

July 21, 2025

Immigration brake in full swing

By Daren King

- The Canadian government announced a cutback in immigration in 2024, leading Statistics Canada to forecast population growth of just 0.3% for 2025. As we expected, the task of reducing the number of non-permanent residents is more complex than the authorities had anticipated, so population growth should be more than double the statistical agency's forecast at 0.7%, which is essentially in line with our previous forecasts.
- At the regional level, population growth in 2025 should be stronger than forecast by Statistics Canada in all provinces, except for Ontario and British Columbia, where the reduction in non-permanent residents is more marked due to the higher proportion of this population. In addition, interprovincial migration is more negative than anticipated in these two provinces.
- Conversely, population growth will be much stronger than expected in Quebec and Alberta, notably due to a positive contribution from the balance of non-permanent residents in 2025. Alberta also benefits from a high influx of permanent residents and continues to attract large numbers of Canadians from other provinces.
- The latest data show that the reduction in the number of non-permanent residents is gaining momentum, leading us to revise our growth forecasts for the coming years slightly downwards, to 0.2% in 2026 and 0.4% in 2027, annual lows never seen before.
- At the provincial level, most of the Atlantic provinces, as well as Quebec and British Columbia, should see their populations decline in 2026. The Prairie provinces should remain the leaders in population growth, with Alberta in the lead, followed by Saskatchewan and Manitoba.
- The slowdown in population growth will have a significant impact on potential GDP growth, which is expected to slow from around 3.0% in 2024 to 1.3% in 2025 and 1.0% in 2026, with wide variations by province.

A drastic change

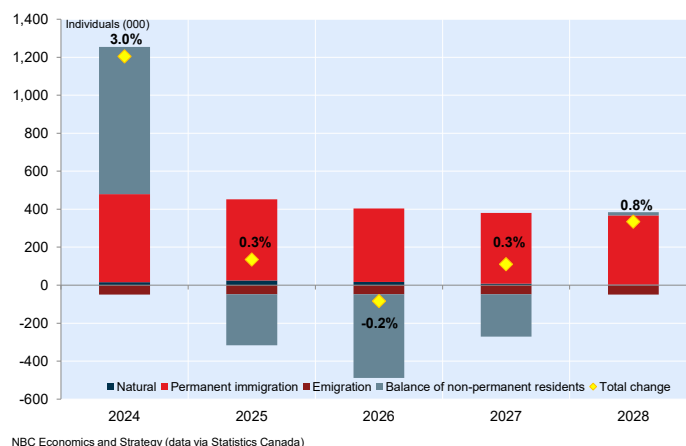
The recent publication of Statistics Canada's demographic data for the 1st quarter of 2025 provides us with an opportunity to assess the evolution of the country's demographics following the new migration policy announced by the federal government in 2024, and at the same time to revise our forecasts for Canadian population growth.

As a reminder, the federal government made significant changes to its migration policy¹ last year in the wake of record population growth from 2022 to 2024, which put pressure notably on the housing sector. Indeed, the government first announced that it was reducing its initially planned permanent immigration targets from 500K to 395K individuals for 2025 and to 380K for 2026, in addition to setting the threshold for 2027 at 365K individuals. The government has also signaled its intention to reduce the proportion of non-permanent residents (NPRs) to 5% of the total population by the end of 2027. To achieve this, the number of NPRs would have to decrease by 446K individuals in 2025 and 2026, before increasing modestly by 17K in 2027. On a calendar-year basis (January 1st to December 31), these targets would result in a 0.2% decrease in the total population in 2025 and 2026, followed by 0.8% growth in 2027.

Following these important announcements, Statistics Canada has made a complete revision of its demographic forecasts at the beginning of 2025. To fully understand these forecasts, it is important to note that the statistical agency works on a census-year basis, and not on a calendar basis, i.e. by measuring population change from July 1st to June 30. Our population forecasts are also made on this same basis. In its M4 medium-growth scenario, Statistics Canada forecast a decrease in the NPR balance of 268K individuals in 2025 (July 1st, 2024 to June 30, 2025), 440K in 2026 and 222K in 2027. As for permanent immigrants, their scenario estimated a flow of 427K individuals in 2025, 388K in 2026 and 373K in 2027. As a result, the Canadian population would grow by a meagre 0.3% in 2025, before declining by 0.2% in 2026 and rising again by 0.3% in 2027.

