

Do International Migrants Reduce Wage Growth? Low Wage Occupations Gain Most

Politicians and pundits have battered Americans with claims and counter-claims regarding the impact of legal immigration on American wages. Wage data from the U.S. Census Bureau and Bureau of Labor Statistics for 381 metropolitan areas between 2013 and 2017 show a clear positive relationship between **legal** immigration and wage growth. In terms of the percentage of legal international migration, the top one-fifth of metros in terms of immigration gains experienced wage increases of 10.4% (\$4,329) for all workers, 13.4% (\$11,763) for management, 15.6% (\$3,284) for food servers and preparers. The one-fifth of metros experiencing the lowest immigration gains experienced wage gains of 7.4% (\$2,870) for all workers, 4.1% (\$2,425) for managers, and 10.0% (\$1,987) for food servers and preparers. There was a positive relationship between percent of population growth from immigration and wage expansion for all occupational categories examined. Contrary to expectations, the strongest positive relationship between immigration and wages was for low wage occupations.

Wage increases for workers in 381 U.S. metropolitan areas, 2013-17							
Metro Quintile	Percent Population gain from Immigration	All Workers		Managers		Food services workers	
		Wage gain	% Wage gain	Wage gain	% Wage gain	Wage gain	% Wage gain
Top 1/5	14.1%	\$4,329	10.4%	\$11,763	13.4%	\$3,284	15.6%
Next 20%	7.1%	\$4,253	10.4%	\$9,473	11.0%	\$3,059	14.7%
Next 20%	5.5%	\$3,669	9.0%	\$7,654	9.3%	\$2,864	13.6%
Next 20%	4.1%	\$2,953	7.3%	\$7,178	8.9%	\$2,274	11.2%
Bottom 1/5	2.8%	\$2,870	7.4%	\$2,425	4.1%	\$1,987	10.0%

Source: Ernie Goss based on U.S. Census and U.S. BLS data

MAINSTREET RESULTS

Rural Mainstreet Index Shows Growth for December: More Than Half of Bankers Increased Farmer Collateral Requirements

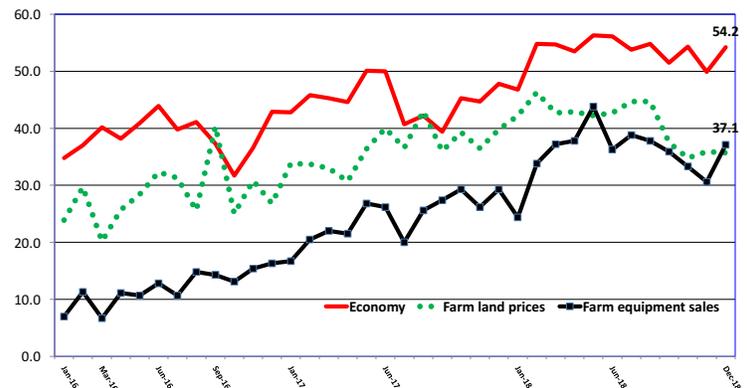
December Survey Results at a Glance:

- Overall index moves above growth neutral for the 10th time in past 12 months.
- Bankers project negative cash flow (losses) for more than one in six grain farmers.
- More than half of bankers have boosted collateral requirements for farm loans due to low agriculture income.
- One-fourth of bank CEOs have made no change in farm lending practices due to weak farm income.
- Approximately one in 10 bank CEOs project 2019 farm loan defaults to rise by over 10 percent over 2018 levels.

The Creighton University Rural Mainstreet Index climbed above growth neutral in October for a ninth straight month, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Table 1: The Mainstreet Economy	Dec 2017	Nov 2018	Dec 2018
Area Economic Index	47.8	49.9	54.2
Loan volume	67.1	60.6	72.2
Checking deposits	47.8	54.5	55.6
Certificate of deposits	42.1	47.0	55.4
Farm land prices	39.8	35.9	35.7
Farm equipment area sales	29.3	30.6	37.1
Home sales	53.5	51.6	47.2
Hiring in the area	59.6	66.7	57.1
Retail Business	52.4	45.5	58.3

Rural Mainstreet, Economic Indicators, Jan. 2016 – December 2018
(50.0 = growth neutral)



Overall: The overall index climbed to 54.2 from November's 49.9, its first sub-growth neutral reading since January 2018. The index ranges between 0 and 100 with 50.0 representing growth neutral.

Our surveys over the last several months indicate the Rural Mainstreet economy is expanding outside of agriculture. However, the negative impacts of tariffs and low agriculture commodity prices continue to weaken the farm sector.

Larry Winum, CEO of Glenwood State Bank in Glenwood, Iowa, said, "Glad to see Congress passed a bipartisan farm bill. (It) allows farmers and their community bankers to budget more accurately in the future."

Farming and ranching: The farmland and ranchland-price index for December slipped to 35.7 from 35.9 in November. This is the 61st straight month the index has fallen below growth neutral 50.0.

The December farm equipment-sales index increased to 37.1 from November's 30.6. This marks the 64th consecutive month that the reading has moved below growth neutral 50.0.

