

ECONOMIC VIEWPOINT

Is Canada's Population Slowing According to Plan?

By LJ Valencia, Economic Analyst, and Randall Bartlett, Deputy Chief Economist

Highlights

- ▶ Since the federal government revised its immigration targets, early signs have emerged indicating that the policies designed to slow population growth are working. Population gains have cooled in key segments and the influx of new non-permanent residents (NPRs) has slowed. However, we have yet to see permanent resident (PR) admissions come down.
- ▶ Despite these recent developments, our population projection is mostly unchanged. The government still needs to stem the tide of inbound newcomers and see more NPRs leave the country in order to achieve its population targets.
- ▶ Going forward, we'll be closely monitoring and reporting on data from Immigration, Refugees and Citizenship Canada (IRCC) to get a sense of whether newcomer admissions are tracking toward the Government of Canada's policy objective, and will adjust our forecast accordingly.

In October of last year, the federal government announced plans to reduce its target for permanent resident (PR) admissions. This followed an earlier commitment to reduce the share of non-permanent residents (NPRs) to 5% of the population over three years, from 7.4% in Q3 2024. If achieved, these lower immigration levels could cause Canada's population to shrink for the first time since World War II.

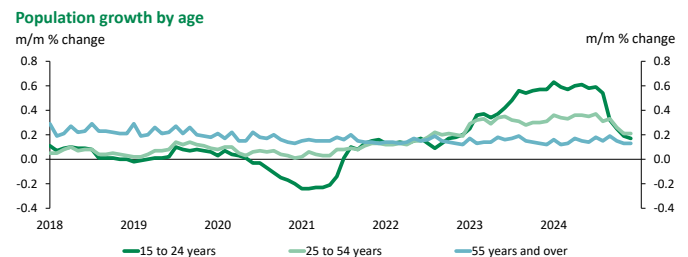
Now that several months have passed since the federal government introduced these immigration policy changes, we asked: Is Canada's population slowing according to plan? This report answers that question.

What Does the Data Say?

The most up-to-date reading of the Canadian labour market comes from Statistics Canada's Labour Force Survey (LFS). Released about a week after the end of the reference month, this survey of households not only tells us who's employed and unemployed, but it also provides an early estimate of Canada's working-age population. While this is largely an extrapolation of past population estimates, it also incorporates data from sources like Immigration, Refugees and Citizenship Canada (IRCC). And what it tells us is that, while year-over-year population

gains remain elevated, month-over-month growth has slowed considerably from its peak at the beginning of 2024 (graph 1). This is particularly pronounced among workers ages 15 to 24, the group that includes many international students.

Graph 1
Population Growth Continues to Slow in Canada



Statistics Canada and Desjardins Economic Studies

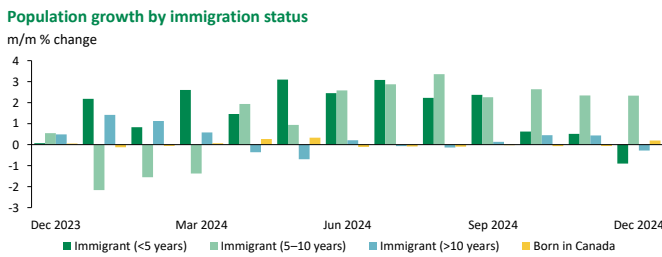
The slower pace of population growth is also notable among prime-age workers—those ages 25 to 54 years—where temporary foreign workers and permanent residents are more

likely to be represented. And when we examine prime-age population growth by immigration status, we see that the number of immigrants in Canada for 5 years or less contracted in December 2024 for the first time in a year and to the greatest extent since 2022 on a month-over-month basis (graph 2). However, because the population surged in prior months, the number of immigrants landed in Canada for 10 years or less increased by around 20% y/y in December.

Meanwhile, the number of new permit holders under the Temporary Foreign Worker Program (TFWP) was essentially unchanged, down a mere 1.7k (-1%). It may take some time until we see the effects of the new policies on the TFWP. In contrast, the number of asylum claimants increased by around 28k in 2024 (+20%). Note that developments south of the border could encourage some asylum seekers to make a claim in Canada instead.

While new NPR arrivals seem to be declining, IRCC data suggest we have yet to see declines in PR admissions (graph 4). Assuming that the number of new PRs in December 2024 is the same as it was the previous month, annual PR admissions likely increased by around 16.5k in 2024 (+3.5%).