Canada: Population projections from Statistics Canada

Annual population change. Breakdown by category. M4 average growth scenario

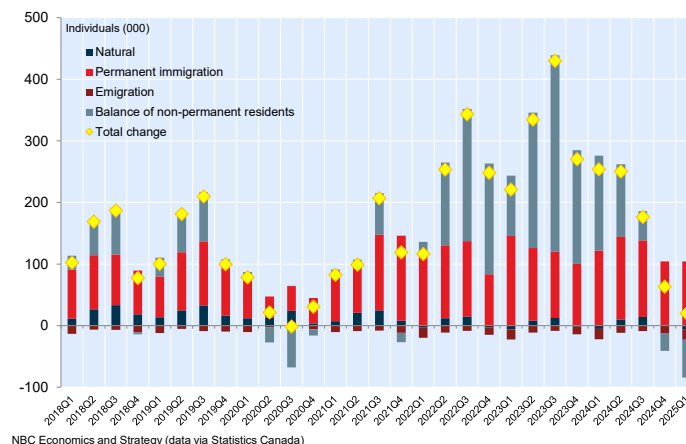


Anaemic population growth in Q1

In Q1 2025, the Canadian population remained essentially stable compared with Q4 2024, the smallest variation for this period of the year on record. This weakness was mainly due to an even more negative contribution from the NPR balance, while the number of permanent immigrants was similar to the previous quarter.

Canada: Population growth slows due to NPRs

Quarterly population change. Breakdown by category.

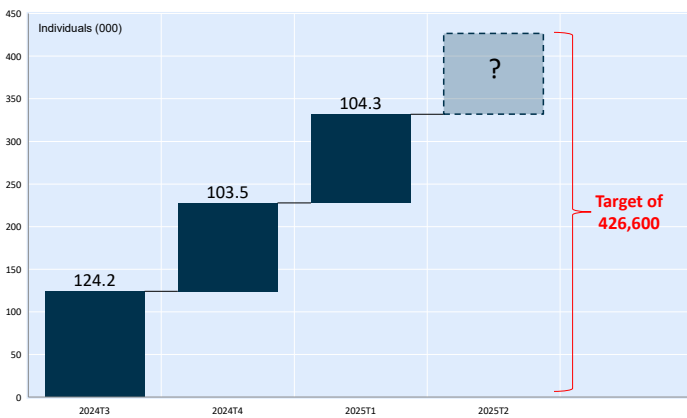


¹ [Government of Canada reduces immigration - Canada.ca](https://www.canada.ca/en/government/publications/government-reduces-immigration)

A closer look at the Q1 2025 data shows that the government is on track to meet some of its targets. With three quarters done in the 2025 census year ending June 30, the permanent immigration target in Statistics Canada's demographic scenario is well on track. Indeed, with 332K new permanent residents in the first three quarters, including 104K in Q1 2025, it's a safe bet that the 427K target will be reached with one quarter to go. For the authorities, meeting this threshold is a bureaucratic formality, since the government has full control over the issuance of permanent residencies.

Canada: Permanent immigration on track to meet its target

Quarterly admission of permanent immigrants. Census year 2025

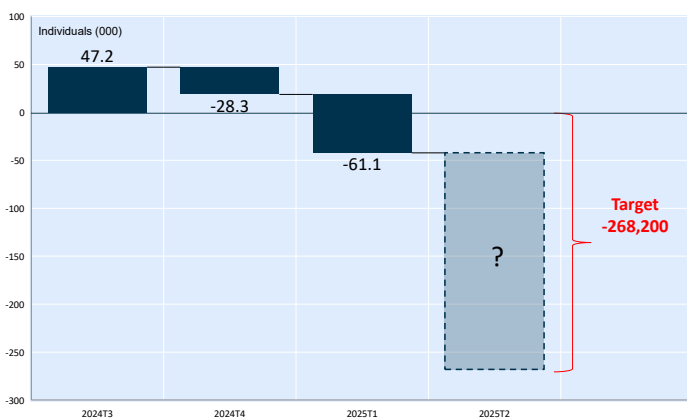


NBC Economics and Strategy (data via Statistics Canada)

However, achieving the RNP reduction target is a complex challenge, since the government does not have full control over the flow of this type of immigration. After three quarters, the net RNP balance was down by only 42K people, compared with a target of 268K. Although we are seeing an increasing number of net outflows in Q1 2025, reaching the target set by the government seems out of reach, since the pace recorded in the last quarter would have to more than triple to do so.

