

Turning back (or at least slowing down) Canada's biological clock

By Warren Lovely, Taylor Schleich & Ethan Currie

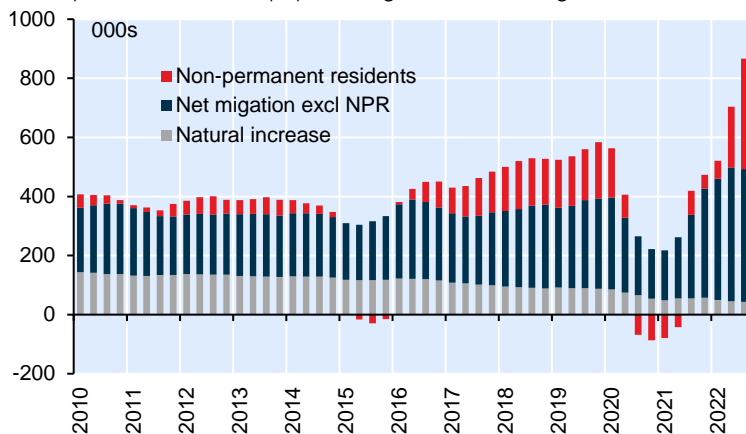
Demography (more specifically population growth) is a big focus in Canada. There's something of a demographic renaissance going on here, one few advanced nations can match. The vast majority of 'new' Canadians can be traced to immigration (although the natural increase is still technically positive). Lofty immigration tallies aren't exactly new, and we've long applied a housing market lens to immigration, since all the new bodies create underlying DEMAND for homes. But there's a SUPPLY side that can't be overlooked. We're talking about the ample supply of prospective workers for a jobs market that's still out of balance.

Consistent with quarterly population data, today's LFS release shows Canada's working age population advancing briskly and deviating from longer-term trends. This is most evident in the 'prime age' cohort (i.e., those aged 25-54). It's here where landed immigrants comprise a disproportionate share and where labour force attachment (and employment rates) are structurally higher. In this way, outsized immigration supplies a steady stream of workers that businesses have sorely needed in the post-pandemic recovery. Notwithstanding reported labour force growth in the latest U.S. employment report, Canada's clear population growth edge could unseize our jobs market quicker/easier than south of border, which along with faster progress on inflation could support a wider policy rate differential. See our analysis on that [here](#).

More than simply plugging in new bodies, Canada's immigration impulse is slowing (if not reversing) the gradual aging of Canada's population. New immigrants are, on the whole, younger than those born in Canada. Add more and more immigrants to the mix and the average age for the country has broken below the prior, somewhat distressing trend. The average age of the workforce has been most materially recast in some of the oldest regions of the country, out East for instance. From a provincial credit perspective, it means more prospective workers/taxpayers to fund social services and finance the public debt. Good news indeed, notwithstanding underlying anxiety regarding decelerating economic growth.

Chart 1: Understanding Canada's population surge

Decomposition of Canada population growth (4Q moving sum)

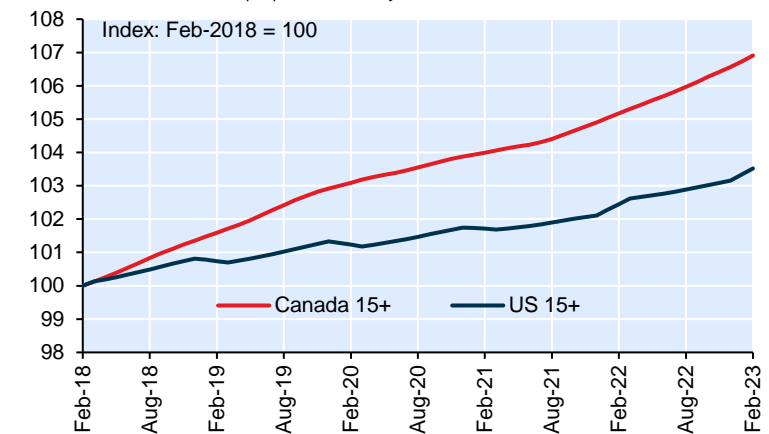


Source: NBF, StatCan | Note: Final data point is for 2022:Q3

Canada's population growth, which was growing solidly pre-COVID, has surged over the last year. This isn't 'natural' by any stretch. It's all a function of increasingly liberal immigration policy.

