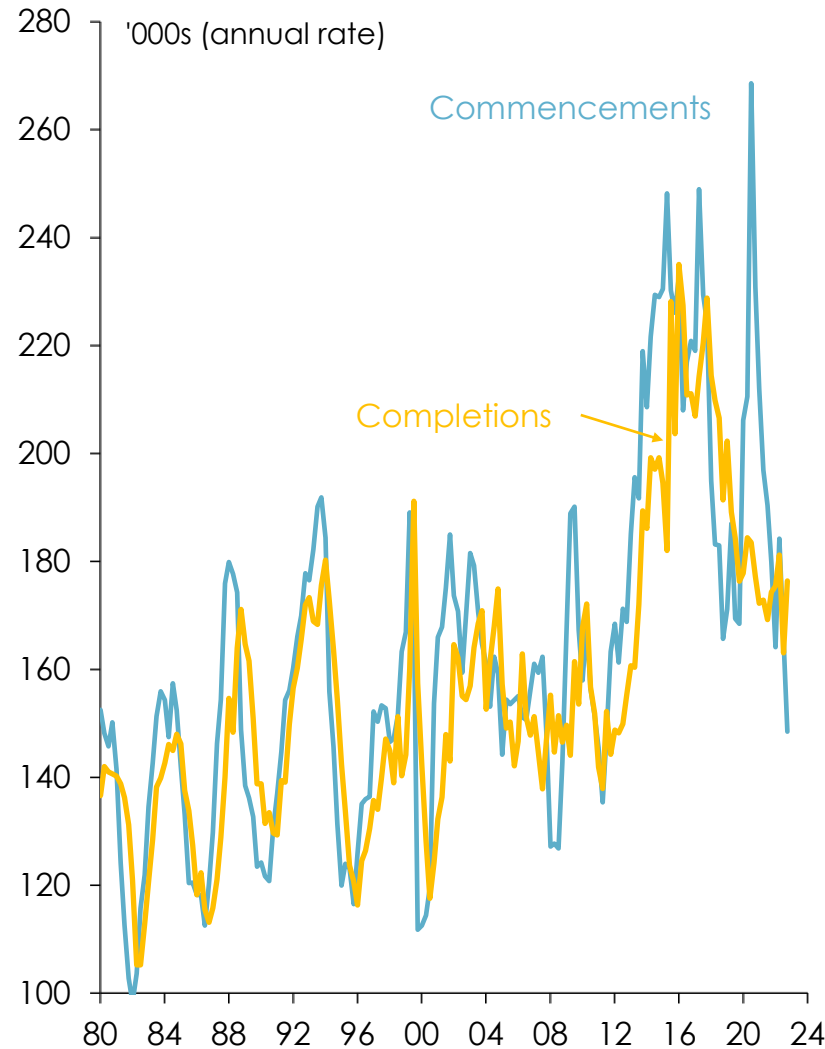
Canada – categories of non-permanent arrivals



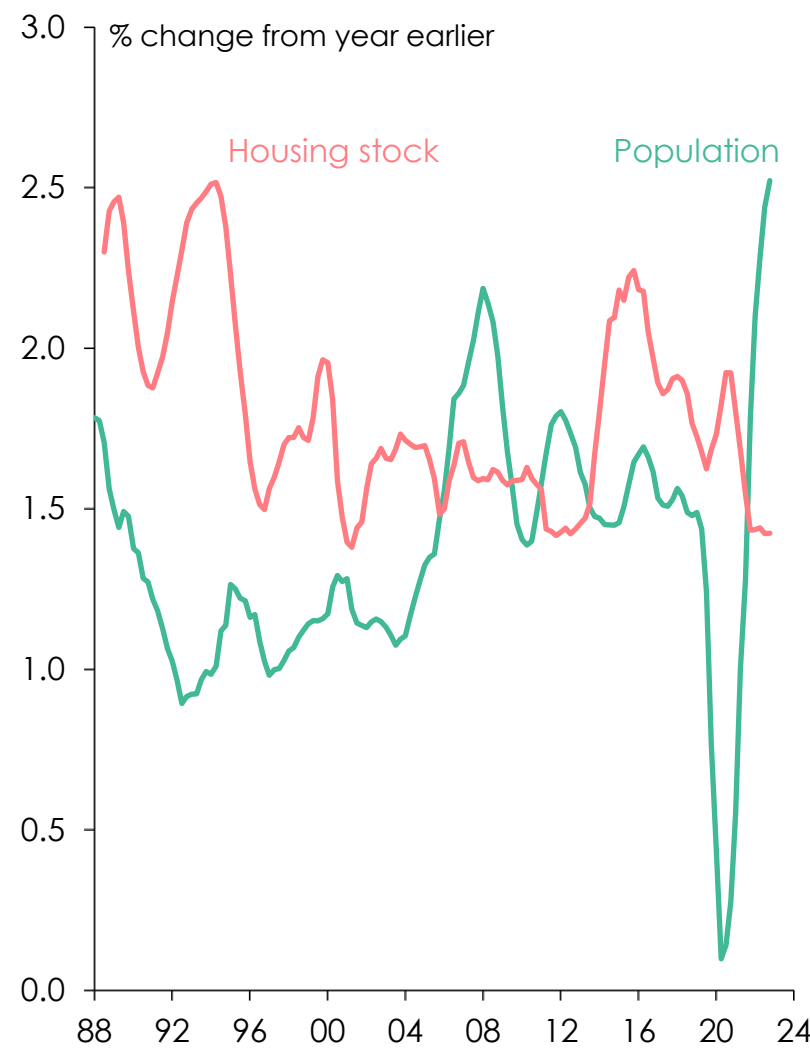
Source: Australian Bureau of Statistics, [Overseas Arrivals and Departures](#), February 2024; Statistics Canada, [Estimates of the number of non-permanent residents by type, quarterly](#), 27th March 2024.

In Australia, the surge in immigration combined with a downturn in new dwelling construction has put substantial pressure on the housing system