Canada: A non-permanent immigration target out of reach

Quarterly net balance of non-permanent residents. Census year 2025



NBC Economics and Strategy (data via Statistics Canada)

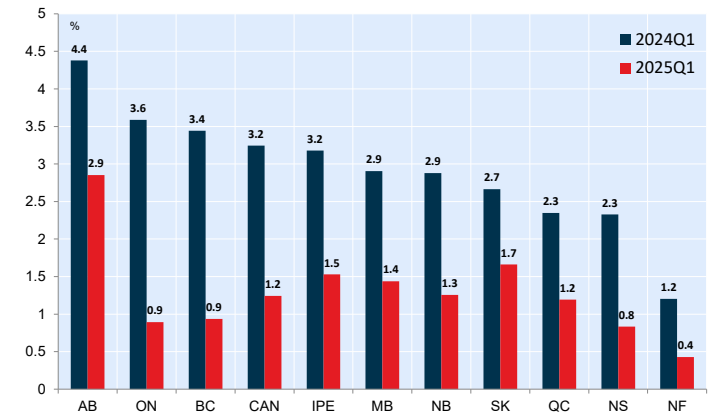
Slowdowns vary at regional level

However, the slowdown in population growth observed across the country is not occurring uniformly in all provinces. The deceleration has been most marked in Ontario and British Columbia, where interprovincial migration has been much more negative than anticipated, and NPRs have fallen sharply. However, the declines in

NPRs in these two provinces are still less than Statistics Canada had forecast to achieve the federal government's target.

Canada: Slower growth across the board

Annual population growth (%)

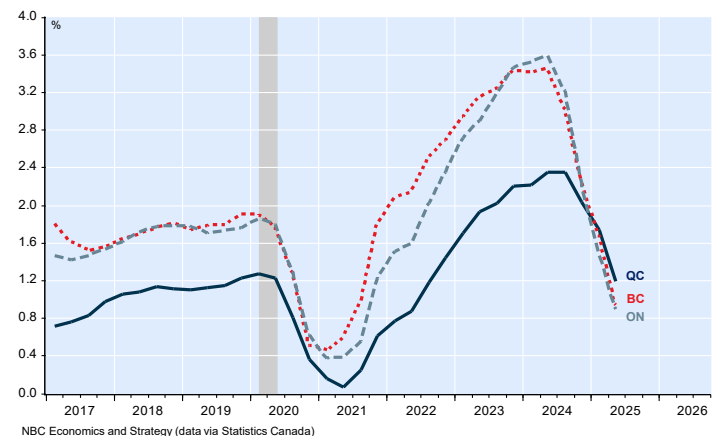


NBC Economics and Strategy (data via Statistics Canada)

Conversely, Alberta and Quebec are among the provinces where the slowdown has been least marked. In the case of Quebec, population growth has defied expectations so far in 2025, and is simultaneously stronger than in Ontario and British Columbia, a first since 1962.

Quebec: Stronger growth than Ontario and British Columbia

Annual population growth (%)



NBC Economics and Strategy (data via Statistics Canada)

As it turns out, the outflow of RNP in Quebec was much lower than expected. In fact, the balance of NPRs remained positive in the first two quarters of the census year and was only marginally negative in Q1 2025. As a result, this demographic component is poised to make a positive contribution to population growth in 2025, whereas Statistics Canada forecasts predicted a net negative balance of 52K people. However, given the moratorium imposed on certain permanent immigration programs in the province since last fall, the number of permanent residents is on track to be lower than anticipated, partially offsetting the upward surprise in NPRs. Since these two categories represent communicating vessels, it's not surprising that a lower number of permanent residents should lead to a higher number of RNP. Indeed, one way to reduce the number of RNP in the country is to grant permanent status to some of them who wish to stay. However, with the provincial government intent on further lowering its permanent immigration targets, we believe it will be even more difficult to substantially reduce the number of RNP. That's why, like several other economists^{2,3} we believe that the provincial government is on the wrong track in wanting to massively lower permanent immigration thresholds at

² [Planification 2025 de l'immigration au Québec | Institut du Québec](#)

