

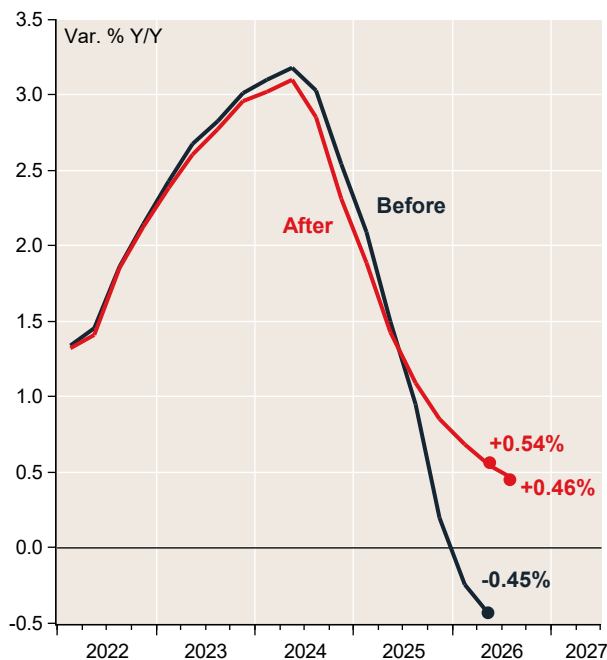
Canada Watch

By Daren King and Matthieu Arseneau

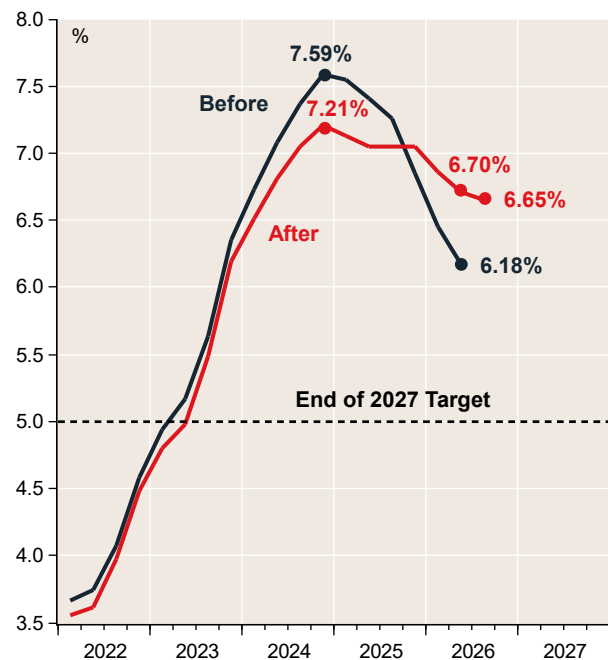
Demographic data have long provided a foundation on which forecasters could build their estimates for consumption, employment, housing and potential growth without constantly questioning the starting point. This premise, however, has become increasingly uncertain. Rapid changes to immigration policies in recent years have not only made the future trajectory of the population much more volatile, but the revisions released today show that even recent history may be subject to change. Statistics Canada, which released its population figures for the third quarter this morning, announced a significant revision to demographic trends over the past few years, particularly between the second quarter of 2025 and the second quarter of 2026. As today's Hot Chart shows, while previous estimates indicated a 0.5% year-over-year population decline, an increase of the same magnitude is now estimated. According to our calculations, almost all of this adjustment is attributable to the number of non-permanent residents, which has been revised upward. Based on this new profile and the current pace of progress, it will be difficult to achieve the government's goal of reducing the size of this population to 5.0 % of the total population by the end of 2027. In particular, Statistics Canada has incorporated new administrative data and made adjustments to better measure non-permanent residents who leave the country or who remain in Canada while their permit extensions are being processed. We can only welcome the methodological changes made to improve the quality of the estimates, but economists must now assess the implications of such significant revisions. After all, population is the implicit denominator in many economic analyses. Real GDP growth of 1.1% year-over-year might have seemed relatively solid in a context where the population appeared to be shrinking. Would it be just as robust if the population were actually growing? Similarly, a larger population could alter our assessment of excess capacity in the economy—and thus the output gap—even if the effect is not automatic. This observation extends to the housing market. If demographic demand has proven stronger than previously thought, the weakness observed in certain segments becomes harder to attribute to population decline and raises questions about the degree to which interest rates are acting as a constraint. In such a context, the significant monetary tightening currently anticipated by the markets (+115bps by June 2027 as of today) seems particularly aggressive to us.

Canada: Demographics cloud the economic picture once again

Annual change in total population. Before and after revision



Non-permanent residents as a percentage of the total population. Before and after revision



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