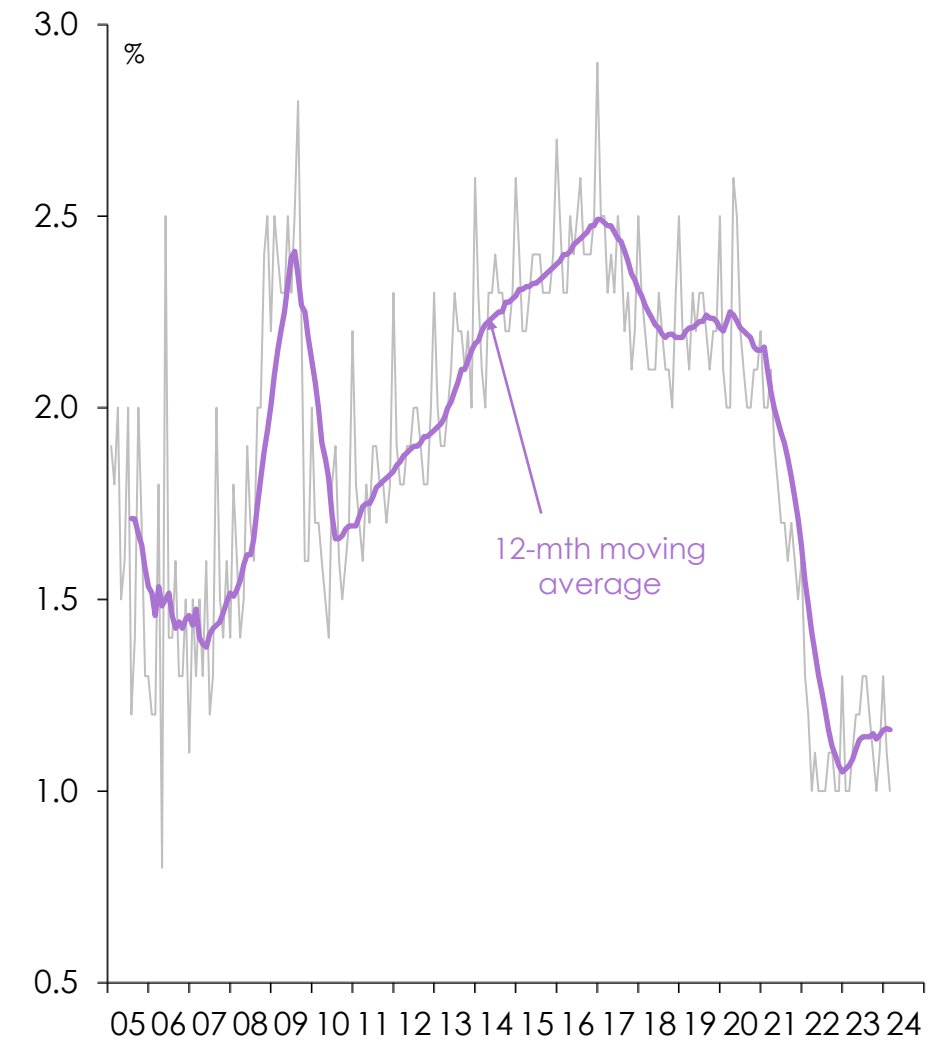
Dwelling commencements and completions



Growth in the population and stock of housing



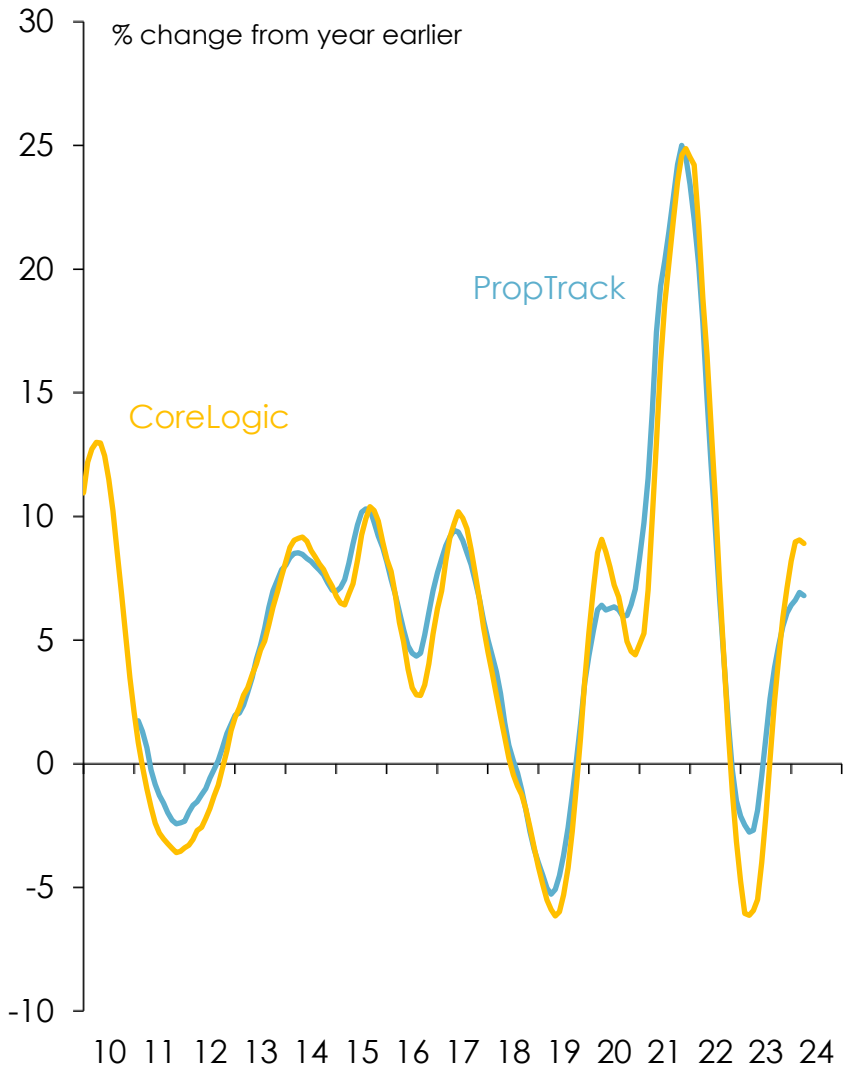
Rental vacancy rates



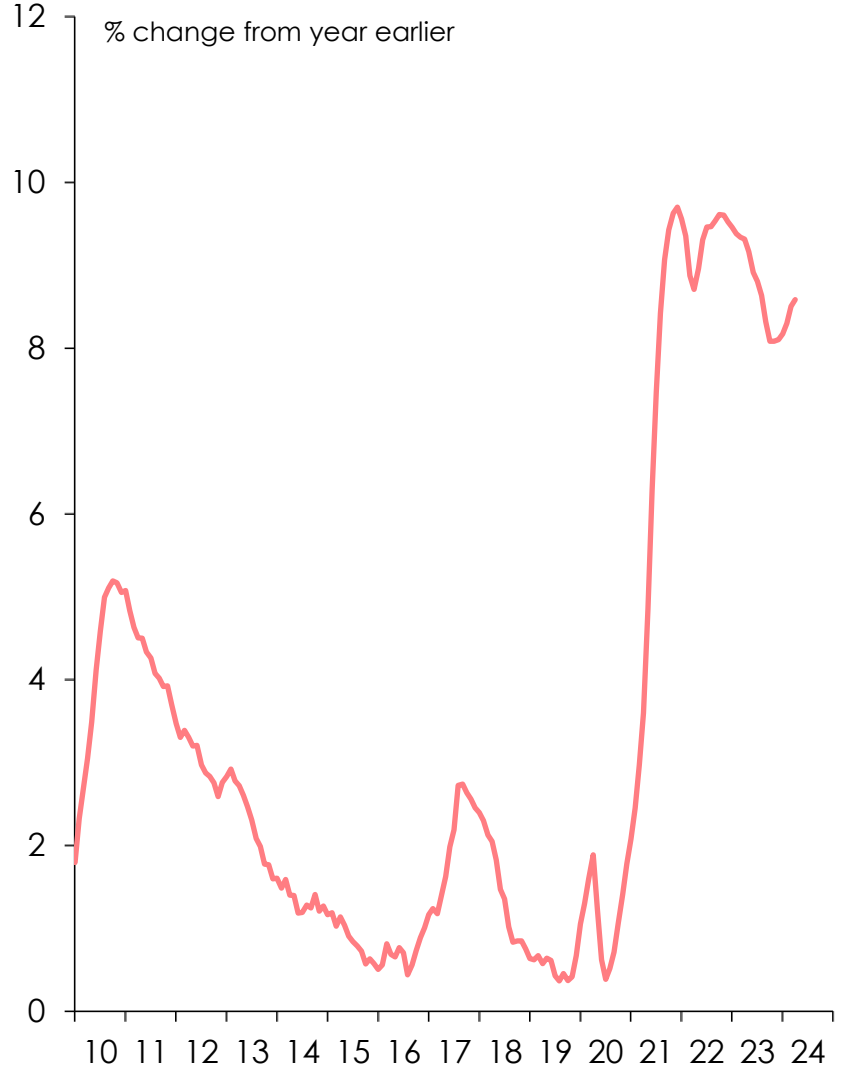
Sources: Australian Bureau of Statistics, [Building Activity](#), September 2023 and [National, state and territory population](#), September 2023; Reserve Bank of Australia, [Household and Business Balance Sheets](#); and SQM Research, [Residential vacancy rates](#).

Housing prices and costs have been a significant contributor to the increase in Australian inflation since the second half of 2021

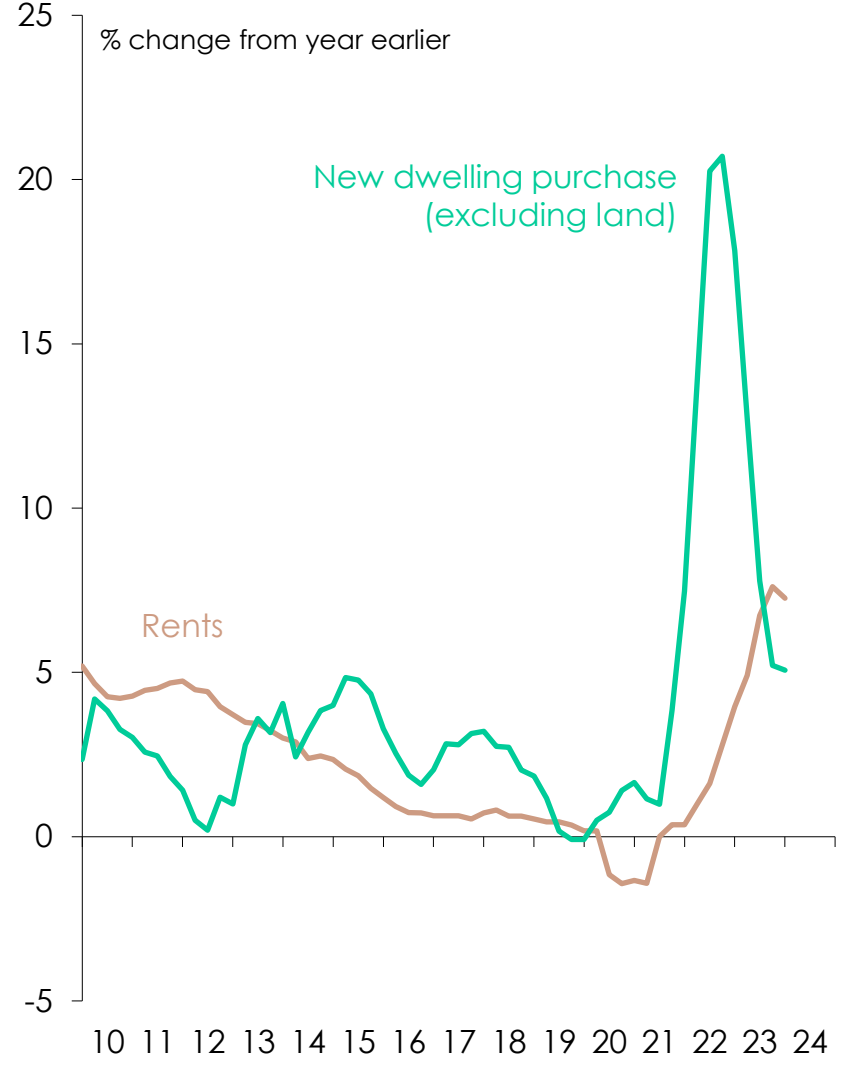
Median dwelling prices



Median rents



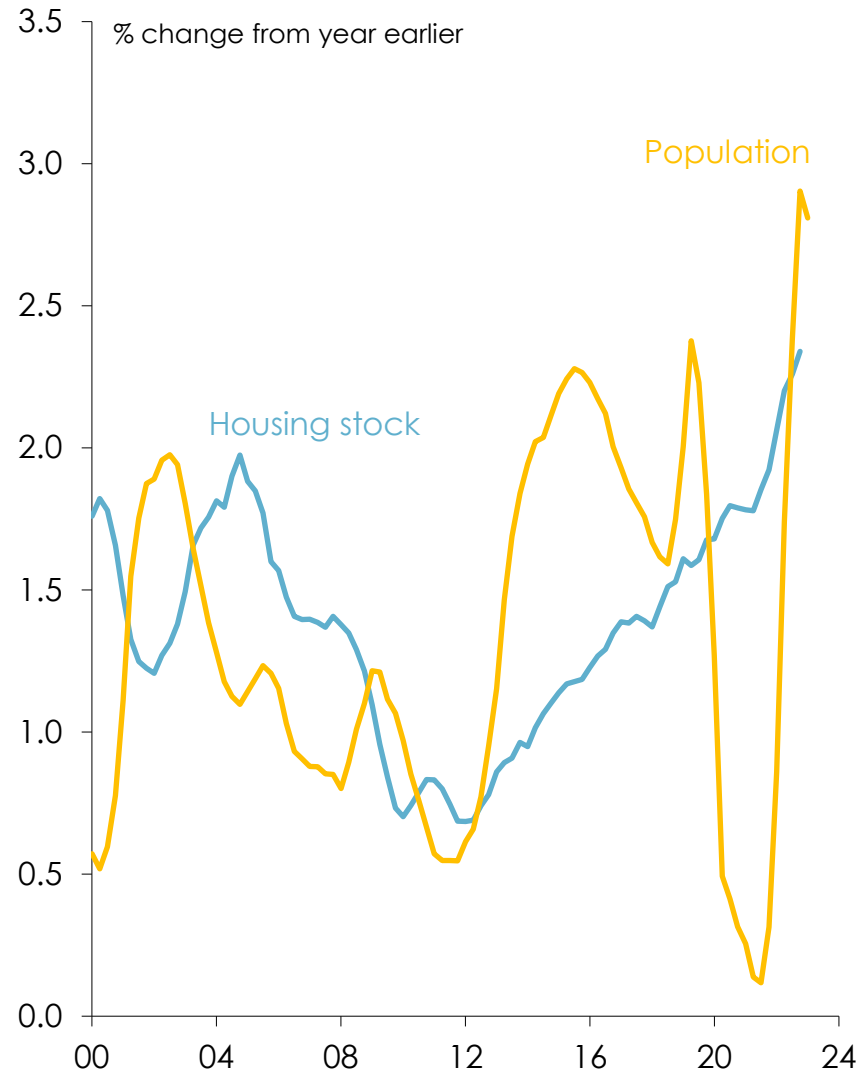
Housing costs in the CPI



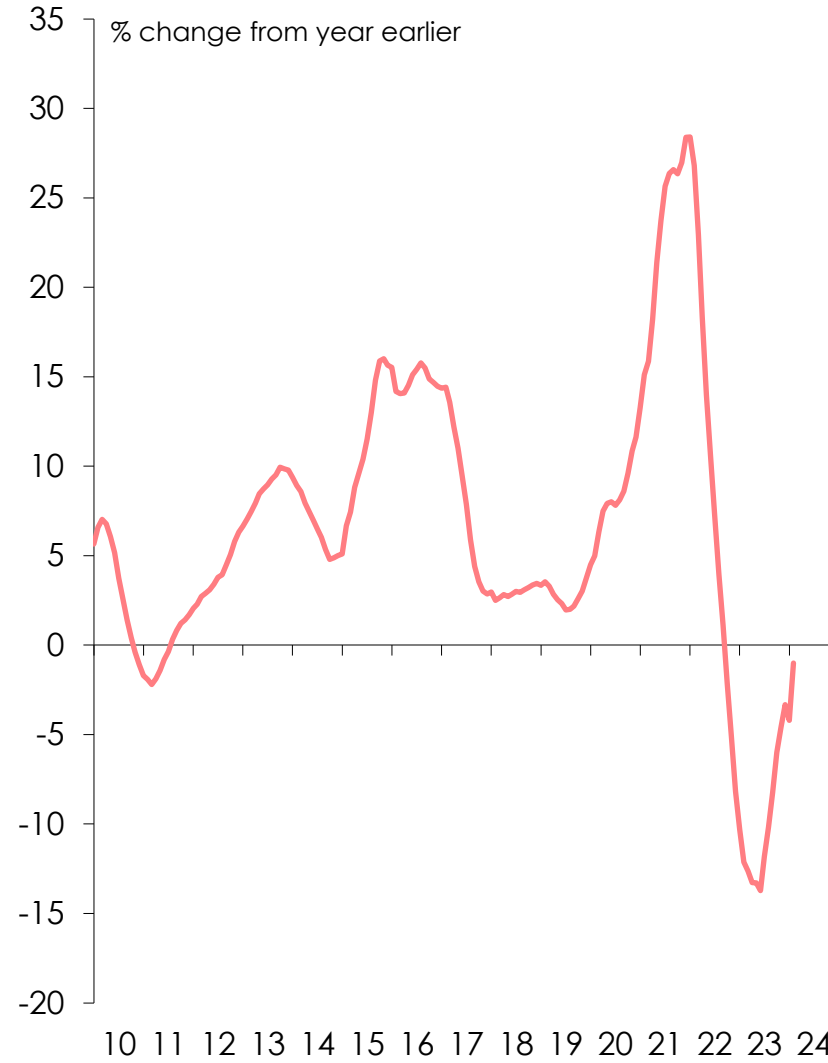
Sources: [CoreLogic Australia](#); [PropTrack](#); Australian Bureau of Statistics, [Consumer Price Index, Australia](#), December quarter 2023.

