Fiscal Commentary

Canadian government sets lofty goal for immigration for 2021-23

The Canadian government announced lofty goals for immigration, hoping to fill in the hole left by the pandemic and set the stage for stronger economic growth going forward. In its Immigration Levels Plan for 2021- 2023, the government has targeted 401,000 permanent residents for 2021, followed by 411,000 persons in 2022, and 421,000 in 2023.

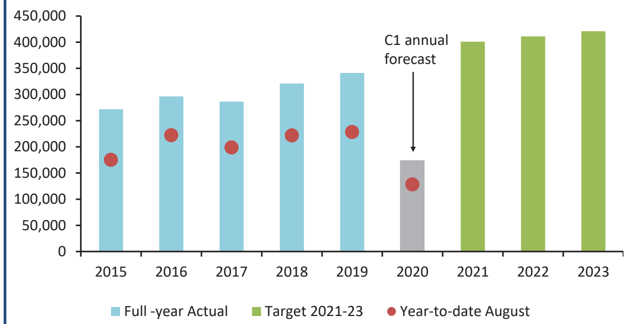
This is a large increase of about 17 per cent compared to targets set out in the previous plan, where targeted inflows were 351,000 for 2021 and 361,000 in 2022. This boost in entries is partly to make up for the realized and expected drop in entries during the pandemic, when immigration fell due to global travel restrictions and administrative delays at consulates.

A scan of the plan shows economic immigrants making up 58 per cent of target immigration in 2021, rising to nearly 59 per cent by 2023. Roughly 45 per cent of the economic immigrant category are individuals part of the federal high-skilled worker class, while the provincial nominee programs make up the bulk of the remainder. Family re-unification make up roughly a quarter of targeted permanent resident growth.
The government's commitment to higher levels of immigration for the near-term future is a signal that it deems immigration as critical for Canadian growth and prosperity. These levels represent about one per cent of Canada's base population on an annual basis.

While the Canadian economy is suffering from steep pandemic driven declines in employment and high unemployment rates, which may make higher immigration targets politically unpopular in an era of higher unemployment rates, this downturn has proven uneven in its impact. Job losses have been concentrated in largely lower wage paying services sectors such as hospitality and private services. In contrast, sectors such as technology, professional services and various goods producing sectors have been relatively unscathed due to work from home capabilities or natural physical distancing. In these and other sectors, labour scarcity observed prior to the pandemic continues. In the absence of an inflow in talent, these sectors will likely face shortages of

Higher immigration targets make up for 2020 pandemic tumble

Permanent Residency Admission to Canada, persons



Source: IRCC, Central 1, latest Sep 2020

high skilled labour even before the pandemic ends. Meanwhile, business formation by future economic migrants should yield economic benefits through job creation and capital investment, albeit this will take time.

Higher immigration will mean rising demand for housing, both for homeownership and rental product going forward. The pandemic has coincided with buoyant home ownership demand amidst low mortgage rates, pent up demand and shift in preferences. While some of these factors will normalize, population growth will undoubtedly fuel further demand going forward particularly in large urban markets. The rental market has slowed in the current phase as lower wage workers were more affected by pandemic recession but amplified by by border closures and lack of international students which has hampered demand. Borders will re-open to international students in the months ahead, and the flow of more permanent residents will further buoy rental demand as it normally marks a first step in settlement for new Canadians

https://www.canada.ca/en/immigration-refugees-citizenship/news/notices/supplementary-immigration-levels-2021-2023.html

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