Banking: Borrowing by farmers advanced for December as borrowing index soared to a 72.2 from November's loan-volume index of 60.6. The checking-deposit index inched forward to 55.6 from November's 54.5, while the index for certificates of deposit and other savings instruments increased to 55.6 from 47.0 in November.

More than half of bankers, or 52.8 percent, have boosted collateral requirements for farm loans due to low agriculture income. One-fourth of bank CEOs have made no change in farm

lending practices due to weak farm income.

Hiring: The employment gauge fell to a still healthy 57.1 from November's 66.7. The Rural Mainstreet economy is now experiencing healthy job growth. Over the past 12 months, the Rural Mainstreet economy added jobs at a 1.4 percent pace compared to a higher 1.5 percent for urban areas of the same 10 states.

Confidence: The confidence index, which reflects bank CEO expectations for the economy six months out, slumped to 44.3 from November's 47.0, indicating a pessimistic economic outlook among bankers.

As in the last month several months, tariffs, trade tensions, and weak agriculture commodity prices negatively influenced the economic outlook of bank CEOs.

Home and retail sales: The home-sales index decreased to 47.2 from 51.6 in November. Retail sales climbed to 58.3 from November's much weaker 45.5.

James Brown, CEO of Hardin County Savings Bank in Eldora, Iowa reported, "Our Shopko is closing in February. This is a big loss for a town our size (2,700). Our store has done quite well, but not good enough for them."

Each month, community bank presidents and CEOs in nonurban agriculturally and energy-dependent portions of a 10-state area are surveyed regarding current economic conditions in their communities and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wyoming are included.

This survey represents an early snapshot of the economy of rural agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy. Goss and Bill McQuillan, former chairman of the Independent Community Banks of America, created the monthly economic survey in 2005.

MAINSTREET ON YOUR STREET

COLORADO

Colorado's Rural Mainstreet Index for December declined to 53.9 from November's 55.2. The farmland and ranchland-price index dipped to 35.7 from 36.3 in November. Colorado's hiring index for December fell to 55.7 from November's 67.9. Over the past 12 months, Colorado's Rural Mainstreet economy shed jobs at a minus 0.1 percent pace, while urban areas in the state increased jobs by 3.0 percent.

ILLINOIS

The December RMI for Illinois climbed to 54.9 from 50.6 in November. The farmland-price index slipped to 36.2 from November's 36.3. The state's new-hiring index declined to 59.9 from last month's 68.3. Illinois' Rural Mainstreet economy added jobs at a 1.6 percent pace, while urban areas in the state increased jobs by 0.9 percent.

IOWA

The December RMI for Iowa rose to 53.7 from November's 48.7. Iowa's farmland-price index was unchanged from November's 35.6. Iowa's new-hiring index for December fell to 54.8 from

November's 60.7. Larry Winum, CEO of the Glenwood State Bank in Glenwood, said, "The early snow fall in the Omaha area certainly has hampered harvest. The great yields anticipated will certainly be impacted negatively." Over the past 12 months, Iowa's Rural Mainstreet economy added jobs at a 0.6 percent pace, while urban areas in the state increased jobs by 2.0 percent.

KANSAS

The Kansas RMI for December advanced to 54.6 from November's 48.5. The state's farmland-price index inched to 36.0 from 35.5 in November. The new-hiring index for Kansas declined to 58.5 from 60.0 in November. Over the past 12 months, Kansas's Rural Mainstreet economy added jobs at a 1.4 percent pace, while urban areas in the state increased jobs by an identical 1.4 percent.

MINNESOTA

The December RMI for Minnesota rose to 52.8 from November's 47.2. Minnesota's farmland-price index slipped to 35.3 from 35.8 in November. The new-hiring index for December sank to 51.4 from November's 63.3. Over the past 12 months, Minnesota's Rural Mainstreet economy lost jobs at a pace of minus 0.7 percent, while urban areas in the state increased jobs by 1.6 percent.

MISSOURI

The December RMI for Missouri climbed to 56.7 from 50.8 in November. The farmland-price index for the state increased to 36.8 from November's 36.4. Missouri's new-hiring index for December declined to 66.9 from November's 69.3. Over the past 12 months, Missouri's Rural Mainstreet economy added jobs at a 6.5 percent pace, while urban areas in the state increased jobs by 1.0 percent.

NEBRASKA

The Nebraska RMI for December expanded to 53.7 from November's 49.5. The state's farmland-price index slipped to 35.7 from last month's 35.9. Nebraska's new-hiring index fell to 54.9 from 64.1 in November. Over the past 12 months, Nebraska's Rural Mainstreet economy added jobs at a 0.4 percent pace, while urban areas in the state increased jobs by 2.1 percent.

NORTH DAKOTA

The North Dakota RMI for December climbed to 54.5 from November's 50.0. The state's farmland-price index increased to 37.9 from 36.1 in November. The state's new-hiring index declined to 58.3 from 66.1 in November. Over the past 12 months, North Dakota's Rural Mainstreet economy added jobs at a 2.0 percent pace, while urban areas in the state increased jobs by 0.8 percent.