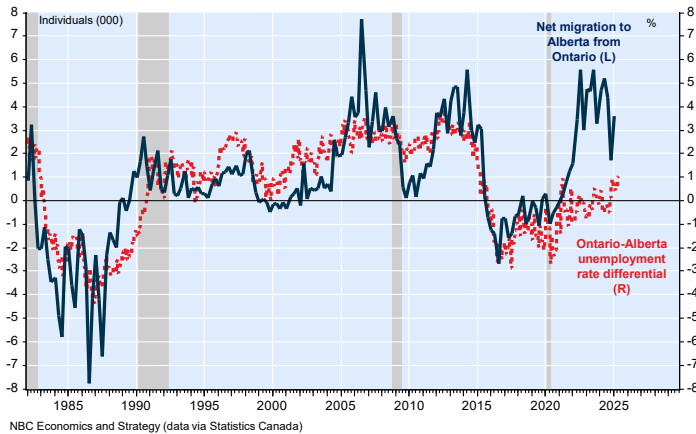
³ [Planifier un atterrissage en douceur : analyse économique des enjeux en immigration au Québec - Chaire de recherche Jacques-Parizeau en politiques économiques](#)

this time. In fact, we believe that the thresholds should even be raised temporarily, but with admission criteria that are more targeted to the province's needs and favor well-established RNPs who wish to stay.

As for Alberta, population growth in the province continues to defy gravity for several reasons. Firstly, as in Quebec, the NPR balance continued to be positive in the first two quarters of the census year, then only marginally negative in Q1 2025. This demographic component is therefore on track to make a positive contribution to population growth in 2025, whereas Statistics Canada forecasts predicted a net negative balance of 29K people. Secondly, permanent immigration has continued to increase in recent quarters, despite the lowering of thresholds in this category by the federal government. Finally, the balance of interprovincial migration continues to be largely positive in the province, albeit at a slower pace. In Q1 2025, Alberta posted a positive net migration of 7,200 people, half of whom came from Ontario (3,600) and a quarter from British Columbia (1,900). As it turns out, Ontario's unemployment rate is now 1 percentage point higher than Alberta's, the highest gap in ten years. What's more, the real estate market in Alberta is much more affordable than in Ontario and British Columbia, prompting many Canadians to relocate.

Alberta: Strong interprovincial migration from Ontario

Quarterly interprovincial migration balance to Alberta from Ontario and difference (%) between the unemployment rate in Ontario and Alberta



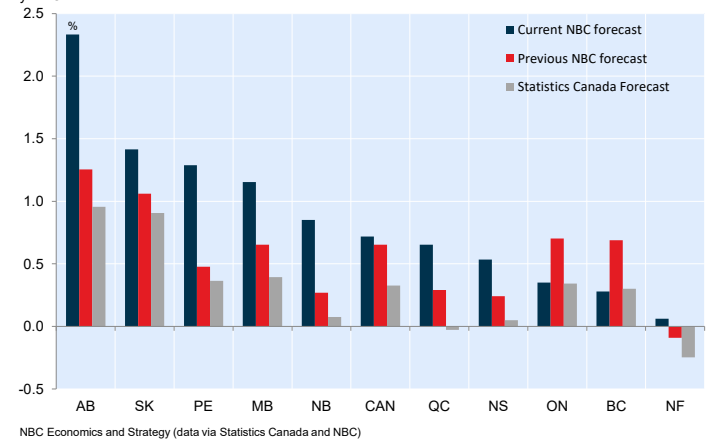
Revising our forecasts: From wishful thinking to reality

Given the scale of the challenge of reducing the proportion of RNPs to 5% of the total population, we've always been a little skeptical when drawing up our demographic forecasts. Indeed, following the announcements, we had assumed that the reduction in the number of RNPs between 2025 and 2027 would only be 50% of that forecast in the Statistics Canada scenario, i.e. 465K individuals instead of 930K. With the release of Q1 2025 demographic data, this gives us the opportunity to measure the government's ability to achieve its objectives, and to revise our assumptions and demographic forecasts if necessary.

With only one quarter remaining in the 2025 census year, it is clear that the decrease in the number of RNPs will be much less than forecast by Statistics Canada, with around 40-45% of the target achieved. As a result, population growth for the coming year will be higher than anticipated in all provinces, except for Ontario and British Columbia, where more negative interprovincial migration than anticipated and a sharp drop in RNP mean that population growth will be essentially in line with the Statistics Canada scenario. For our part, our forecast for 2025 remains essentially unchanged at 0.7% (+297K), roughly double the 0.3% forecast by Statistics Canada.