New Zealand has done a better job of improving housing supply growth and has seen slightly less housing cost inflation than Australia

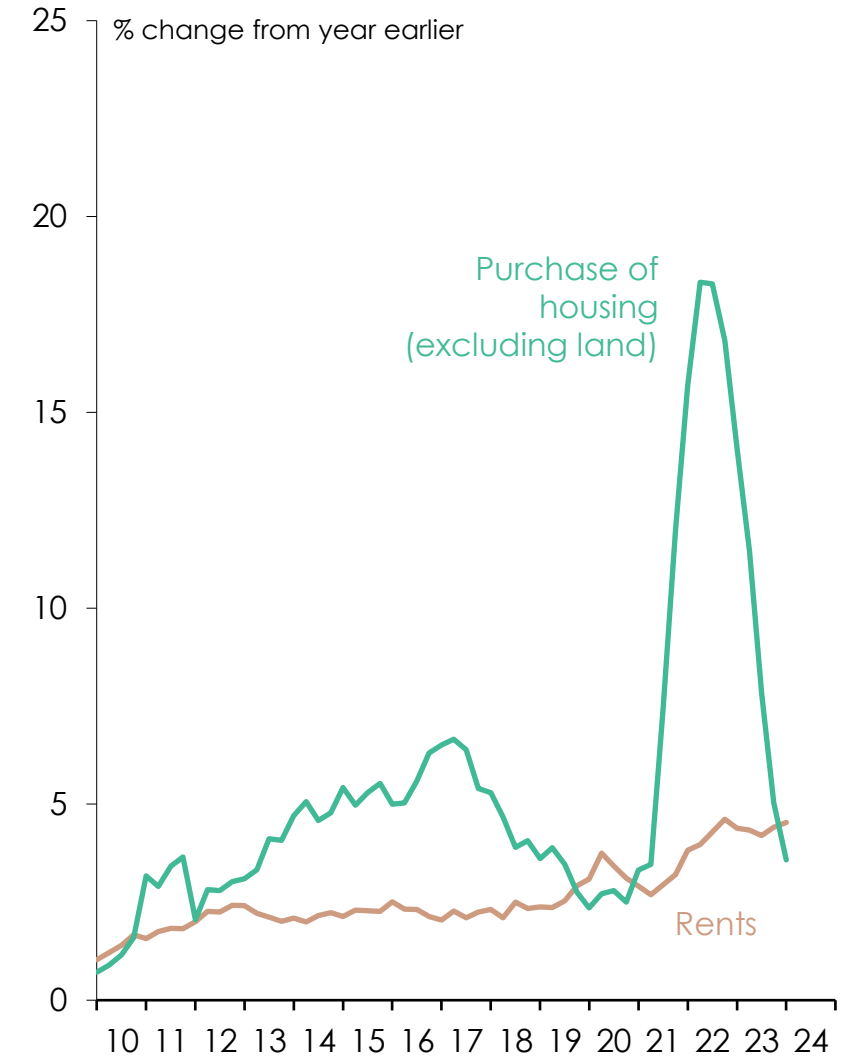
Growth in the population and stock of housing



Median house prices



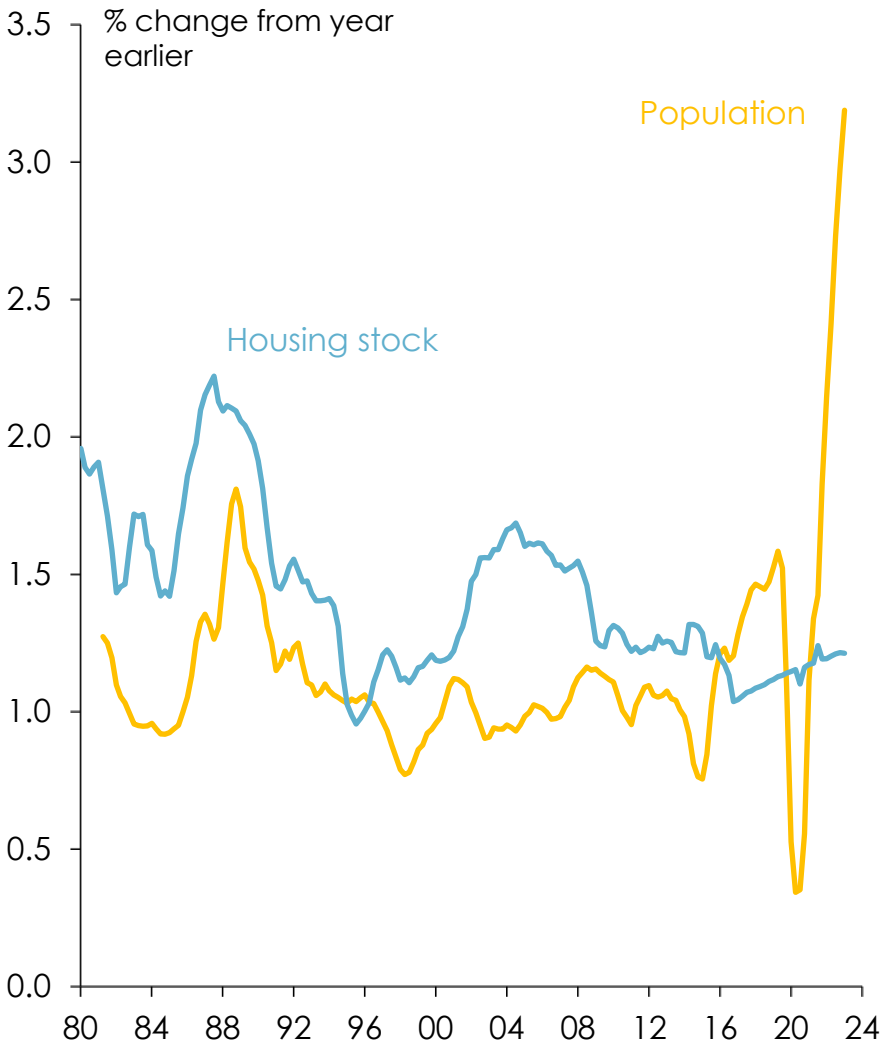
Housing costs in the CPI



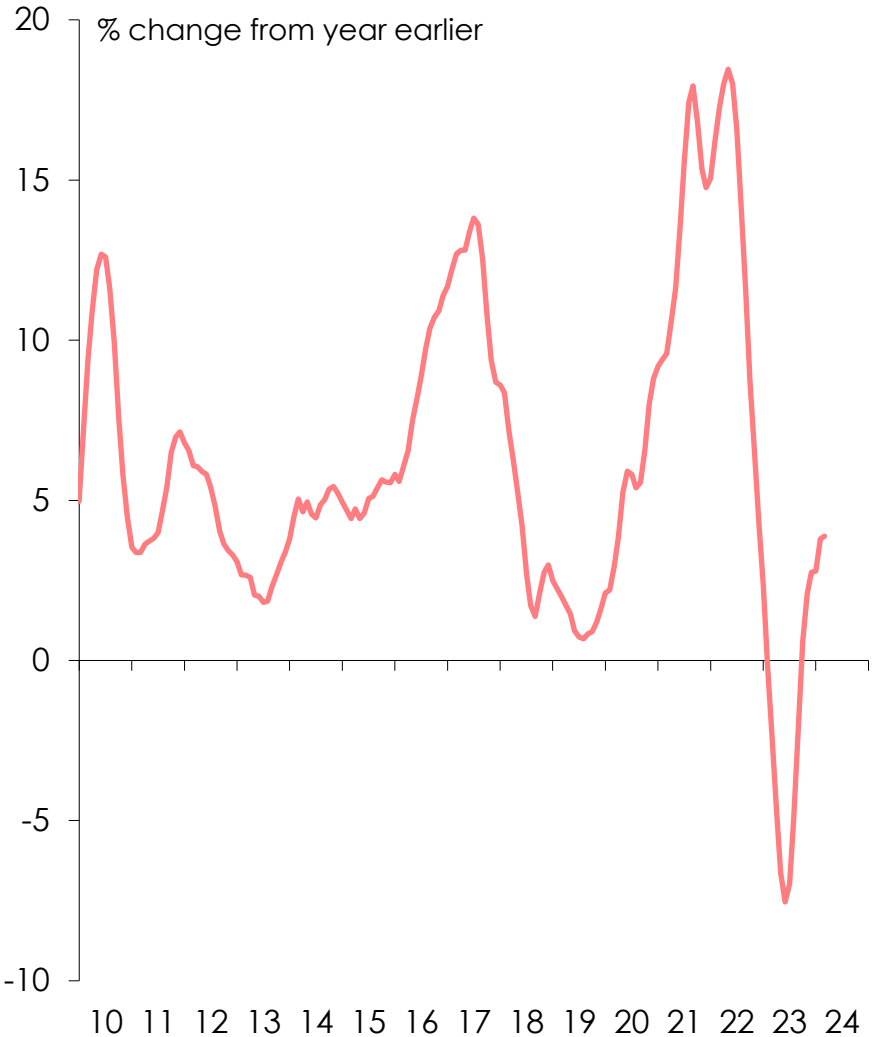
Sources: Statistics New Zealand, [Estimated population of NZ](#), 31 December 2023, [National Accounts - supplementary Table 1.5A](#), September quarter 2023, and [Consumers Price Index](#), December 2023; [QV House Price Index](#), February 2024.