Chart 2: Canada population growing ~2x faster than the U.S.

Indexed Canada & U.S. population: 15 years-and-older

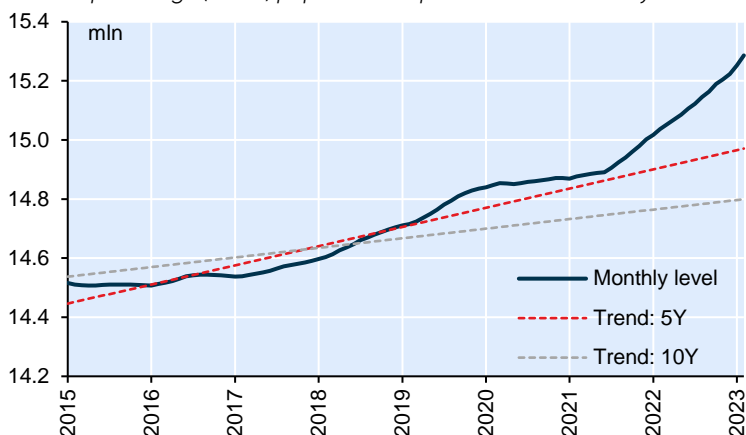


Source: NBF, StatCan, BLS

The Canadian trend in natural growth is similar to developed economy peers. But more reliance on immigration has meant total population growth is heads and shoulders above key comps.

Chart 3: Prior trends being broken most in 'prime age' sector

Canada prime-age (25-54) population vs. pre-COVID 5- and 10-year trend

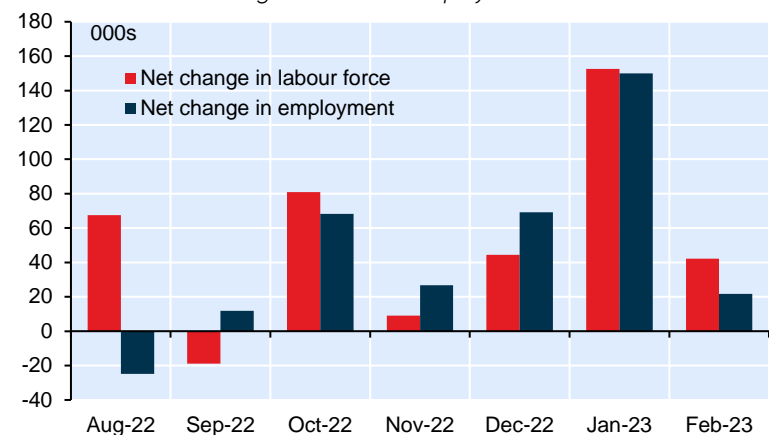


Source: NBF, StatCan | Note: Pre-COVID trends calculated up to Dec-19 & extended

Above-average population growth isn't new in Canada, but it's clearly stepped up recently. This is most evident in the LFS's prime-aged population which has surged past prior trends.

Chart 4: Labour supply kept pace with rabid job growth

Month-over-month change in Canadian employment & labour force

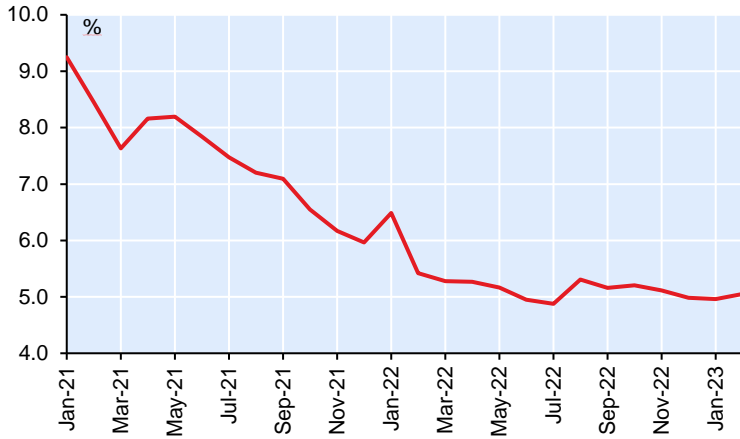


Source: NBF, StatCan

This has had tangible impacts lately. Since the unemployment rate hit 50Y+ lows in July, eye-popping job gains have been met with equivalent (technically bigger) gains in the labour force.