Canada: Stronger-than-expected growth

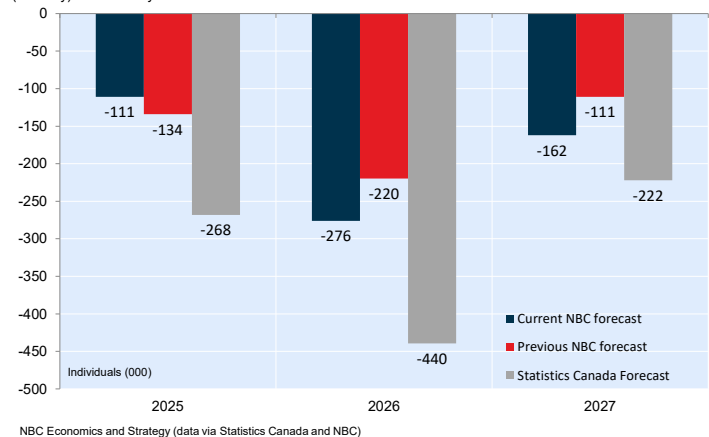
Annual population change (%). Statistics Canada forecast and current (July) and previous (January) forecasts by NBC



Given the sharp decline in NPRs in Q1, we have revised upwards our assumption for achieving the NPR reduction target for future years. For 2026, we now anticipate that the annual target will be reached at 66% (instead of 50% previously) in all provinces, with the exception of Quebec, where we have maintained our assumption at 50% due to the provincial government's desire to further lower the permanent immigration threshold, which will limit its ability to reduce the number of NPRs on its territory. For 2027, we estimate that the annual target will be reached at 75% in all provinces, with the exception of Quebec, where we forecast 65%. As a result, we expect the number of NPRs to fall by almost 550K between 2024 and 2027, as opposed to the 930K estimated in the Statistics Canada scenario. In our forecast, the government will still manage to take a considerable step towards reducing their weight to 5% of the Canadian population, with their proportion dropping from 7.3% in 2024 to 5.9% in 2027.

Canada: Fewer non-permanent residents, but still far from the target

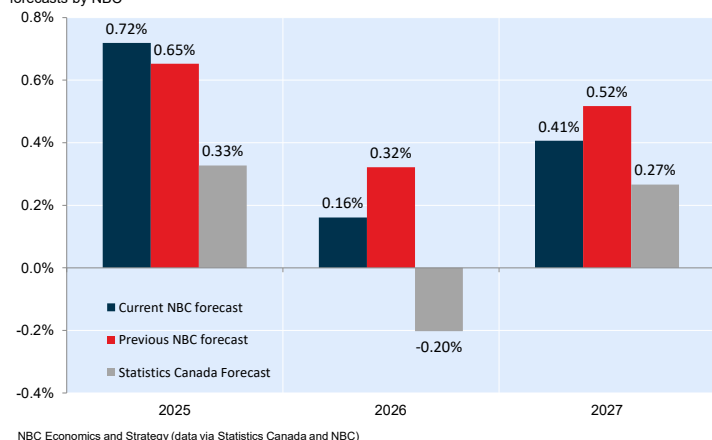
Change in the balance of non-permanent residents. Statistics Canada forecast and current (July) and previous (January) forecasts by NBC



As a result, after growth in line with our initial forecasts in 2025, we have revised our population projection downwards from +0.3% to +0.2% in 2026 (+67K individuals), but it should remain positive contrary to Statistics Canada projections. For 2027, population growth should accelerate to 0.5% (169K individuals, previously 0.4%), while the NPR balance will no longer be negative.

Canada: Slower growth expected, but contraction avoided

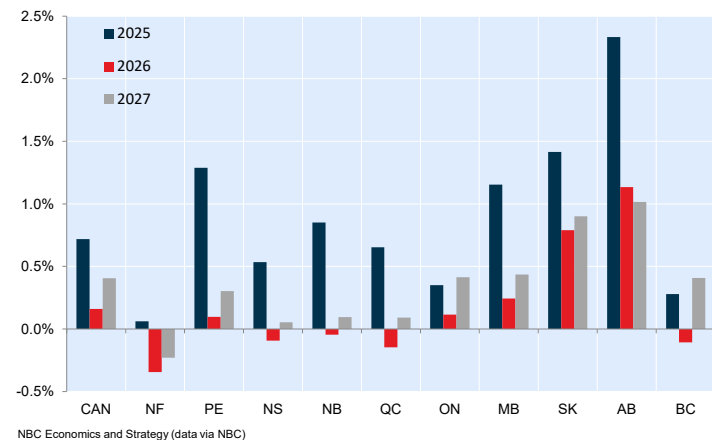
Annual percentage change in population. Statistics Canada forecast and current (July) and previous (January) forecasts by NBC



