



Federal government completes U-turn on expansionary immigration policy

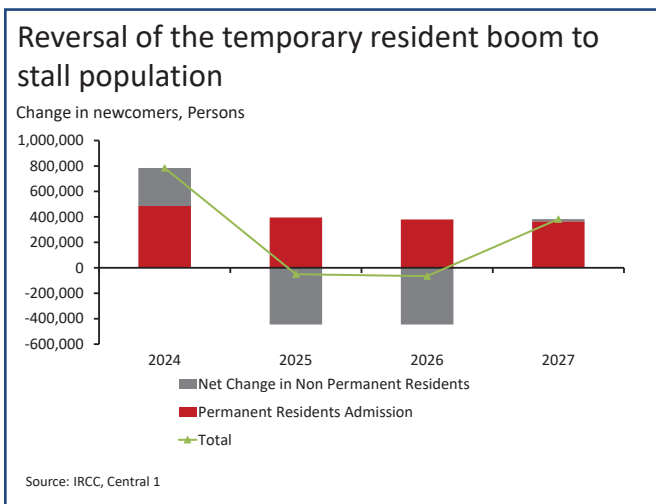
The era of blockbuster population growth has come to an end. The federal government released updated immigration planning targets which points to a net outflow of newcomers over the next two years, completing its U-turn from its expansionary immigration policy. This comes in response to political and public pressure as fairly or unfairly, rapid population growth has been associated with the unaffordable housing market, concerns about social services and infrastructure capacity, and slack in the economy and labour markets.

Earlier this year, the government had committed to reducing the non-permanent resident share of the population to five per cent, implying low but still positive population growth. However, the government’s updated planning targets points to a more aggressive response with reductions in both traditional immigration admissions and cuts to the number of non-permanent residents in the country, which could push population into negative territory for both 2025 and 2026.

Net immigration to turn negative

Canada’s federal government mapped out its 2025 to 2027 Immigration Planning Targets this past week. The outcome will be a **net reduction** in immigration flows for the next two years of 50,900 people in 2025, 65,622 people in 2026, before net growth of 382,439 in 2027. In comparison, the 2024 projection is for 784,216 newcomers.

The swing in immigration reflects the federal government’s goal to reduce the non-permanent resident share of the population to 5.0 per cent to adjust to labour market slack and social stresses. This five per cent share was introduced in March of this year. At that time, the estimated share had already reached 6.3 per cent, and the situation has grown more acute with the share rising above seven per cent. The target is to reduce the NPR share from 7.1 per cent in 2024 to 6.1 per cent in 2025, followed by 5.0 per cent in both 2026 and 2027.



To achieve this, the government is taking the axe to net non-permanent resident (Temporary Residents) numbers including restricted number of new entry admissions into Canada, while total non-permanent figures will decline due to exits from the country and transition of some temporary residents to permanent residents. The net decline in net non-permanent residents is projected at nearly 445,000 annually in 2025 and 2026, before edging into positive territory in 2027. This would cut the number of permanent residents by roughly one third by 2027.

New admissions are targeted at 673,650 in 2025, declines to 516,600 in 2026 and 543,600 in 2027. announced that student admissions would be reduced 10 percent from 2024 and is set at 305,900 from 2025 to

2027. Of total temporary resident admissions, 55 per cent will be prioritized as workers, especially those in primary agriculture, excluding seasonal workers outside these targets. Non-permanent resident outflows are projected at 1.268 million in 2025, 1.1 million in 2026 and 875k in 2027. A portion of these declines will reflect transitions to permanent residency.

Slowing the pace of immigration

In a surprisingly aggressive move, the government also plans to slow the pace of newcomers through the traditional permanent residency stream which makes achieving the five per cent target more difficult to achieve. The permanent residency target for 2025 was cut to 395,000 admissions, followed by 380,000 in 2026 and 365,000 in 2027. This is a substantial departure from prior plans when the target was 450,000 to 500,000 per year. A substantial portion of the permanent residency admissions will draw on temporary residents already in the country (40 per cent), which contributes to curbing the non-permanent resident share, while economic class admissions will be a growing share of the pie.

Impacts of slowing population growth

The government's target to reduce immigration inflows and reverse substantial portion of the recent influx of temporary residents will mean population growth sinks to near zero over the next two years given low natural population growth (births less deaths) as well as emigration outflows. While no growth in population is considered unprecedented, this smooths out the excess growth we saw over the past two years. There are also upside and downside risks to the immigration outcomes. Non-permanent resident outflows may be overstated given tracking is based on visa expirations rather than physical evidence. Individuals may stay in Canada, that said, weaker economic conditions could also spur more individuals to leave early.

Lower population growth will have both direct and indirect impacts on the economy. Net declines in migration will curb headline economic growth and consumer demand. However, if the government successfully pivots towards more economic class migration, per capita output could increase with higher average productivity. Meanwhile, the slack in the labour market could close more quickly, curbing the unemployment rate and improve prospects for younger workers.

For the housing market, a more pronounced impact should be expected on the rental market where many newcomers and temporary residents reside. Declining demand should alleviate pressures for renters, especially given more supply from both new construction projects underway and investor-owned units and potentially cut rents over the next year. Homeownership demand lags permanent residency, and we modest impact on demand and prices given declining interest rates.

Immigration Levels Plan

	Net Change in Newcomers to Canada			
	2024	2025	2026	2027
Non-permanent Residents (NPR):				
<i>NPR outflows</i>	588,409	1,262,801	1,104,658	875,129
<i>NPR inflows</i>	887,625	816,900	659,036	892,568
<i>of which:</i>				
<i>Inflows subject to targets set for students and workers</i>		673,650	516,600	543,600
<i>Inflows for contingency reserve</i>		143,250	142,436	348,968
Net Change in Non-permanent Residents	299,216	-445,901	-445,622	17,439
New Permanent Residents	485,000	395,000	380,000	365,000
Total New PR and NPR in Canada	784,216	-50,901	-65,622	382,439
Population of Non-permanent Residents	2,961,000	2,515,099	2,069,477	2,086,916
NPRs as % of Canadian Population	7.10%	6.10%	5.00%	5.00%

Source: IRCC, Central 1

The policy path of lower immigration and population growth is clear, but we will end with a quibble on the data. While the government's plan points to a modest reduction in net new permanent resident and non-permanent resident in 2025 and 2026, the implied population from achieving the non-permanent share of total population suggests a deeper population reduction in 2025 of 1.0 per cent before a mild uptick in 2026. It seems the only way to achieve this is with more deaths or fewer births, and more emigration. The reason for the disconnect is unclear but suggests achieving the 5.0 per cent share may take longer than anticipated.

Bryan Yu

Chief Economist

Central 1 Credit Union

byu@central1.com