

WEEKLY COMMENTARY

An Unexpected Opportunity to Reverse Canada's Brain Drain

By Jimmy Jean, Vice-President, Chief Economist and Strategist

Since the Trump administration took power, American universities have been subjected to treatment that has weakened their position in the global scientific ecosystem. Cuts to federal funding for research, restrictions on grant criteria and a more restrictive policy on international students and researchers are creating a climate of uncertainty and withdrawal. Higher education in the US is also becoming increasingly politicized, undermining the foundations of academic freedom.

Meanwhile, China is pursuing the opposite strategy. It is ramping up budgets, investing in pure research, developing its university infrastructure and attracting or educating a growing percentage of the world's researchers. This shift of the world's scientific centre of gravity away from the United States is accelerating.

Canada occupies an enviable position in this new environment. It's seen as an open country with high-quality academic institutions. In fact, *Times Higher Education* ranks [three of Canada's universities among the world's top 50](#). Up to now, Canadian campuses have been relatively unaffected by the ideological tensions afflicting their US counterparts. In addition, the Liberal government's campaign platform alluded to investments in innovation, patient capital and research corridors. These are all positive signals that run counter to the more anti-intellectual trends observed among our neighbours to the south.

But does that mean we can expect the US's brain drain to turn into Canada's massive brain gain? There's no guarantee. As McGill University Provost Christopher Manfredi has [pointed out](#), recent policy decisions, including caps on international student admissions, have diminished Canada's appeal for international

students. International students are a significant source of funding for Canadian universities. They don't just pay higher tuition fees than Canadian students, they also account for a substantial share of students in graduate programs. [Our report on Canada's youth](#) showed that immigrants represent nearly three quarters of graduates from master's or doctoral programs in key fields such as engineering and computer science.

They are actively involved in producing scientific output, burnish the international reputation of Canada's universities and contribute more than [\\$30 billion a year to the Canadian economy](#). Cutting down on their numbers directly compromises the vitality of research programs.

All of these factors underline the need to avoid making impulsive decisions based on temporary political pressures and to articulate an approach that aligns demographic growth targets with wealth creation objectives, as [we](#) and [others](#) (in French only) have argued. In short, we need to quickly find solutions, especially for [student housing](#), which is particularly well suited to increasing density.

But even though conditions aren't as attractive as they could be, all is not lost. In particular, Canada can target Canadian researchers currently working in the United States. The 10,000 PhDs Project, a study that tracked the employment status of everyone who earned a doctorate from the University of Toronto between 2000 and 2015, showed that a significant share of Canadian PhDs—up to 17%—are working in the United States.

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Eighty-three percent of them said they wanted to return to Canada in the medium term. But, in order to return, they'd need adequate research infrastructure, good career prospects and an environment that helps them pursue their scientific goals.

A targeted strategy to make it easier for these researchers to come home may be more effective and affordable than attracting researchers without Canadian roots. That said, Canada will have to compete—even for its own talent—with major European universities, which are already actively recruiting in the US. China, whose latest five-year plan included the explicit goal of reducing its dependence on foreign technology, is also stepping up efforts to bring its scientists back home.

Canada should therefore focus its attention where it has a concrete comparative advantage. It already has a global reputation in areas such as the responsible development of artificial intelligence, life sciences and even clean technology.

The turmoil in US academia therefore represents a golden opportunity for Canada. If Canada wants to maintain or even increase its ability to innovate in a more fragmented world, it will have to create the conditions for a new scientific boom, quickly adapt its immigration system and actively recruit Canadian expats. The fact that our prime minister has a doctorate from one of the world's most prestigious universities already sends a message to the international scientific community that's diametrically opposed to the one they're getting from Washington. But that won't be enough, at least not on its own.

We can't wrap up this week's note without touching on a completely different topic. The federal government's decision not to publish a budget in 2025, despite the wide-ranging campaign promises made in April, is a regrettable one. In the world of fiscal policy, budgets are a sacred ritual, and even more so after an election. The budget is where promises are converted into clear, quantified and prioritized choices. In 2020, the decision to make an exception to this rule was mostly justified, given the extreme uncertainty over public health. But it's not justified now, regardless of what happens with the trade war.

In a climate where spending pressures—for housing, defence and infrastructure—are expected to be high, the public has the right to see an updated road map that separates campaign promises from government priorities. This need for transparency is all the more pressing as markets and rating agencies will be paying particularly close attention to public finances in advanced countries. Canada built the credibility needed to earn its AAA rating based on the consistency and rigour of its fiscal institutions and processes. In this climate, postponing the budget weakens that signal at a time when it's one of Canada's best assets.

