Economic Commentary

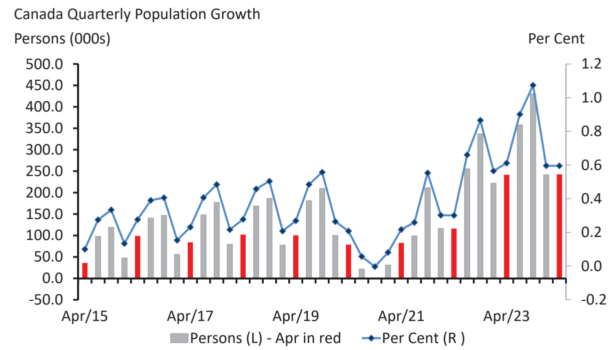
June 20 2024

central 1 Economics

Population growth maintains rapid pace during first quarter but slowdown expected

Canada's population boom continued through the first quarter of the year as the country grew by nearly a quarter million people to surpass 41 million people for the first time on record. The quarterly increase of 0.6 per cent nearly tripled the average same-quarter rate from 2010-2019 to hold year-over-year growth at 3.2 per cent or 1.27 million persons. In comparison, the U.S. with a population eight times that of Canada expanded by only 1.7 million people or 0.5 per cent. Since 2019, Canada's population has ballooned by nearly 3.6 million people or 9.5 per cent.

Robust population growth continues through first quarter



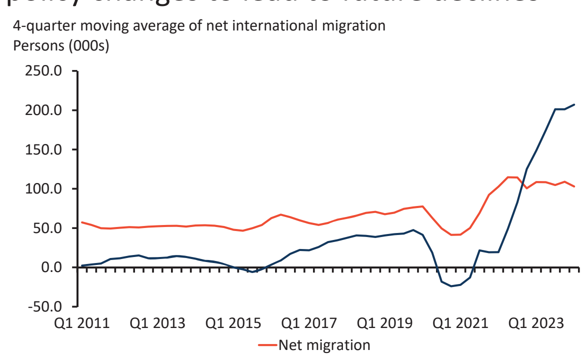
Source: Statistics Canada, Central 1

Above normal gains were again dominated by the large inflow of non-permanent residents which reached 131,810 people. More than 282,000 temporary residents arrived to Canada compared to an outflow of 150,366. While down from recent quarters, the net contribution was up 21 per cent from a year ago and far above the historical range. In the years immediately preceding the pandemic same quarter net inflows figures could range anywhere from 20 to 60k. With the government pledging to reduce the share of non-permanent residents over the next three years, this trend will decline and partially reverse, curbing population growth.

Excluding temporary residents, Canada continued to attract a hefty number of newcomers through the normal permanent residency channel amidst elevate federal targets. Net immigration came in at 109,145 persons. This was up from 89,140 in the fourth quarter, which typically sees fewer entries, but was 18 per cent lower than a year ago. Net immigration still remains far above historical patterns.

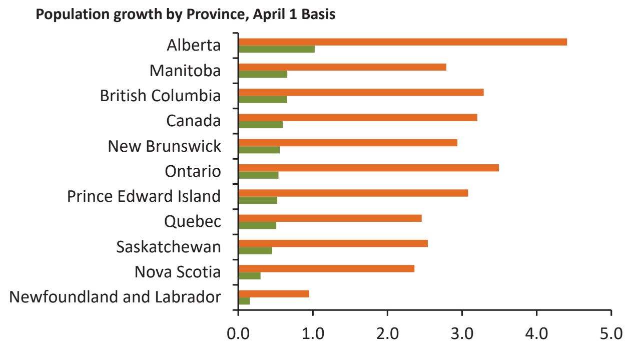
Among provinces, Alberta continued to stand out amongst its peers. The population rose 1.0 per cent from the fourth quarter and 4.4 per cent year-over-year. B.C. grew at 0.7 per cent from Q4 and 3.3 per cent year-over-year, while Ontario was up 0.5 per cent and 3.5 per cent. More modest gains were observed among other provinces on a year-over-year basis. Since 2019, Prince Edward Island (14.7 per cent) and Alberta (11.8 per cent) have led population growth. This has been driven by high levels of net interprovincial migration as the pandemic preferences and more affordable housing markets challenges have attracted Canadians to these provinces (see our note). Slowly these affordability advantages are eroding as demand for housing has surged, but prices remains significantly lower than markets in B.C. and Ontario.

Dominance of temporary residents continues, policy changes to lead to future declines



Source: Statistics Canada, Central 1

West leads quarterly gain, annual growth strongest in Alberta



Source: Statistics Canada, Central 1

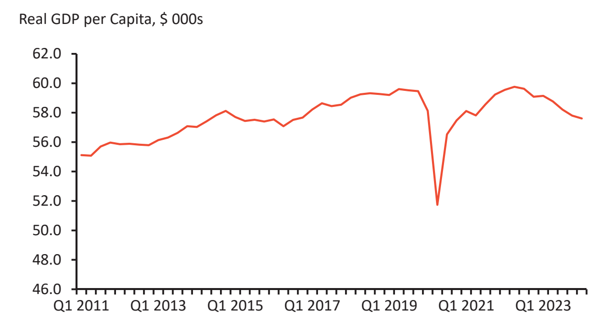
There are several takeaways from the latest population data as it relates to the economy and policy.

This marked another quarter in which population growth far exceeded GDP growth. Output rose 0.4 per cent in Q1 which was exceeded by population growth (seasonally- adjusted 0.7 per cent). GDP per capita has declined for about seven quarters pointing to a deterioration in economic well being and living standards due in part to past weakness in investment. While some of this reflects the natural effect of newcomers needing more time to acclimatize to their environment and find appropriate work for their skills, this marks the lowest output per capita since about 2017. High population growth is also contributing to increased labour market slack and higher unemployment rates.

This should work to ease wage pressures and inflation and contribute to a lower Bank of Canada policy rate. At the same time, population growth is also adding upward pressure to housing markets and home values, while also disincentivizing productivity enhancing capital investment.

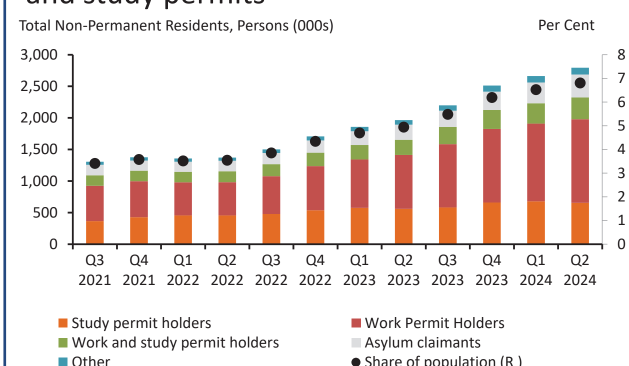
The pressures of population growth, particularly the surge in temporary residents, has created excessive demand for housing and other services. As outlined in our note [Canada reins in population boom](), the federal government announced its intention to cut the share of non-permanent residents of population to 5.0 per cent over the next three years. As of January 1 that figure was 6.5 per cent, and with the latest data, now sits at 6.8 per cent representing 2.79 million people pointing to an even larger future adjustment. Net non-permanent inflows will slow and decline but the government may have to cut deeper through a combination of restricted entry, fewer renewals and possible a shift to permanent status, specifically for students. If they keep to the targets, population growth is set to decelerate to around half a per cent annually over the next few years.

Output per capita continues to slide on high population growth and weak investment



Source: Statistics Canada, Central 1

Non-permanent resident inflow led by work and study permits



Source: Statistics Canada, Central 1

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