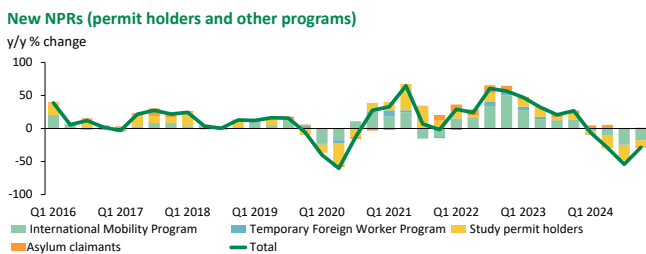
Graph 2
Population Growth Is Slowing Fastest Among the Newest Immigrants



Statistics Canada and Desjardins Economic Studies

Population numbers from the LFS are corroborated by data from IRCC, which indicate that inflows of NPRs slowed significantly in 2024, falling to levels only seen during the depths of the pandemic (graph 3). Assuming that the number of new temporary residents in December 2024 is the same as in the previous month, new NPRs likely declined by around 468k in 2024 relative to the prior year (-25%). Under the hood, this massive drop was mainly driven by significantly fewer new international students, whose numbers fell by approximately 279.4k relative to 2023 (-38%).

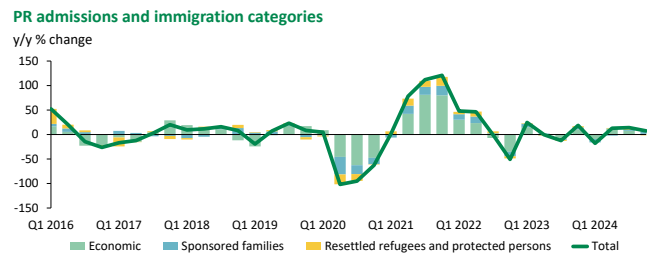
Graph 3
The Influx of New NPRs Has Started to Decline



NPR: Non-permanent resident. The stacked bars refer to contribution-to-growth (% y/y). Immigration, Refugees and Citizenship Canada and Desjardins Economic Studies

Additionally, the influx of new temporary foreign workers has declined, largely through the International Mobility Program, which saw new permit holders drop by 215.3k (-26%).

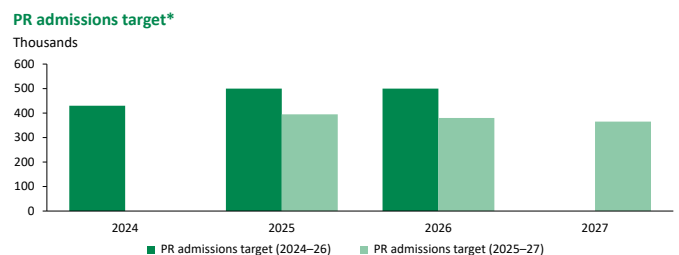
Graph 4
PR Admissions Have Yet to Meaningfully Decline



PR: Permanent resident. The stacked bars refer to contribution-to-growth (% y/y). Immigration, Refugees and Citizenship Canada and Desjardins Economic Studies

That said, the reduced PR admission targets only come into effect in 2025. And even then, the level of annual PR admissions is expected to decrease more gradually over time (graph 5). Further, there have only been two months of data since the reduced PR admission targets were announced, and we don't yet have all IRCC data for 2024. New data for 2025 should show if actual PR admissions align with the federal government's plan.

Graph 5
Canada Significantly Reduced Its PR Admissions Target



PR: Permanent resident Government of Canada and Desjardins Economic Studies

What This Means for the Population Forecast

How do these recent developments stack up against the federal government’s population growth plans?¹ Our updated estimate suggests that new NPR permit holders went down by 25% y/y in Q4 2024. The overall impact of this reduced inflow implies that despite a decline in new NPRs, net NPR numbers rose by almost 40k by Q4 2024. This is a change of +100k compared to our previous forecast and that of the Government of Canada. In comparison to the Bank of Canada’s implied forecast, our new forecast suggests a change of +140k.

Looked at differently, our updated population and net NPR forecast suggests that NPRs accounted for approximately 7.5% of the population by the end of 2024. That’s slightly above our initial forecast, that of the federal government and the Bank of Canada’s implied population share.

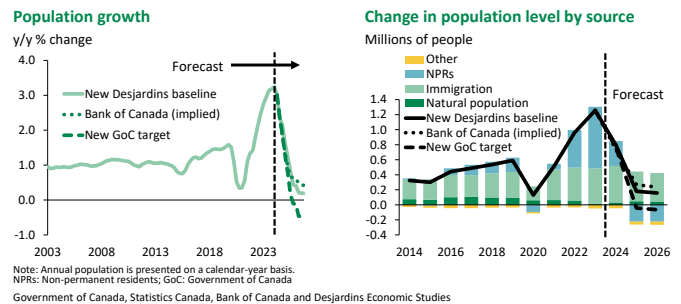
Is Canada’s Population Growth Slowing According to Plan?