Population growth in Canada has substantially out-run growth in the housing stock resulting in substantial pressure on housing costs, especially rents

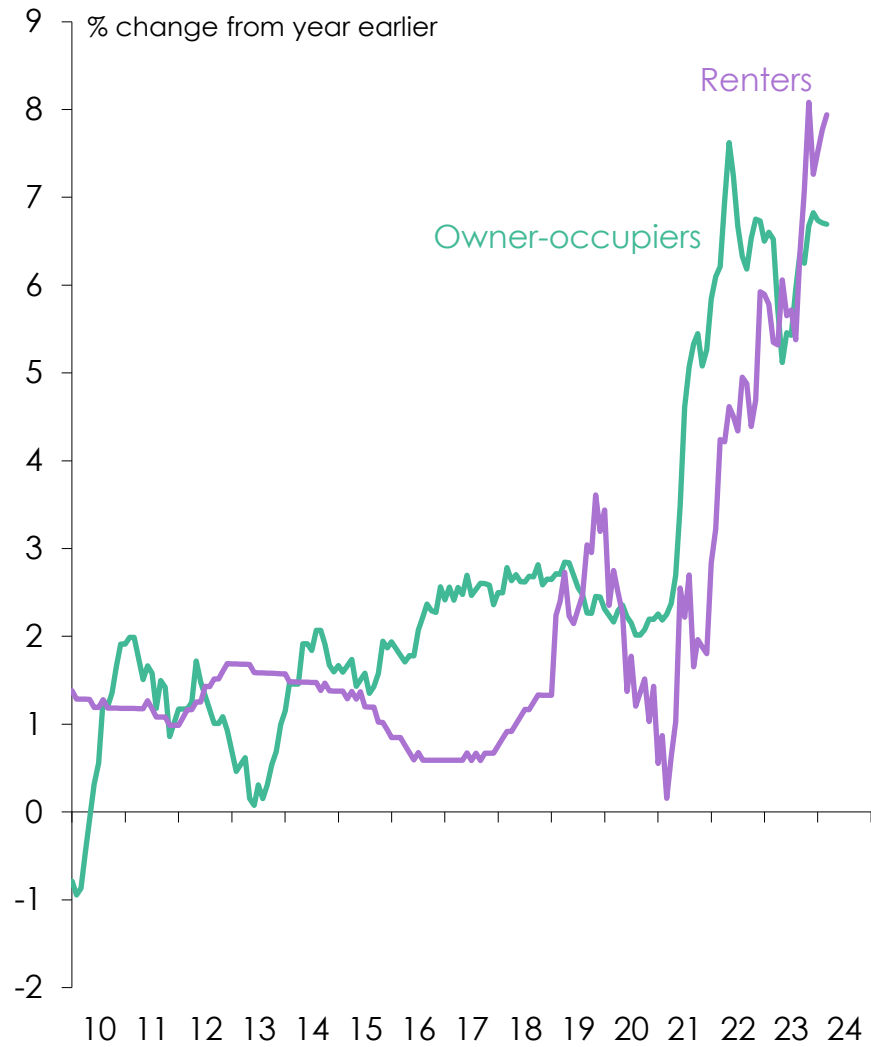
Growth in the population and stock of housing



Median house prices



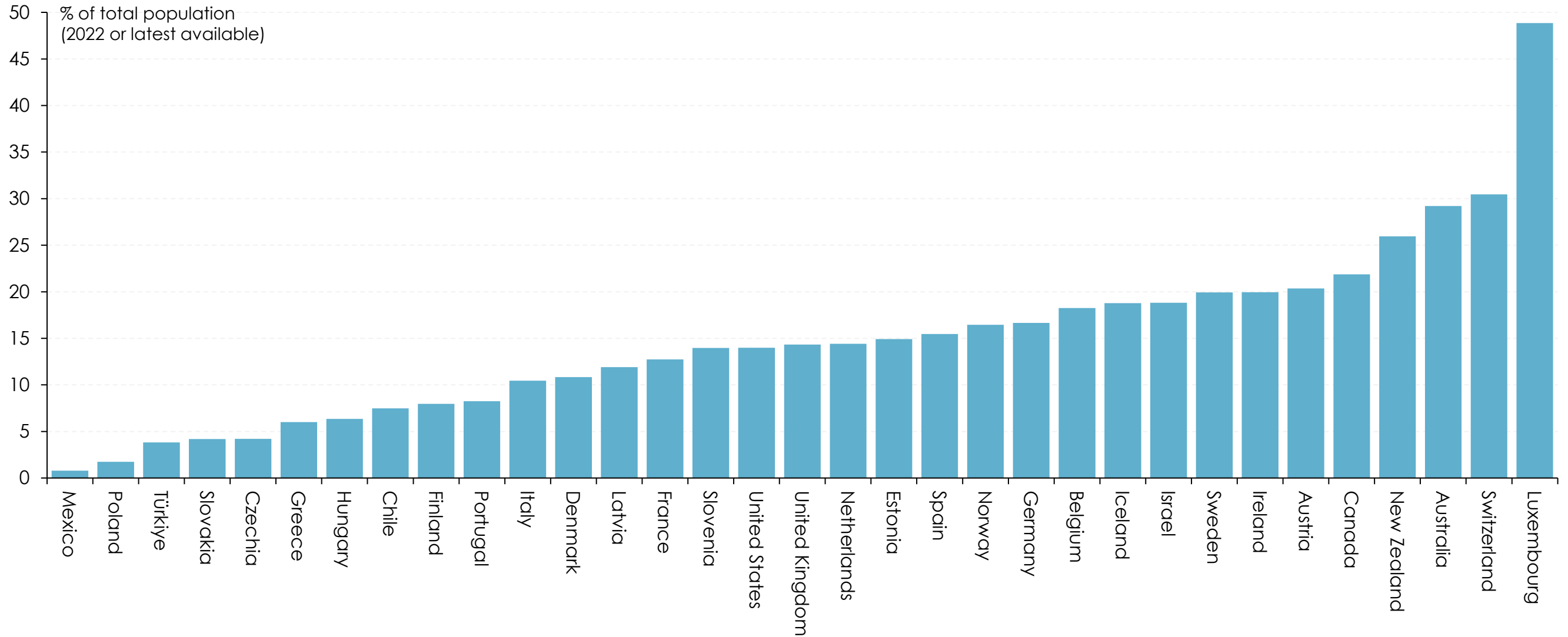
Housing costs in the CPI



Note: Statistics Canada's series on the housing stock begins in Q2 2016; earlier estimates were backcast using data on housing completions.
 Sources: Statistics Canada, [Housing stock in unit by institutional sector, housing type, dwelling occupation, dwelling type, and tenure type](#), Q4 2023, [Housing Market Indicators](#), December 2018, and [Consumer Price Index](#), February 2024; [Teranet-National Bank House Price Index](#).

Canada, Australia and New Zealand have had relatively large immigration intakes for many years, as have some smaller European countries

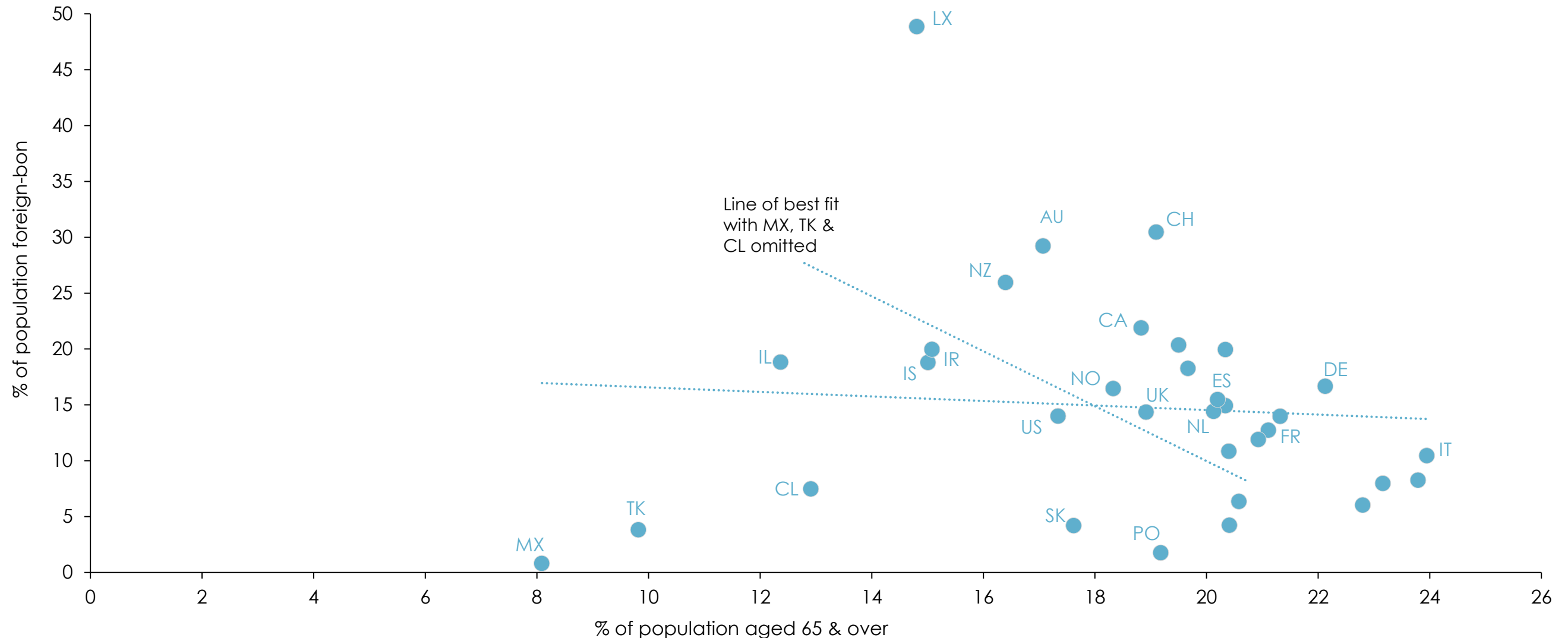
Foreign-born population as a percentage of total population, OECD member countries



Note: Data not available for Japan and Korea.
Source: OECD.Stat, [International Migration Database](#).