What to Watch For

MONDAY May 19 - 10:00

April	m/m
Consensus	-0.9%
Desjardins	-1.0%
March	-0.7%

THURSDAY May 22 - 10:00

April	ann. rate
Consensus	4,130,000
Desjardins	4,090,000
March	4,020,000

FRIDAY May 23 - 10:00

April	ann. rate
Consensus	690,000
Desjardins	650,000
March	724,000

TUESDAY May 20 - 8:30

April	m/m
Consensus	-0.2%
Desjardins	-0.3%
March	0.3%

FRIDAY May 23 - 8:30

March	m/m
Consensus	-0.3%
Desjardins	0.6%
February	-0.4%

UNITED STATES

Leading indicator (April) – The leading indicator has been trending downward for some time but now seems to be contracting even more sharply. It fell by 0.6% in March—its biggest monthly decline since October 2023—and likely plummeted another 1.0% in April. Faltering consumer confidence, a lower stock market, a weak ISM index and fewer hours worked probably caused this expected decline.

Existing home sales (April) – Existing home sales have been volatile since the beginning of the year. After rising 4.4% in February, sales fell 5.9% in March, the biggest drop since November 2022. We're anticipating a slight increase in April's print. Pending sales rose 6.1% in March, a positive factor for April's final sales numbers. It's also worth noting that mortgage applications for home purchases have risen in the last two months. That said, preliminary regional data is suggesting a pullback, and the uncertainty surrounding trade policy may also have cooled buyers' enthusiasm. We expect sales to have edged up to 4,090,000 units.

New home sales (April) – New single-family home sales increased 3.1% in February and 7.4% in March to an annualized pace of 724,000 units, the highest level since September 2024. However, the builder confidence index was rather soft in April, particularly the component related to traffic of prospective buyers. Moreover, the number of building permits issued fell by 5.1% in April after a 2.0% decline in March. On the other hand, mortgage applications for home purchases rose in March and April. We expect new single-family home sales to come in at an annualized 650,000 units.

CANADA

Consumer price index (April) – The removal of the carbon tax is expected to have been the main drag on consumer prices in April. The change in policy should have shaved seven ticks off the annual figure, leaving inflation around 1.5%. Month over month not seasonally adjusted, headline consumer prices likely fell by 0.3%. This downward shift in prices from the carbon tax removal will skew headline inflation lower until April 2026. Outside of the carbon tax, residual effects from the GST/HST tax holiday pushed prices higher in March but should normalize in April's reading. The Bank of Canada's core measures are unlikely to have shown further progress in April, primarily due to base effects affecting the annual and 3-month annualized figures.

Retail sales (March) – Retail sales probably increased by 0.6% in March, one tick below Statistics Canada's flash estimate of +0.7%. After two consecutive monthly declines, receipts at motor vehicle and parts vendors are expected to have rebounded, both nominally and in volumes. We anticipate a significant fall in nominal sales at gas stations and fuel vendors due to lower prices and a likely decline in volumes. Nominal sales of core retail products, which exclude gasoline and motor vehicles and parts, probably stayed flat in a month marked by US tariff and reciprocal tariff announcements, deteriorating consumer sentiment and a slight decline in CPI prices of goods (seasonally adjusted). It is possible that some consumers fearing upcoming price increases on big-ticket items due to the escalating trade war decided to make some purchases earlier than planned. For April's flash estimate, we expect sales to fall. A sharp drop in retail gasoline prices likely dragged down nominal sales from fuel vendors, while auto sales probably posted negative growth.

WEDNESDAY May 21 - 2:00

April	y/y
Consensus	3.3%
March	2.6%

THURSDAY May 22 - 4:00

May	
Consensus	50.8
April	50.4


OVERSEAS

United Kingdom: Consumer price index (April) – UK inflation continued to slow in March, with the year-over-year change in the consumer price index falling from 2.8% to 2.6%. April's print will give us an indication of whether this trend continued into the second quarter. The UK economy appears to be doing fairly well, with non-annualized growth of 0.7% in the first quarter. In addition, the UK may be better placed amid the current trade war, as it avoided imposing potentially inflationary retaliatory tariffs and announced a partial trade deal with the US.

Eurozone: PMI (May – preliminary) – The eurozone composite PMI fell to 50.4 in April from 50.9 in March. However, it remains above its late-2024 and early-2025 levels. At 49.0, the Manufacturing PMI is still lower than its services counterpart, which stands at 50.1. However, the services index has fallen more sharply recently. Depending on how the trade war plays out, the eurozone may have to contend with stronger headwinds starting in May. It will be interesting to see whether European manufacturers see their activity slow further.