Our revised estimates suggest that the government’s reduced NPR targets and the associated policy changes are starting to stem new NPR arrivals. However, the current state of NPR inflows suggests that the Canadian government is far from achieving its NPR target of 5% of total population. Looking ahead, our projection for net NPRs hasn’t changed significantly from our prior outlook. Despite slight revisions in the short-term, our long-term population projection suggests that the government will require more aggressive reductions in NPR numbers to reach its ambitious target by the end of 2026. Note that along with the [January 2025 interest rate announcement](#), the Bank of Canada revised down its population projections in light of new information on temporary resident permits and the government’s new NPR target. As a result, the BoC’s estimates on NPR numbers are now much closer to ours (graph 6). Therefore, while NPRs as a share of population will likely decline, we expect that

ratio to diverge significantly from the government’s optimistic projections.

Combined, the updated outlook for NPRs and the federal government’s targets for PR admissions suggest that population growth should slow considerably in Canada (graph 7). However, we remain skeptical that the Government of Canada will be able to reach its target for admissions of newcomers, particularly NPRs. Corporate Canada has expressed concerns regarding labour shortages and could put pressure on the government to moderate some of its new policies, especially as job vacancies remain high in some industries. In addition, the federal government has struggled to meet some policy objectives in the past, and the prospect of meeting its new immigration targets is especially daunting given the administrative challenges associated with executing such a significant policy shift.

Graph 7
The Latest Population Data Remains in Line with Our Projections

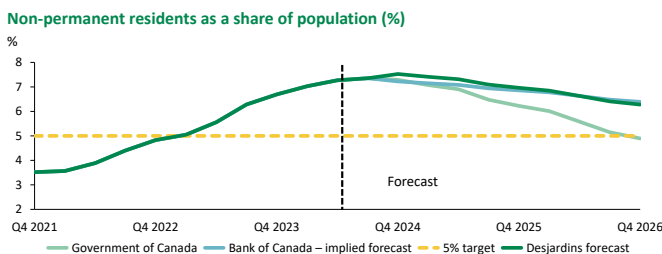


What Else Could Impact Our Population Forecast?

Until recently, net NPRs in Canada tended to be correlated to the state of the economy. When the economy was running hot (as proxied by a positive output gap), net NPRs tended to rise. And the opposite was true when the economy was performing below its potential.

That historical pattern changed dramatically over the past few years (graph 8 on page 4). However, if [tariffs come into effect](#), Canada may not only slip into a recession, it may also see demand for temporary labour slow considerably. And if that were to occur, Canada could become a less desirable destination for immigrants. While this would be an unintended consequence of an undesirable outcome for the Canadian economy, it could help the federal government reach its population targets more quickly.

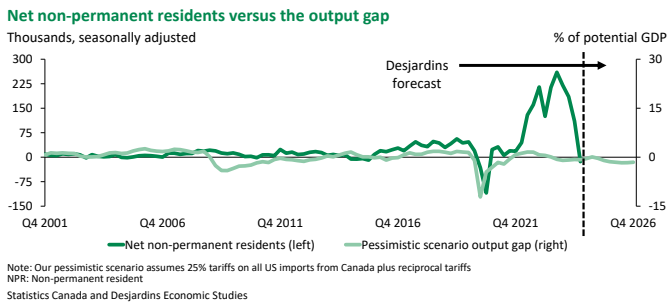
Graph 6
The Government Is Far from Reaching Its Population Target



Bank of Canada, Government of Canada, Statistics Canada and Desjardins Economic Studies

¹ We focused our analysis on what happened in 2024 after the new NPR target was announced. To do this, we estimated NPR outflows using IRCC data on new NPR permit holders. We then used our median estimate on NPR outflows to predict net NPR numbers and, by extension, the total number of NPRs and their population share. Given a one-month lag with the IRCC data, we assume that the December 2024 levels for new NPR permit holders are the same as the prior month. Note that our median estimate is roughly similar to the average estimate. For later periods, we use an adjusted version of the government’s net NPR forecasts.

Graph 8
Recent NPR Admissions Have Been Much Stronger than the Economy



Conclusion

All in all, the data suggest that the Government of Canada is making progress in reducing population pressures. This should, in turn, help ease housing demand and take pressure off shelter costs and other parts of the economy adversely impacted by surging population growth. In addition, slower population growth should help alleviate Canada’s declining GDP per capita and push up wage growth due to resulting labour scarcities. That being said, the federal government is still far from achieving its population targets.

However, it’s important to highlight that the federal government’s plan for low to negative population growth is already having other detrimental effects, such as placing further [fiscal stress on postsecondary institutions](#). We expect there will be [other impacts on Canada’s labour market](#) as the number of NPRs decline, especially in sectors with a higher reliance on temporary foreign workers. This is likely to push wages higher, potentially impacting inflation in labour-intensive goods and services. The winners would be the workers in those industries.

We’ll monitor the situation closely and revise our outlook as the data on immigration evolves. Keep an eye out for our ongoing analysis in future publications.