Higher rates of immigration go some way to offsetting population ageing in higher-income 'advanced' economies

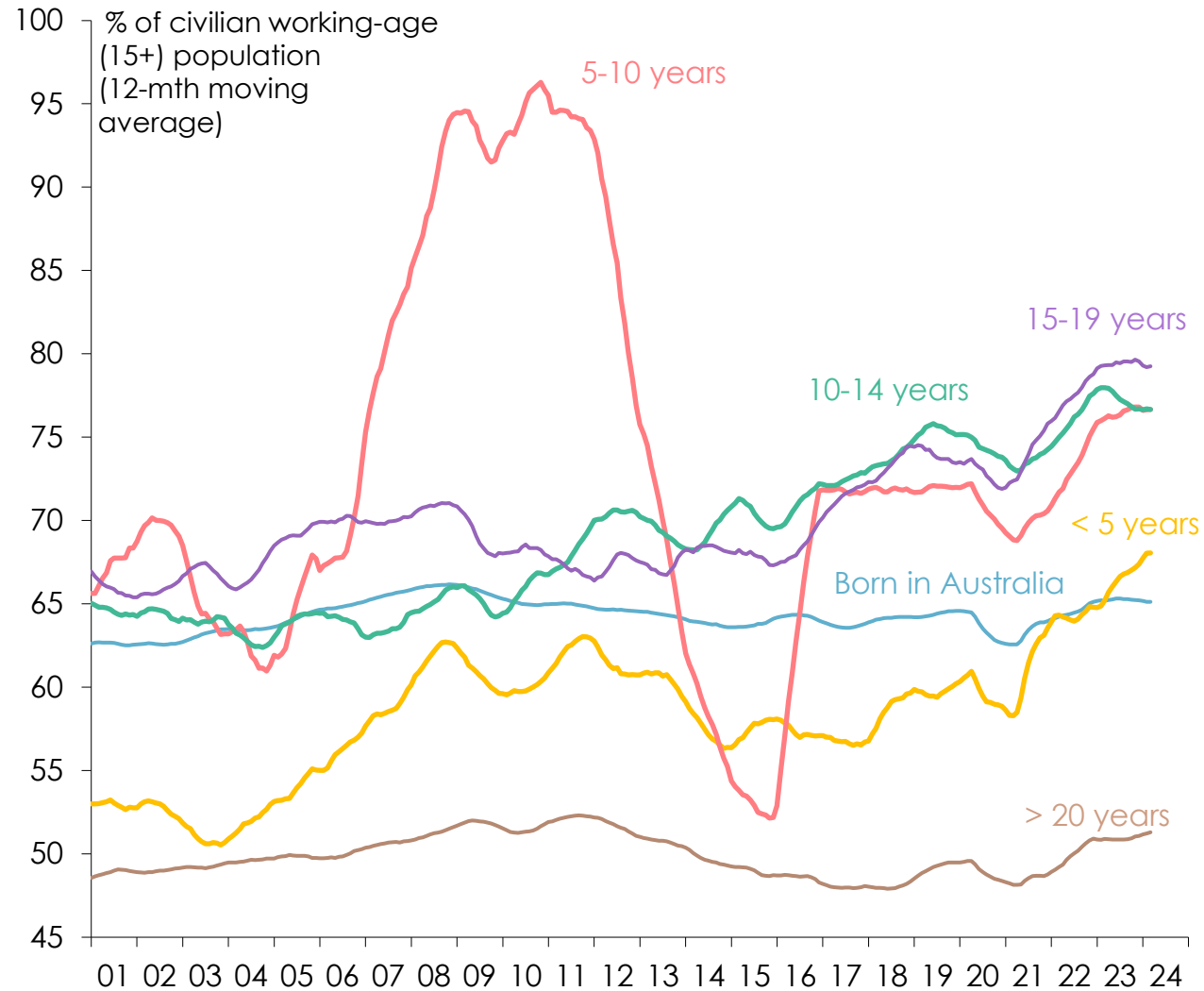
Foreign-born population and population aged 65 & over, OECD member countries, 2022 or latest available



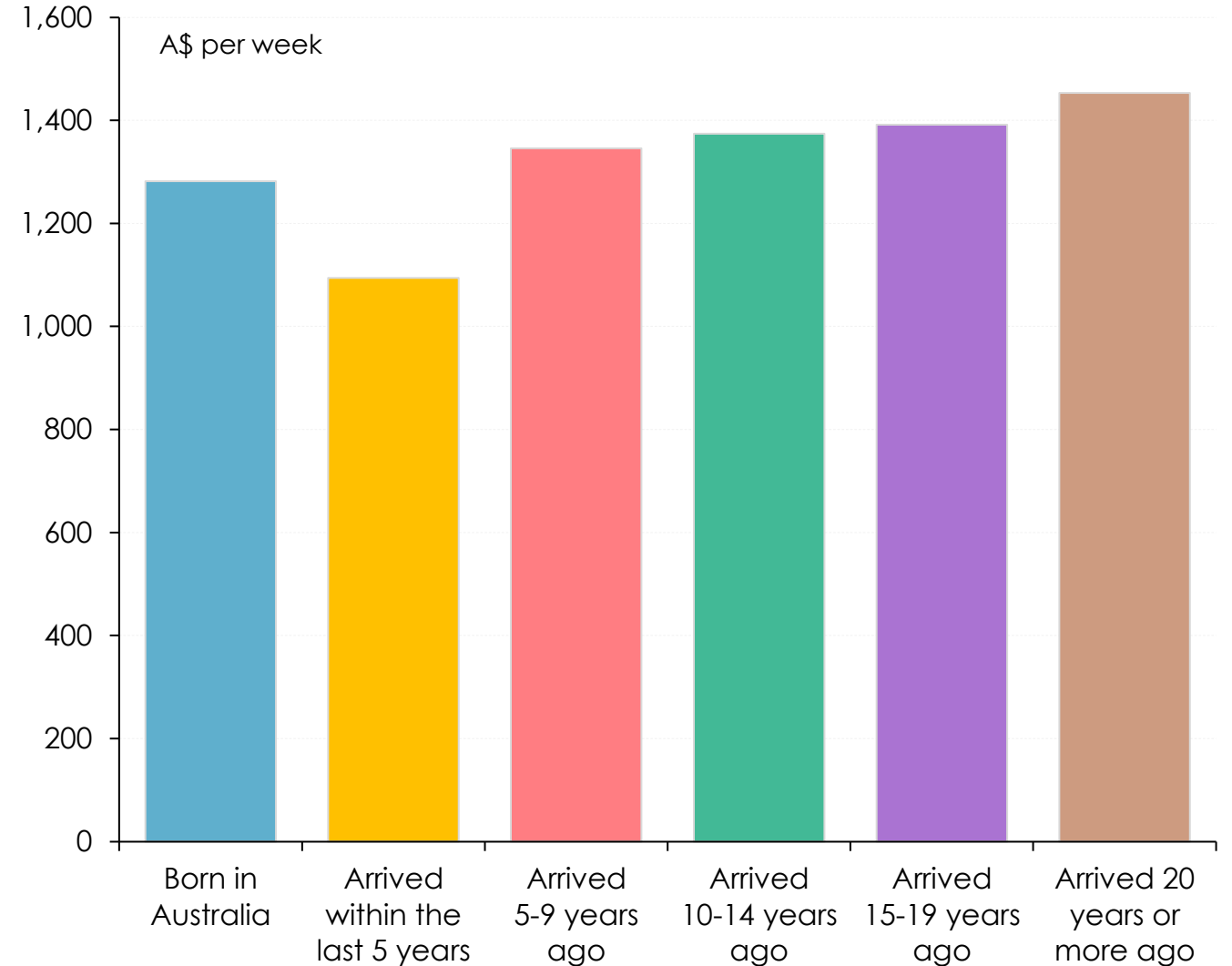
Note: Data not available for Japan and Korea.
Source: OECD.Stat, [International Migration Database](#).

In Australia migrants are more likely to be employed than the native-born, and after five years in Australia also get paid more

Employment-participation rates by years since arrival in Australia



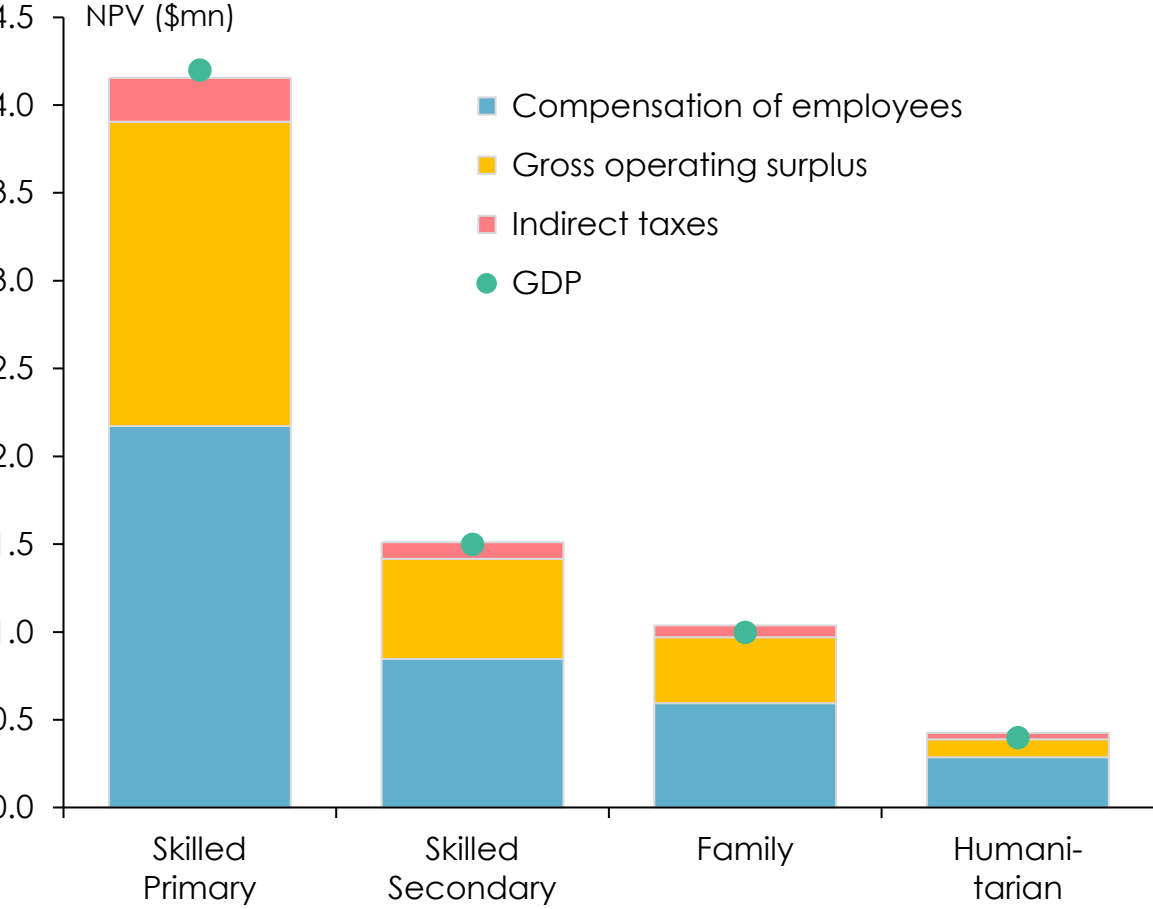
Median employee earnings by years since arrival in Australia, August 2023