Economic Indicators

Week of May 19 to 23, 2025

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 19	8:45	Speech by Federal Reserve Bank of New York President J. Williams				
	8:45	Speech by Federal Reserve Vice Chair P. Jefferson				
	10:00	Leading indicator (m/m)	April	-0.9%	-1.0%	-0.7%
TUESDAY 20	9:00	Speech by Federal Reserve Bank of Richmond President T. Barkin				
	13:00	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
WEDNESDAY 21	---	---				
THURSDAY 22	8:30	Initial unemployment claims	May 12–16	228,000	234,000	229,000
	10:00	Existing home sales (ann. rate)	April	4,130,000	4,090,000	4,020,000
	14:00	Speech by Federal Reserve Bank of New York President J. Williams				
FRIDAY 23	10:00	New home sales (ann. rate)	April	690,000	650,000	724,000
	12:00	Speech by Federal Reserve Governor L. Cook				

CANADA

MONDAY 19	---	Markets closed (Victoria Day)				
TUESDAY 20	8:30	Consumer price index				
		Total (m/m)	April	-0.2%	-0.3%	0.3%
		Total (y/y)	April	1.6%	1.5%	2.3%
WEDNESDAY 21	---	---				
THURSDAY 22	8:30	Industrial product price index (m/m)	April	n/a	-0.3%	0.5%
	8:30	Raw materials price index (m/m)	April	n/a	-1.5%	-1.0%
FRIDAY 23	8:30	Retail sales				
		Total (m/m)	March	-0.3%	0.6%	-0.4%
		Excluding automobiles (m/m)	March	n/a	-1.8%	0.5%

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of May 19 to 23, 2025

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
OVERSEAS							
SUNDAY 18							
China	22:00	Industrial production	April		5.7%		7.7%
China	22:00	Retail sales	April		5.9%		5.9%
MONDAY 19							
Eurozone	5:00	Consumer price index – final	April	0.6%	2.2%	0.6%	2.2%
TUESDAY 20							
Australia	0:30	Reserve Bank of Australia meeting	May	3.85%		4.10%	
Eurozone	4:00	Current account (€B)	March	n/a		34.3	
Eurozone	5:00	Construction	March	n/a	n/a	-0.5%	0.2%
Eurozone	10:00	Consumer confidence – preliminary	May	-16.0		-16.7	
Japan	19:50	Trade balance (¥B)	April	-181.2		-233.6	
WEDNESDAY 21							
United Kingdom	2:00	Consumer price index	April	1.1%	3.3%	0.3%	2.6%
THURSDAY 22							
France	2:45	Business confidence	May	97		96	
France	2:45	Production outlook	May	-16		-16	
France	3:15	Composite PMI – preliminary	May	48.2		47.8	
France	3:15	Manufacturing PMI – preliminary	May	48.9		48.7	
France	3:15	Services PMI – preliminary	May	47.8		47.3	
Germany	3:30	Composite PMI – preliminary	May	50.4		50.1	
Germany	3:30	Manufacturing PMI – preliminary	May	49.0		48.4	
Germany	3:30	Services PMI – preliminary	May	49.6		49.0	
Eurozone	4:00	Composite PMI – preliminary	May	50.8		50.4	
Eurozone	4:00	Manufacturing PMI – preliminary	May	49.3		49.0	
Eurozone	4:00	Services PMI – preliminary	May	50.5		50.1	
Germany	4:00	ifo Business Climate Index	May	87.4		86.9	
Germany	4:00	ifo Current Assessment Index	May	86.8		86.4	
Germany	4:00	ifo Expectations Index	May	87.9		87.4	
United Kingdom	4:30	Composite PMI – preliminary	May	49.3		48.5	
United Kingdom	4:30	Manufacturing PMI – preliminary	May	46.0		45.4	
United Kingdom	4:30	Services PMI – preliminary	May	50.0		49.0	
United Kingdom	19:01	Consumer confidence	May	-22		-23	
Japan	20:30	Composite PMI – preliminary	May	51.2		51.2	
Japan	20:30	Manufacturing PMI – preliminary	May	48.7		48.7	
Japan	20:30	Services PMI – preliminary	May	52.4		52.4	
FRIDAY 23							
United Kingdom	2:00	Retail sales	April	0.4%	4.5%	0.4%	2.6%
Germany	2:00	Real GDP – final	Q1	0.2%	-0.4%	0.2%	-0.4%
France	2:45	Consumer confidence	May	93		92	
Japan	19:30	Consumer price index	April		3.6%		3.6%

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Times shown are Eastern Daylight Time (GMT -4 hours).