At the regional level, many provinces are likely to experience a decline in population in 2026, despite an increase at the national level. This will be the case in Newfoundland & Labrador, Quebec, British Columbia, Nova Scotia, and New Brunswick. Ontario could remain slightly in positive territory in 2026, but slightly higher-than-expected NPR outflows could tip it into contraction. One thing is certain, the Prairie provinces will remain the champions in terms of demographic growth, with Alberta in the lead, followed by Saskatchewan and Manitoba. For 2027, all provinces should return to growth, except Newfoundland & Labrador, due in particular to a negative contribution from natural population change.

Canada: Very different provincial realities

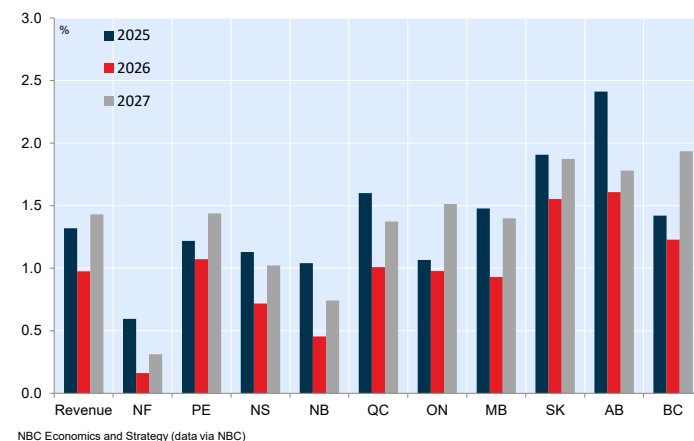
Annual population change (%). NBC forecasts



adjust our expectations downwards as to the level representing good economic growth in 2026. According to our estimates, potential GDP growth will be in the region of 1.0% (compared with close to 3% in 2024 and 1.3% in 2025), with wide variations from province to province.

Canada: Potential GDP growth set to decline in 2026

Annual change (%) in potential GDP



Implications for economic growth

The demographic fluctuations we have experienced and will experience in the coming years represent a major challenge for demographers and economists when drawing up their projections. Historically, population growth has been relatively easy to integrate into macroeconomic scenarios, dictated by natural increase and a predictable immigration policy. This has no longer been the case since 2022, due to the evolution of NPRs, and uncertainty will persist until 2027 as the government attempts to reduce this population. The data for the last few quarters support our view that it will be very difficult, if not impossible, to reach the 5% RNP target in 2027. This means that we expect economic growth to be stronger than Statistics Canada suggests, but still very weak on a historical basis.

This has implications for our estimate of potential GDP for the Canadian economy. With this demographic slowdown, we need to



Subscribe to our publications: NBC.EconomicsStrategy@nbc.ca – To contact us: 514-879-2529

General

This Report was prepared by National Bank Financial, Inc. (NBF), (a Canadian investment dealer, member of CIRO), an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial and National Bank of Canada Financial Inc.

Canadian Residents

NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent or underwriter for certain issuers mentioned herein and may receive remuneration for its services. As well NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates.

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.

UK Residents

This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

EU Residents

With respect to the distribution of this report in the member states of the European Union ("EU") and the European Economic Area ("EEA") by NBC Paris, the contents of this report are for information purposes only and do not constitute investment advice, investment research, financial analysis or other forms of general recommendation relating to transactions in financial instruments within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 ("MiFID 2"). This report is intended only for professional investors and eligible counterparties within the meaning of MiFID 2 and its contents have not been reviewed or approved by any EU/EEA authority. NBC Paris is an investment firm authorised by the French Prudential Control and Resolution Authority ("ACPR") to provide investment services in France and has passported its investment services throughout the EU/EEA under the freedom to provide services and has its registered office at 8 avenue Percier, 75008 Paris, France. "NBC Financial Markets, a subsidiary of National Bank of Canada" is a trade name used by NBC Paris S.A.

NBF is not authorised to provide investment services in the EU/EEA.

U.S. Residents

With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.

This report is not a research report and is intended for Major U.S. Institutional Investors only. This report is not subject to U.S. independence and disclosure standards applicable to research reports.

HK Residents

With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

Copyright

This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.