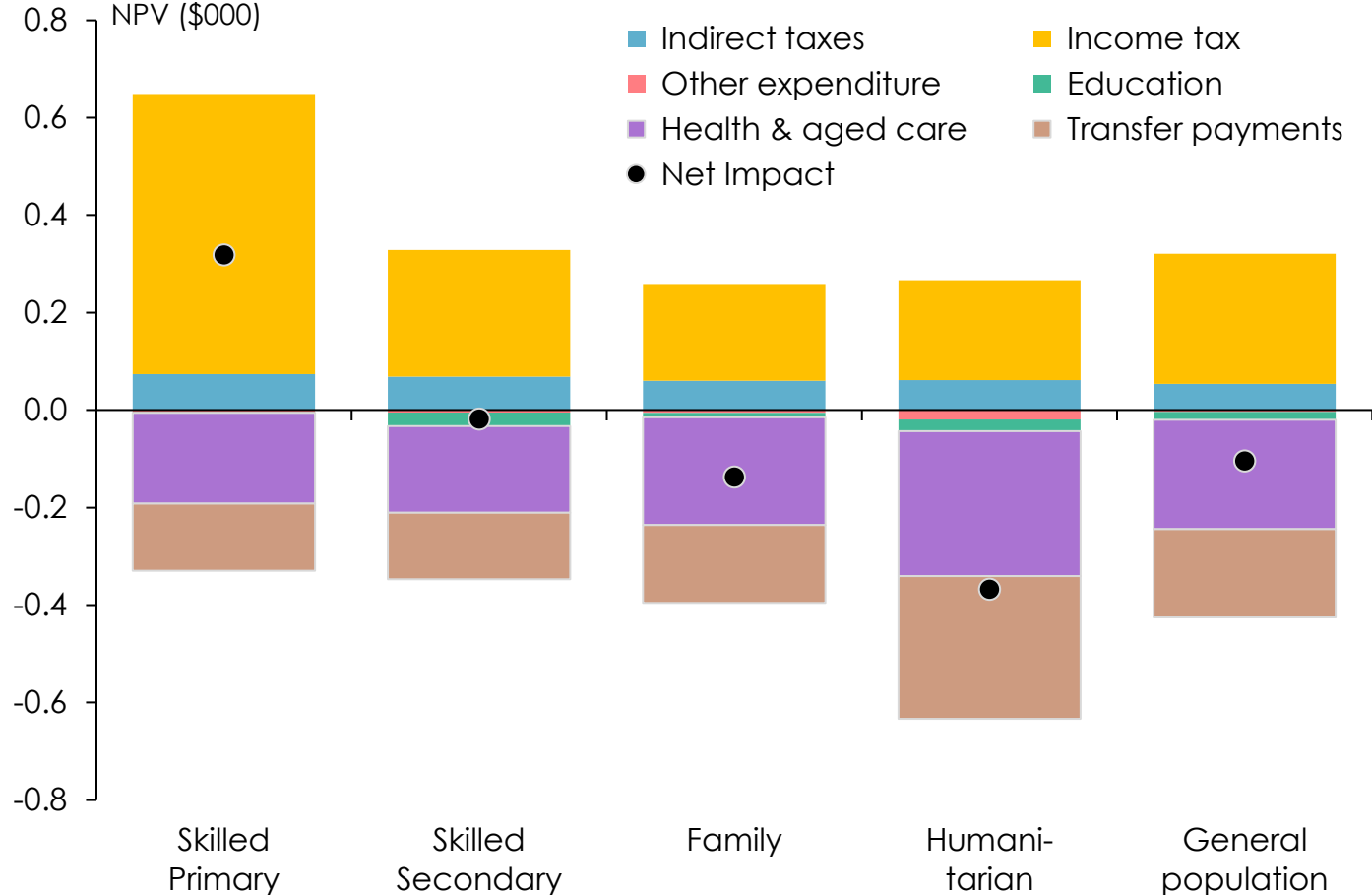
Sources: Australian Bureau of Statistics, [Labour Force, Australia, Detailed](#), February 2024, Table LM4; [Characteristics of Employment, Australia](#), August 2023, Table 2.

In Australia migrants make a net positive contribution to the economy and, in the case of skilled migrants, to the federal budget

Lifetime direct and indirect contributions to real GDP per permanent migrant



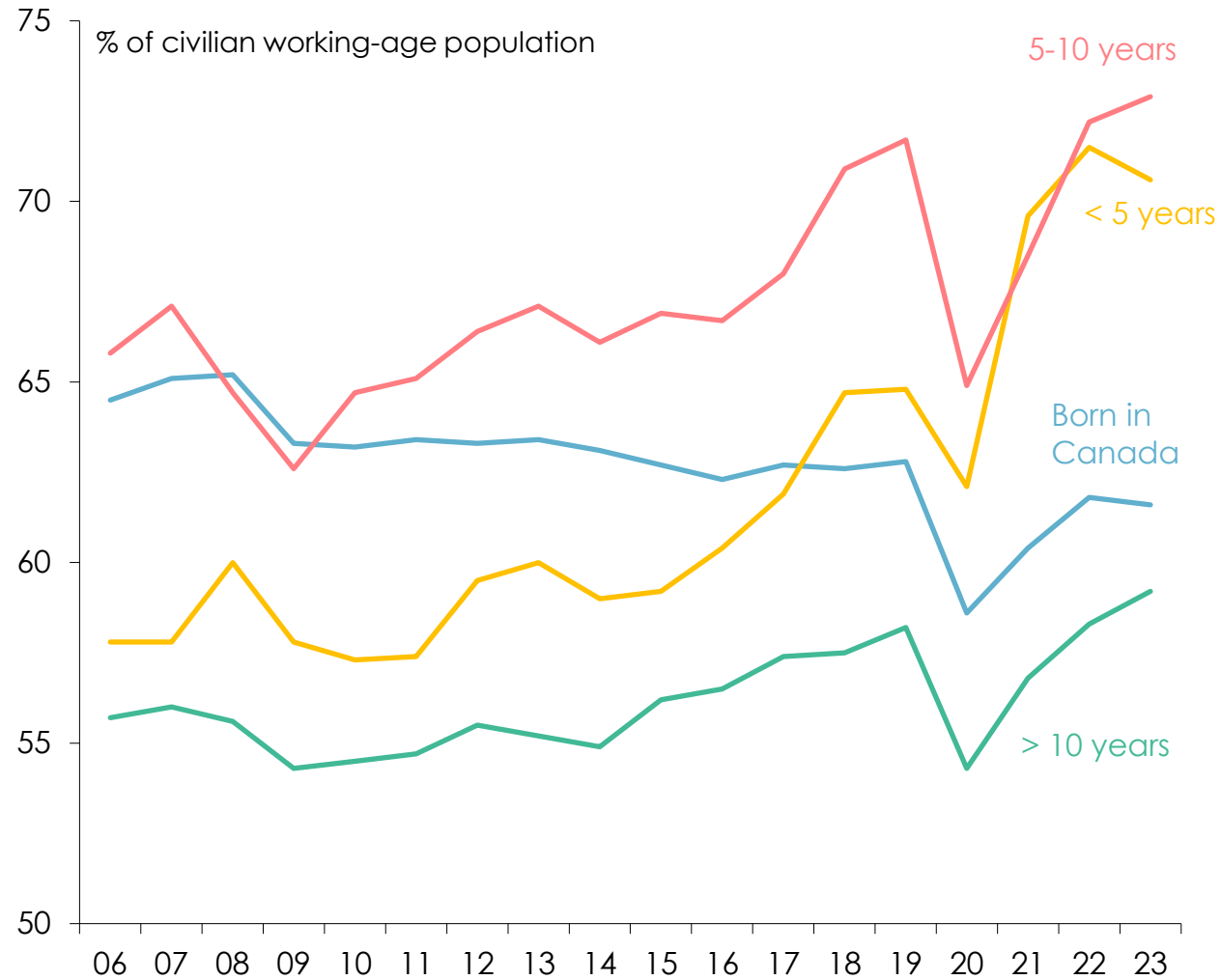
Lifetime fiscal impact on the Australian Government budget per permanent migrant



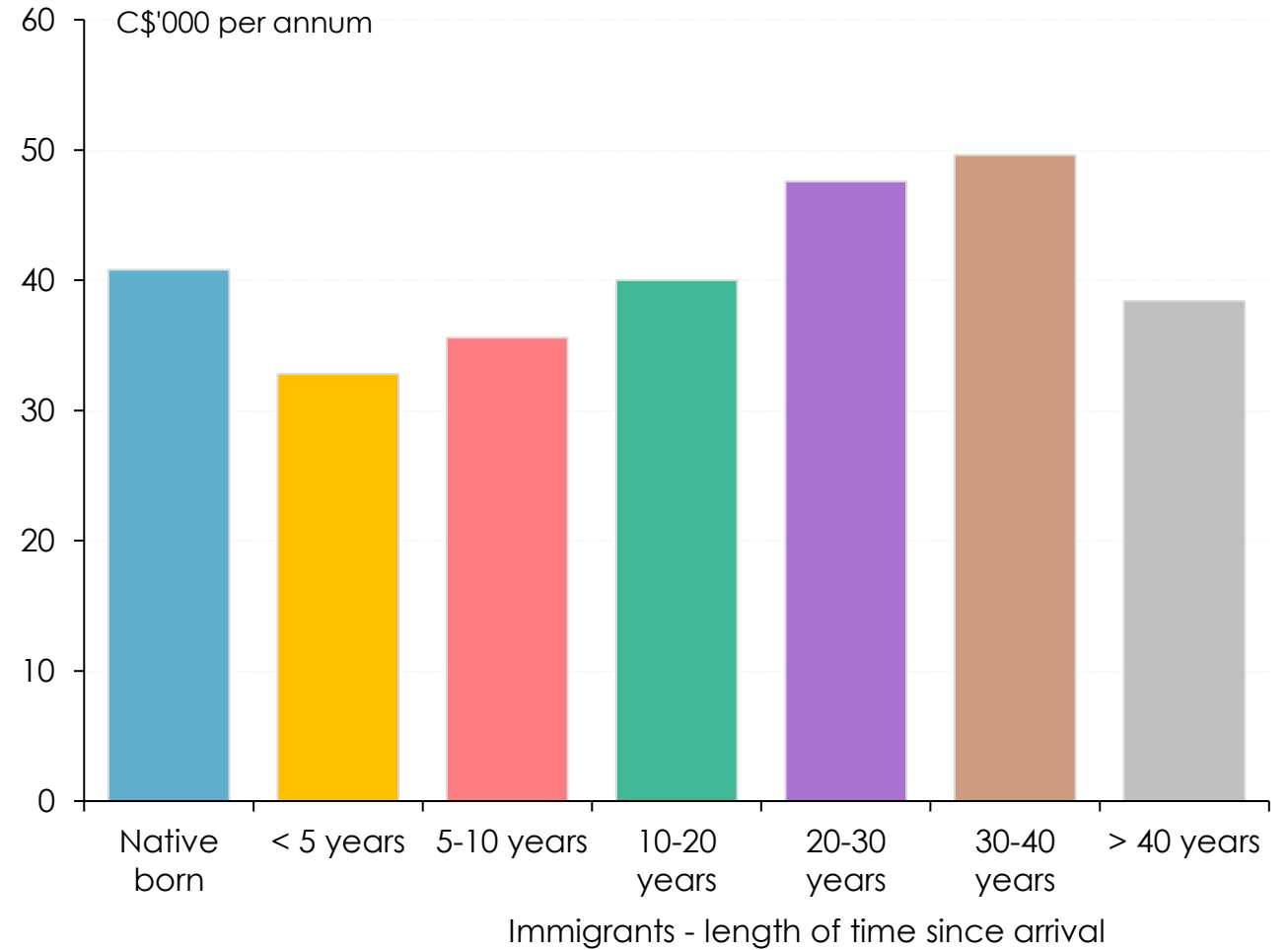
Note: The modelling only directly captures migrants who arrive aged 21 to 95. The Skill stream is comprised of primary and secondary migrants. Primary migrants are the main visa holders who satisfy the primary criteria for the grant of a visa. Secondary migrants are accompanying family of primary migrants, such as spouses and dependents. This chart shows the net lifetime fiscal impact of different cohorts for a selection of key tax and expenditure types that can be attributed to individuals. Other expenditure includes spending on infrastructure and settlement services. The results do not include all revenue sources (such as corporate tax) or expenses (such as defence) or fiscal impacts at state and local government level. Source: Australian Treasury, [2021 Intergenerational Report](#), 28th June 2021.