Chart 5: The labour market is tight, but not tightening

Canada unemployment rate since 2021

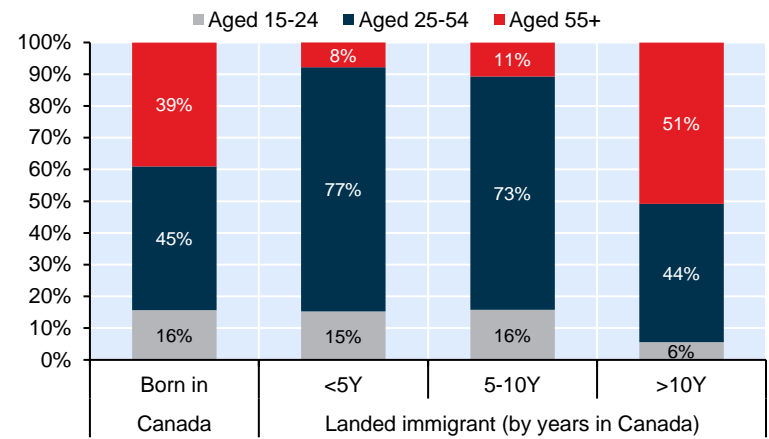


Source: NBF, StatCan

This is why we argue the labour market, while very tight, hasn't tightened further since mid-2022. More participation helped but without surging PRs and NPRs, the jobless rate would be lower.

Chart 6: Recent immigrants clustered in prime-age segment

Population distribution: Landed immigrants vs. those born in Canada

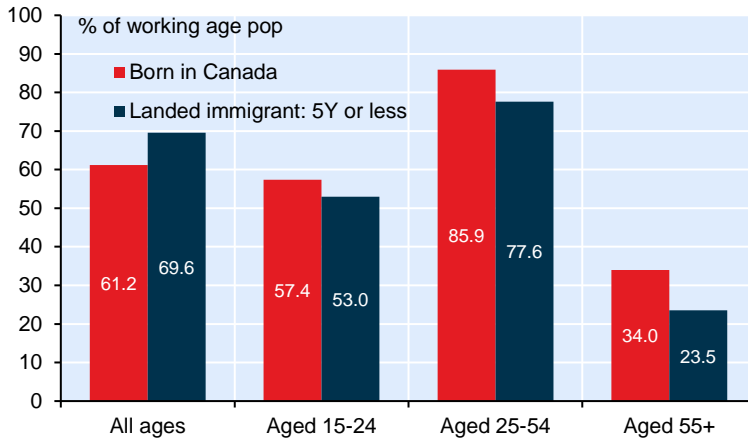


Source: NBF, StatCan | Note: As of Feb-2023

It may be obvious but to be clear, Canada tends to bring in young(er) people. More than three quarters of recent immigrants are prime age (25-54) vs. not even half for those born in Canada.

Chart 7: Immigrants are boosting overall employment rates...