SOUTH DAKOTA

The December RMI for South Dakota remained above growth neutral and increased to 54.9 from November's 51.0. The state's farmland-price index increased to 37.1 from November's 36.5. South Dakota's new-hiring index fell to 59.7 from 70.2 in November. Scott Tewksbury CEO of Heartland State Bank in Tulare said, "Early financial analysis from farmers seem to point to an improved year in 2018 due to dramatically higher than normal yields in our area, MFP payments and better forward marketing completed the first part of 2018." Over the past 12 months, South Dakota's Rural Mainstreet economy added jobs at a 1.7 percent pace, while urban areas in the state increased jobs by 1.9 percent.

WYOMING

The December RMI for Wyoming rose to 56.1 from November's 51.6. The December farmland and ranchland-price index dipped to 36.6 from November's 36.7. Wyoming's new-hiring index fell to 64.7 from 72.5 in November. Over the past 12 months, Wyoming's Rural Mainstreet economy added jobs at a 3.2 percent pace, while urban areas in the state increased jobs by 0.1 percent.

THE BULLISH NEWS

- In December, the U.S. economy added 312,000 jobs, and the unemployment rate rose to 3.9.
- More and more Americans are entering the workforce pushing the labor force participation to 63.1%.
- Over the past 12 months ending in December, U.S. hourly wages climbed by 3.2% to \$27.48. This is the fastest growth in nine years.
- Creighton's December survey of manufacturers points to solid but slower growth for the first quarter of 2019.

THE BEARISH NEWS

- The U.S. trade deficit rose to a 10-year high of \$55.5 billion in October. The trade gap with China stood at \$38.2 billion in October.
- The National Purchasing Management Index plummeted from 59.3 to 54.1 in December. It still indicates positive, albeit slower, growth ahead.
- The U.S. budget deficit is expected to exceed \$1 trillion in 2019.

WHAT TO WATCH

- **Consumer Price Index for December:** The U.S. Bureau of Labor Statistics will release the CPI for December on January 11. Year-over-year growth above 2.5% will be bearish for bonds and stocks.
- **Inverted yield:** Every recession since 1980 has been preceded by 2-year rates exceeding, or approximating, 10-year rates (termed an inverted yield). Currently 18 basis points (0.18%), and too low for comfort.
- **Wage Data:** On February 1, the U.S. Bureau of Labor Statistics will release wage data for January. Another year-over-year growth above 3.2% will be a strong inflation signal and encourage the Fed to raise in the first half of 2019.

STATISTIC OF THE MONTH

- 70%. New York Democratic Rep Alexandria Ocasio-Cortez paying for a "Green New Deal" with a 70% marginal tax rate on top income earners.

THE OUTLOOK

FROM GOSS:

- I expect **the Federal Reserve to raise rates on December 19 (0.25% or 25 basis points) 90% likelihood; **GDP growth to slow in the first half of 2019, but remain above 2.2% annualized. ***annualized growth in the consumer price index (CPI) to exceed 2.4% in Q1, 2019.

OTHER FORECASTS:

- **National Association of Business Economics (NABE). SUMMARY:** "NABE Outlook panelists continue to view the economy as having solid momentum entering 2019, but they foresee GDP growth cooling from 2.9% this year to 2.7% in 2019," said NABE President Kevin Swift, CBE, chief economist, American Chemistry Council. "The panel expects the Federal Reserve to continue gradually tightening monetary policy, and anticipates a federal funds rate hike at the upcoming December FOMC meeting, followed by three rate increases in 2019." "While panelists remain generally optimistic, three-quarters of respondents see risks being tilted to the downside," added Survey Chair Gregory Daco, chief U.S. economist, Oxford Economics. "Panelists view increasing trade tensions as the primary downside risk to their outlook, with 80% of respondents reducing their 2019 GDP growth outlook in response to trade policy developments. Even so, recession risks are still perceived to be low in the near term, with the panel expecting a 20% risk of recession by the second half of 2019, and a 30% chance by the end of 2020."

GOSS EGGS (RECENT DUMB ECONOMIC MOVES)

- Finally, the DC political class has advanced a measure that both Democrats and Republicans support--- spending more on infrastructure. Despite a national debt of \$21,943,897,507,130, much of the Democrat plan would fund boondoggles requiring diversity of everything except diversity of thought. Why not fund my favorite program: \$100 billion for "No Economist Left Behind"?

BANKER READING ROOM

"TCM Bank Supports Customers Affected by Government Shutdown." TCM Bank, N.A., a subsidiary of ICBA Bancard®, announced that it is supporting its community bank partners and helping their cardholder customers who may be experiencing financial hardship during the government shutdown. TCM Bank is offering assistance to cardholders who have been furloughed as a result of the federal government shutdown by providing financial relief options based on individual circumstances. Customers are encouraged to call TCM Bank customer service at 800-883-0131 to evaluate their options. "We are committed to helping our cardholders in times of hardship and will work closely with our agent bank partners to make sure our mutual customer needs are being met during this time," said Damon Mooror, president and CEO of TCM Bank, N.A <https://tinyurl.com/ycpsarm5>

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