In Canada, immigrants are also more likely to be employed than the native born, but take longer to earn more than in Australia

Employment-participation rates by years since arrival in Canada



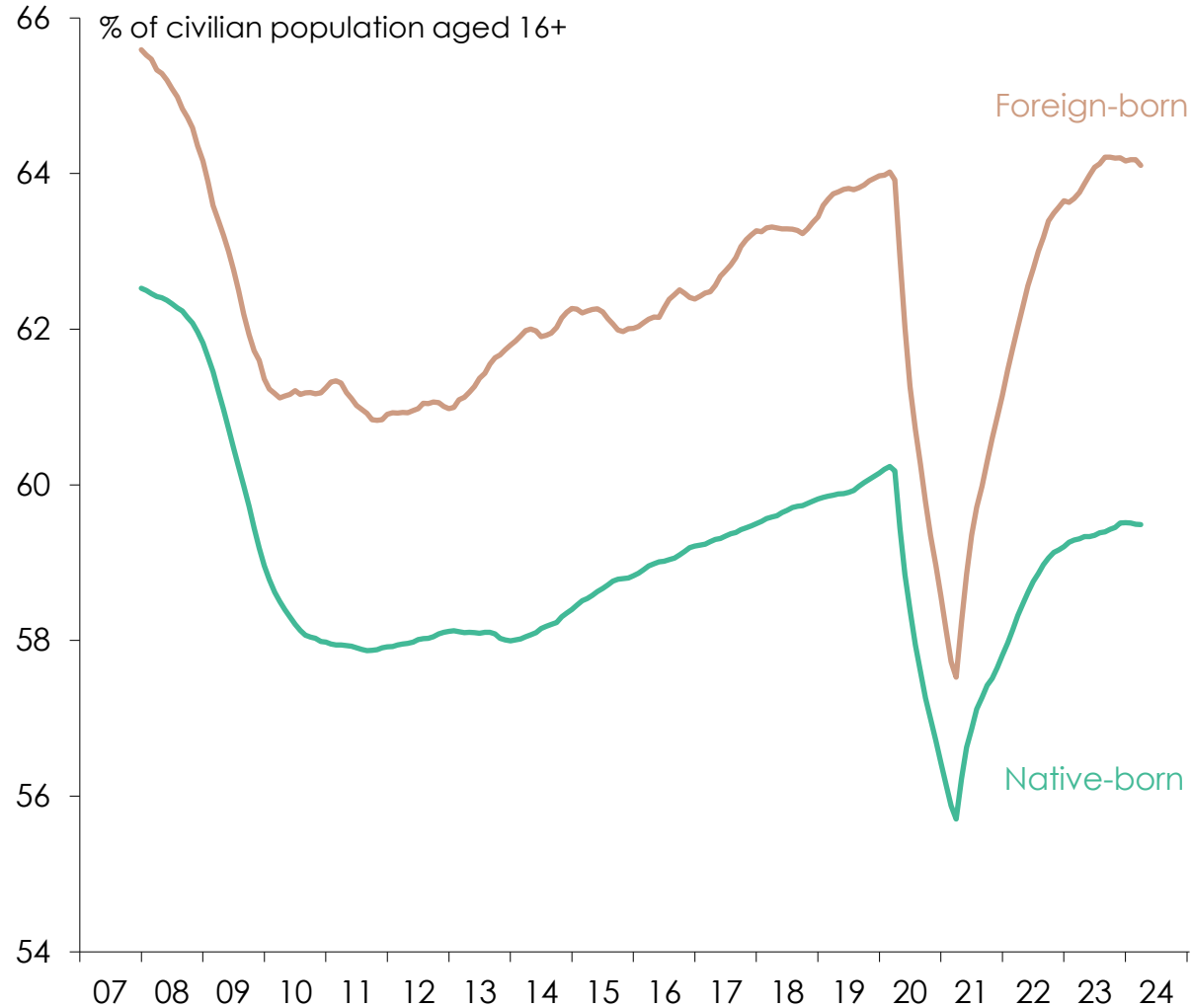
Median annual wages, salaries and commissions by years since arrival in Canada, 2021



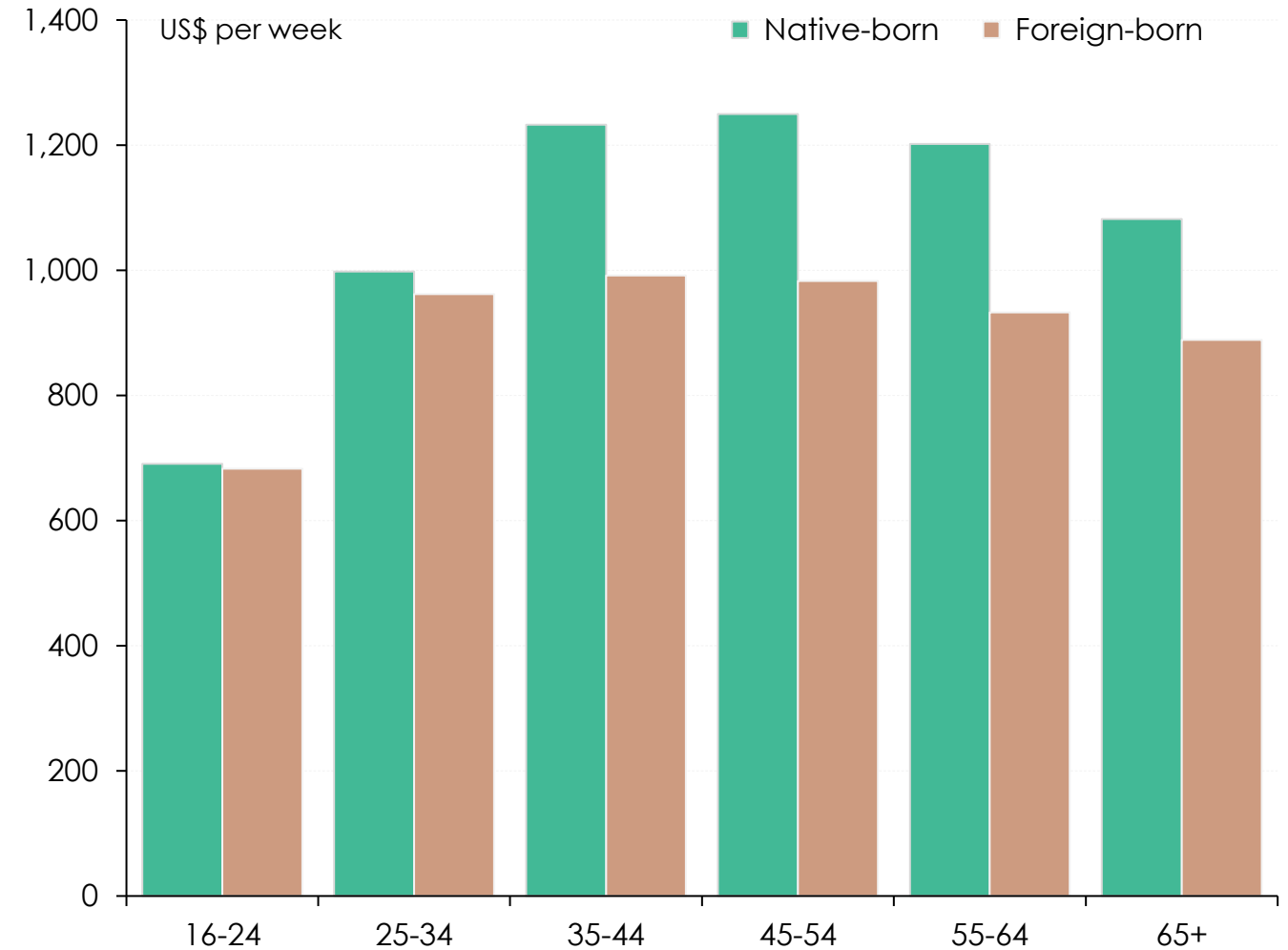
Sources: Statistics Canada, [Labour force characteristics by immigrant status, annual](#), 2023, Table 14-10-0083-01; [Immigrant status and period of immigration by income and highest level of education](#), 2021, Table: 98-10-0313-01.

In the United States, immigrants are more likely to be employed than the native-born, but they earn on average 13% less than the native-born

Employment-participation by place of birth, United States



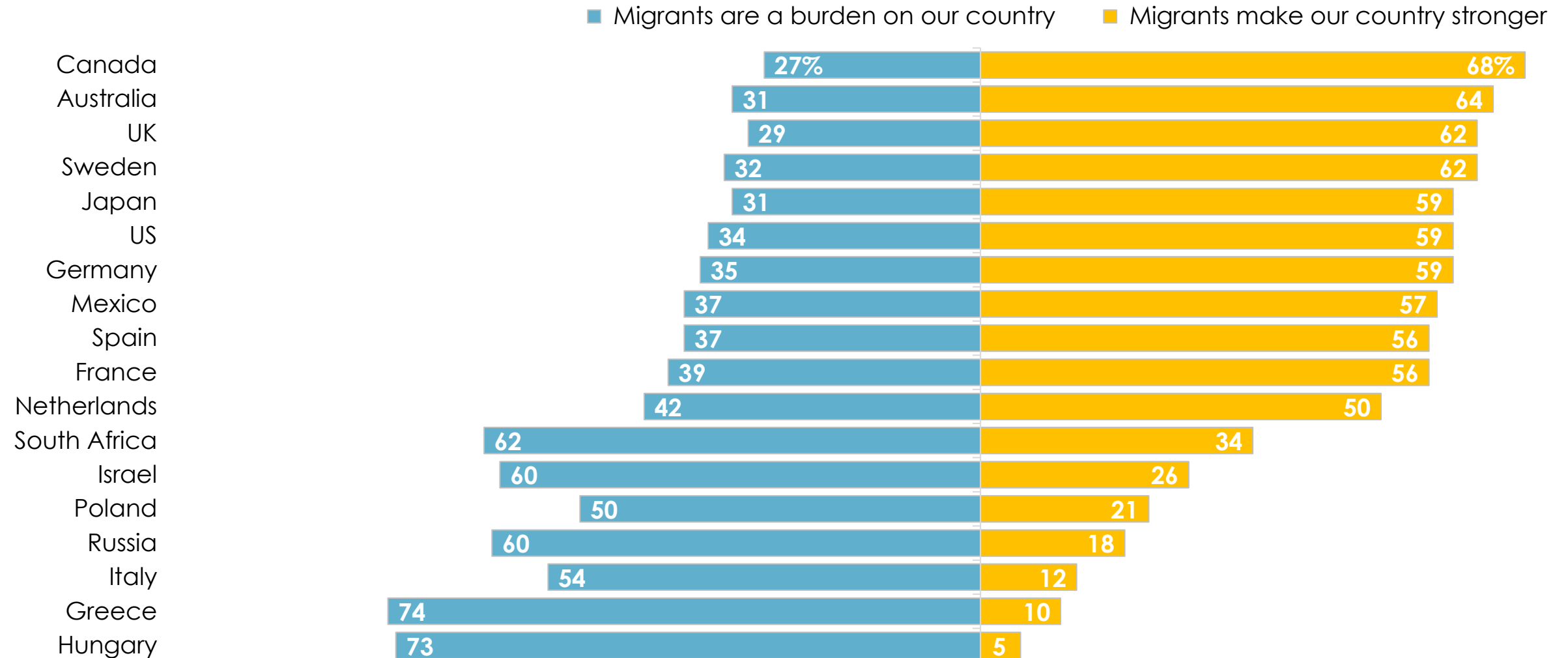
Median usual weekly earnings of full-time employees by place of birth, United States, 2022



Sources: US Bureau of Labor Statistics [Employment status of the civilian population by nativity and sex](#), March 2024, Table A-7; [Labor Force Characteristics of Foreign-Born Workers](#), 2022, Table 5.

