

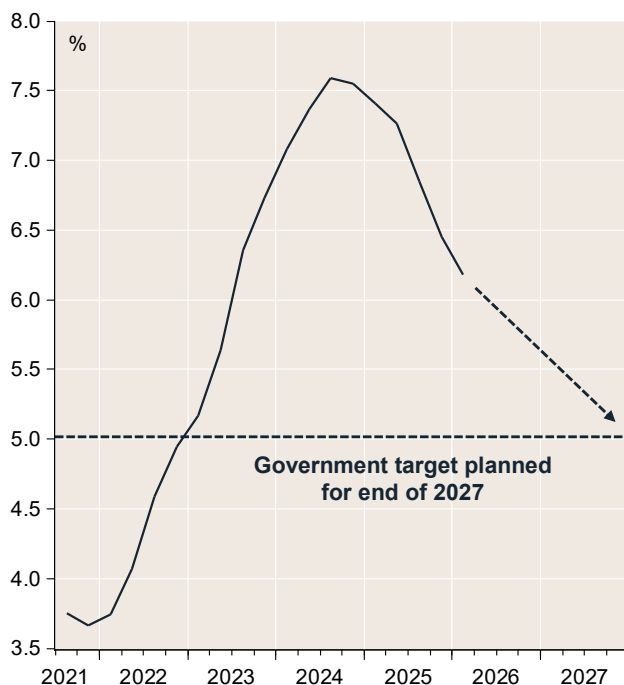
## Canada Watch

By Matthieu Arseneau and Daren King

Population estimates released this morning confirmed that Canada's population declined for a third consecutive quarter in Q1, an unprecedented development that underscores the scale of the federal government's shift in immigration policy. After years of unsustainable population growth between 2022 and 2024 that strained the country's housing and infrastructure capacity, policymakers changed course with the explicit objective of reducing the share of non-permanent residents to below 5% of the population, a level broadly consistent with conditions that prevailed prior to 2023. The latest data suggest that this objective is well on track. The share of non-permanent residents has already fallen significantly from its 2024 peak and, if the current pace is maintained, could fall below the government's target before the end of 2027 (left chart). Much of the public debate surrounding this policy shift has focused on housing affordability. Demand pressures have eased considerably over the past year, contributing to declining asking rents and lower home prices across much of the country ([link](#), [link](#)). However, housing was not the only motivation behind the policy change. Labour market conditions had also become increasingly challenging for newcomers seeking to establish themselves in Canada, particularly among non-permanent residents. The improvement on that front has been striking. As today's Hot Chart shows, the sharp decline in the unemployment rate of non-permanent residents since late 2024 — from 11.8% to 8.6% — means it is now essentially back to the level that prevailed before the pandemic. None of this suggests that large swings in immigration policy come without costs. Beyond the human consequences for some individuals required to leave the country, rapid population expansions followed by abrupt contractions complicate hiring decisions, business planning and activity in some economic sectors. Nevertheless, the government remains committed to its current strategy, and the latest data increasingly suggest that it is helping achieve some of its intended objectives, including improved housing affordability, reduced pressure on public services, and better labour market outcomes for newcomers.

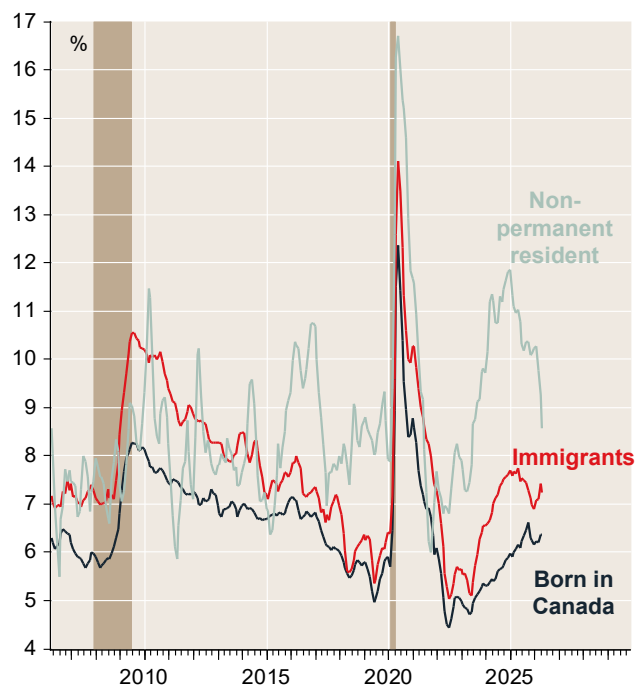
### Canada: Population retrenchment is reshaping labour market

Share of non-permanent resident in Canadian population



NBC Economics and Strategy (data via Statistics Canada)

Unemployment rate by population segment (3-month moving averages, SA by NBC)





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