Employment rate: Born in Canada vs. recently landed immigrants

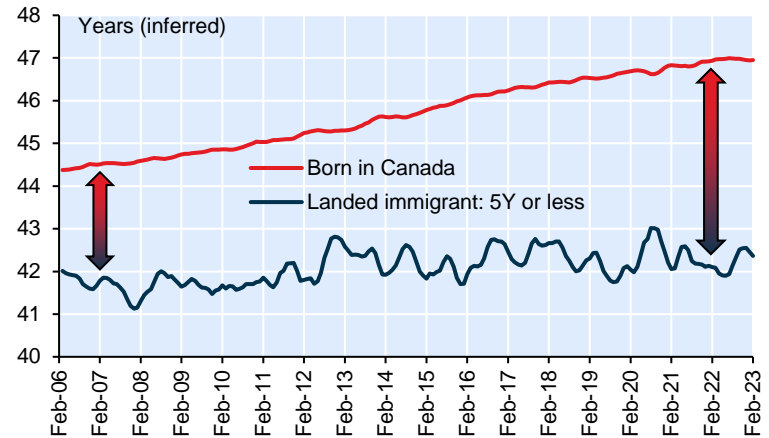


Source: NBF, StatCan | Note: As of Feb-2023

Integration isn't perfect and not every economic immigrant lands a job. But since immigrants are mostly 25-54, their overall employment rate is much higher than for those born in Canada.

Chart 8: ... and limiting the aging of the workforce

Implied average age in LFS: Born in Canada vs. recently landed immigrants

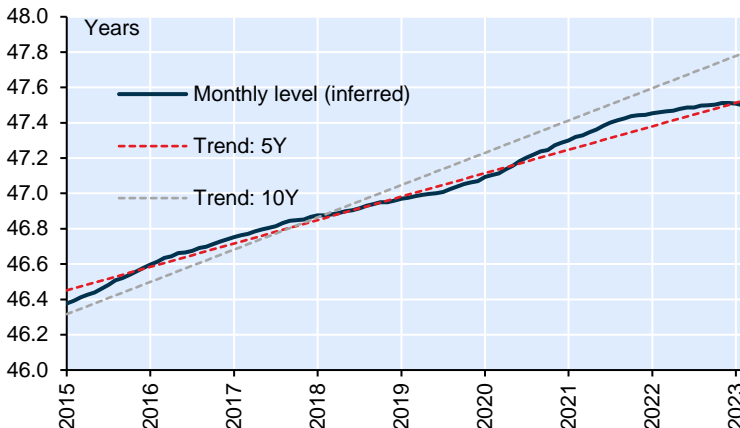


Source: NBF, StatCan | Note: Average age estimated based on broad age cohorts

The average age of new immigrants has been steady for ~20 years while the native-born population gradually aged. The latter trend won't change making the former increasingly vital.

Chart 9: The representative Canadian has stopped aging

Average implied age of working age Canadian resident

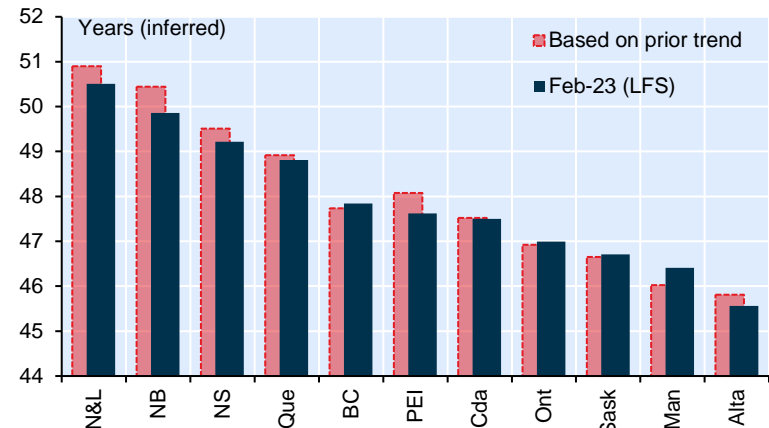


Source: NBF, StatCan | Note: Pre-COVID trends calculated up to Dec-19 & extended

This strategy has successfully slowed Canada's 'biological clock'. The average Canadian has 'stopped aging', bucking long-term trends. Recently, there's even been a slight reverse-aging.

Chart 10: Atlantic provinces have slowed the aging process

Implied average age by province: Current vs. implied based on prior trend



Source: NBF, StatCan | Note: Deviation relative to pre-COVID trend (5-year up to Dec-19)

It's been most helpful for Atlantic provinces, which were older to start. Immigration, plus a broader shift to more remote work, has helped slow the aging process out East, a fiscal relief.



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