Canadians and Australians typically have more positive attitudes to migration than people in other countries

Attitudes to migrants, 2019



Note: Data not available for Japan and Korea.

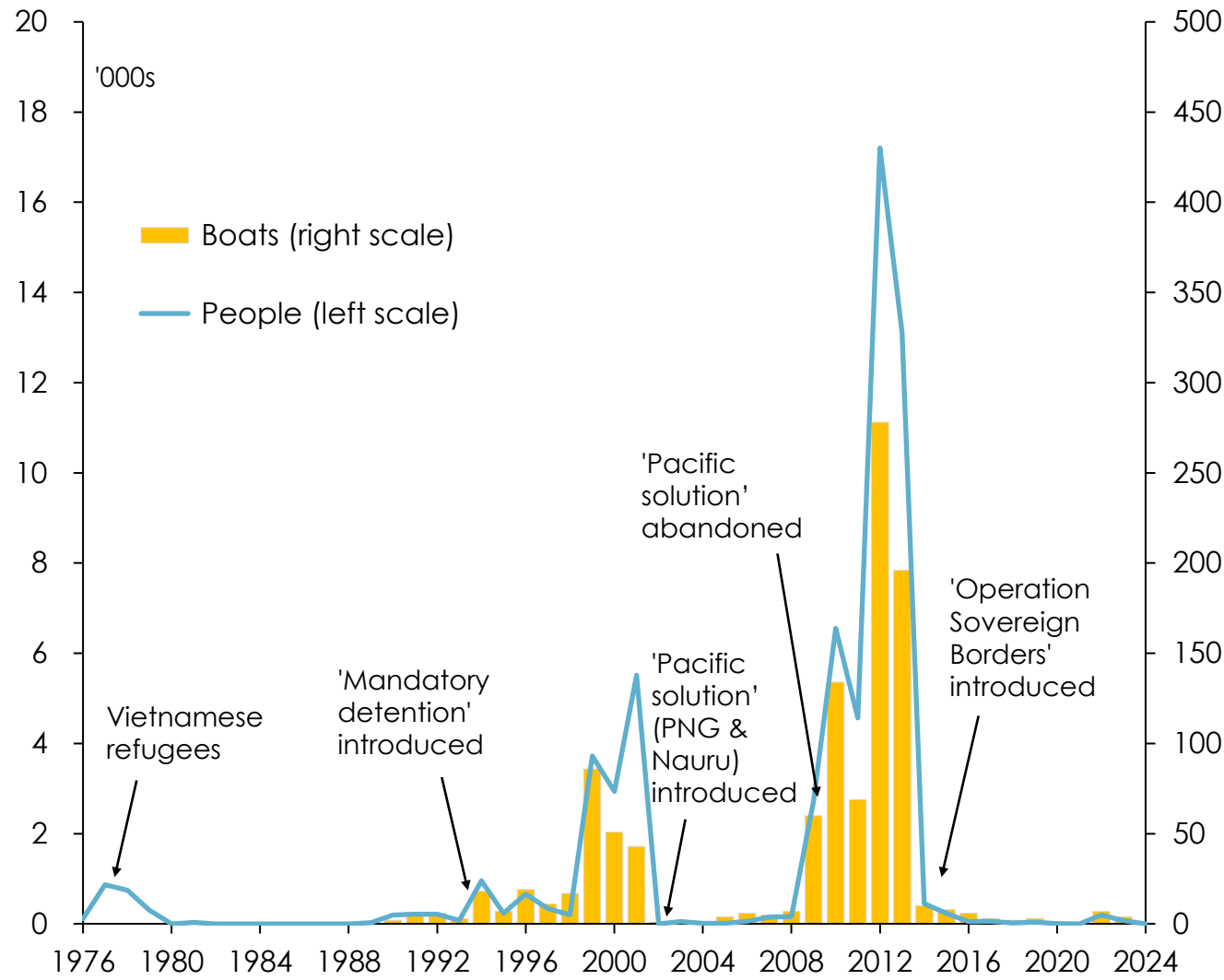
Source: OECD.Stat, [Around the World, More Say Immigrants Are a Strength Than a Burden](#), 14th March 2019.

Public support for / acceptance of immigration depends on the perception that the 'quantity' and 'quality' of migrants are 'under control'

- ❑ **Canada, New Zealand and (to a lesser extent) Australia are harder to get to (by land or sea) than the US or Europe**
 - which has made it easier for the Canadian, New Zealand and Australian Governments to re-assure their populations that they are in control of immigration than for the US and European governments
 - and has allowed these countries to avoid some of the perceived adverse consequences of high immigration in the US and Europe, in particular downward pressure on wages of low-paid workers
 - although Australia has enforced some very draconian measures to deter people from arriving by boat from Indonesia without prior permission in order to re-assure the Australian public that (as former PM John Howard put it) “we determine who comes to this country and the circumstances in which they come”
 - that’s meant that anti-immigration sentiment has found less expression in far-right fringe parties or within the traditional major centre-right parties in Australia, NZ and Canada than in the US or Europe
- ❑ **However the traditional consensus in favour of relatively large immigration intakes in Australia, New Zealand and Canada is being tested by the post-Covid surges in immigration**
 - especially because of the impact on the demand for housing, and thus on both house prices and rents
 - and via that channel, its impact on inflation and interest rates
- ❑ **In Australia the surge in immigration after the re-opening of international borders was initially seen as ‘catch-up’ for the extended period when immigration was effectively prohibited, and many international students and temporary workers returned to their countries of origin**
 - but towards the end of last year the Australian Government moved to tighten eligibility for international student and unskilled temporary worker visas
- ❑ **Similarly in Canada the Federal Government has announced a cap on student visa admissions (35% lower than the number admitted in 2023)**
 - and a goal of reducing the number of temporary residents from 7½% to 5% of the population over the next three years

Successive Australian Governments (of both political persuasions) have implemented draconian 'solutions' to deter 'boat people'

'Unauthorized' boat arrivals, Australia, 1976-2023



Operation Sovereign Borders

Australian Government

HOME ZERO CHANCE

ENGLISH

Australia's borders are patrolled all day, every day

Anyone who attempts an unauthorised boat voyage to Australia will be turned back to their point of departure, returned to their home country, or transferred to a third country for processing.

Since 2013, Australia has intercepted every boat attempting to enter illegally. Every vessel is closely watched. There is zero chance of illegal migration to Australia.

Sources: Australian Parliamentary Library, [Boat arrivals in Australia since 1976](#), 23rd July 2013, and [Boat 'turnbacks' in Australia: a quick guide to the statistics since 2001](#), 20th July 2018; Refugee Council of Australia, [Statistics on boat arrivals and boat turnbacks](#).

And Australia's approach has 'inspired' others



Trump's Attack on Asylum-Seekers Was Made in Australia

The Australian government has spent the past two decades making it harder to claim asylum and detaining legitimate refugees far from its borders. Now Trump is trying to import Canberra's draconian approach.

Trump's Immigration Approach Isn't New: Europe and Australia Went First



Denmark election: Parties on left and right back controversial plan to send asylum seekers to Rwanda

Germany used to be the promised land for migrants. Now, it's turning back more of them.

B B C

How Australia wrote the 'stop the boats' playbook



The UK government is banking on its new migration bill to stem the flow of small boats crossing the English Channel. The policy's headline-grabbing slogan is identical to that used in Australia a decade ago.

For many Australians, hearing UK Prime Minister Rishi Sunak promise to "stop the boats" was a moment of *deja vu*.

The same words were used by former Australian PM Tony Abbott in 2013 - helping him win an election.

The Canadian, New Zealand and Australian Governments are all moving to curb (legal) immigration levels

Trudeau says temporary immigration needs to be brought 'under control'

Prime Minister **Justin Trudeau** says the government wants to rein in the number of **temporary** immigrants coming to the country, saying the situation needs to be brought "under control."

"Whether it's **temporary foreign workers** or whether it's international students in particular, that have grown at a rate far beyond what Canada has been able to absorb," Trudeau said at a housing announcement in Dartmouth, N.S.

"To give an example, in 2017, two per cent of Canada's population was made up of temporary immigrants. Now we're at 7.5 per cent of our population comprised of temporary immigrants. That's something we need to get back under control."

Trudeau-Biden talks to tackle asylum seekers surge at migration hotspot

A rural road on the border of New York and Quebec has seen nearly 40,000 people crossing into Canada there last year

New Zealand Immigration Levels Are Unsustainable, Luxon Says

Tracy Withers, Bloomberg News



Christopher Luxon , Photographer: Hagen Hopkins/Getty Images

Prime Minister Christopher Luxon: High net migration not sustainable for New Zealand

Anthony Albanese reins in migrant numbers to ease housing, cost-of-living crises

Labor is moving to substantially rein in migrants as it faces increasing pressure to ease the housing and cost-of-living crises. Key to the plan is reducing international student numbers.

bt Business Today

New Zealand tightens work visas. New rules in place for stay, running business

Key changes include

- English language requirements put in for migrants applying for low-skilled roles at levels 4 and 5
- A minimum skills and work experience criteria
- Employers seeking to fill level 4 and 5 positions must engage with Work and Income before migrant approvals
- The maximum continuous stay for such roles will be reduced from 5 to 3 years
- The franchisee accreditation category will also be disbanded, and firms will need to follow standard, high-volume, or triangular employment accreditation processes to hire overseas workers.

THE WEEKEND AUSTRALIAN

Labor's crackdown to contain surging migration

[Anthony Albanese is under pressure](#) to deliver on his government's pledge to halve net migration over two years, with figures on Thursday expected to reveal net overseas migration exceeding 150,000 in the three months to September last year.

As the government scrambles to [slash record post-pandemic migration](#), Home Affairs Minister Clare O'Neil and Skills Minister Brendan O'Connor on the weekend will bring forward a crackdown on international students and visitor visa holders breaking the rules.

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Immigration flows are likely to raise increasingly complex and difficult issues for high-income countries over the medium-to-longer term

- ❑ **Climate change, wars and increasingly authoritarian regimes are likely to prompt growing numbers of people to want to migrate from less-developed (and hotter, more conflict-prone, politically unstable) countries and regions to more-developed countries and regions**
 - the distinction sometimes drawn between ‘economic migrants’ and other categories of ‘asylum seekers’ may become increasingly blurred
- ❑ **At the same time, more-developed countries (and some emerging countries) will be increasingly confronted by demographic challenges arising from ageing and shrinking populations**
 - in many cases there are likely to be tensions between the sort of migrants those countries would like to attract, and the sort of migrants who want to move to them
- ❑ **Immigration pressures have the potential to inflame and exacerbate political divisions in high-income countries**
 - eg between highly- and not-so-well educated groupings of people, people with different opinions about the importance of specific cultural or religious heritages, urban and rural populations
- ❑ **High-income countries which (for whatever reason) want to restrict immigration from low-income or culturally different countries will likely face complex moral and ethical dilemmas**
 - in particular over what are acceptable ‘deterrence’ measures
- ❑ **Some countries may [continue to] seek to ‘weaponize’ migration flows to destabilize others**
- ❑ **The on-going erosion of the ‘rules-based international order’ and diminished authority / capability of international institutions may make all of these issues more difficult to ‘manage’**

Important information

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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