

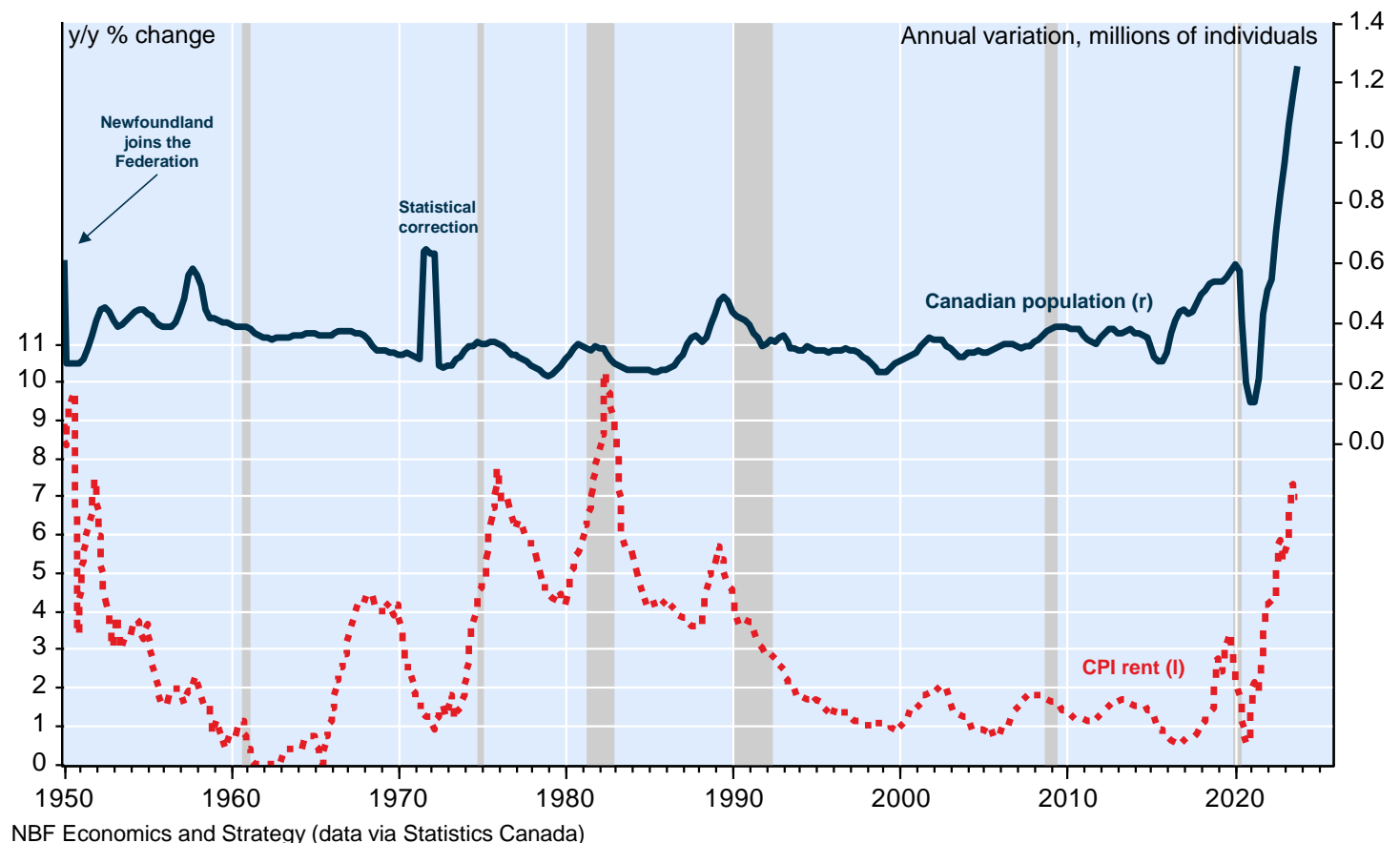
Canada Watch

By Matthieu Arseneau

The release of population data usually flies under the radar, and even more so when it's released at the same time as a major economic release, like the November inflation report. But not this time. Demographics are probably the biggest surprise for economists in 2023, as the population has risen dramatically due to strong immigration. To say that the trend continued in the third quarter would be an understatement. The country just recorded a second consecutive record by adding 431K new residents that brought population growth to a record 1.25 million over the past year. In percentage terms, the annual increase is the highest since 1958 at 3.2%, more than double the pre-pandemic rate when Canada was already leading the G7 in this regard. Population figures allow us to put GDP growth in the third quarter into perspective. GDP per capita contracted at whopping annualized rate of 4.4% in the third quarter, a rate of decline only seen in recessions in this country, and a demonstration of the negative impact of interest rate hikes on the economy. It also gives us a better understanding of the current inflationary pressures. Inflation has fallen in 2023, but the situation would be even more favorable if it were not for the increase in the shelter component, which is rising at a pace of 5.9% year-over-year. Excluding this component, inflation is already back to the Bank of Canada's 2% target. While the central bank is to blame for the rise in mortgage interest costs for homeowners, today's Hot Chart shows that the biggest surge in rental prices in over a generation has been largely driven by the booming population.

Canada: Population boom keeps inflation resilient

Annual growth in total population and rent component in CPI



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