

## Economics

## IN FOCUS

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## Population growth projections — are we repeating past mistakes?

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Population growth is supposed to be one of the easiest economic variables to forecast. You simply continue the trend line. That's clearly not the case in Canada. Recent changes to immigration policies have dramatically changed the trajectory of growth. The good news is that the unsustainable growth seen in 2023 is softening notably. The bad news is that the current projection by Statistics Canada of virtually no population growth in the coming two years is probably off the mark. Simply put, the projections and immigration targets submitted to Parliament are unrealistic given historical trends. The actual growth in the coming years is likely to be notably stronger than officially projected. In addition to distorting statistics such as GDP per capita or productivity growth, the undercounting of the Canadian population can potentially worsen the housing supply shortage that is the core reason for the country's housing affordability crisis. In the past we asserted that the housing crisis of the last decade was in many ways a planning issue as undercounting of population growth (due largely to immigration policy changes) has resulted in a suboptimal increase in housing supply. We fear that we are in a process of repeating past mistakes.

### The current situation

Things are finally moving in the right direction. Statistics Canada's quarterly population estimates revealed that Canada's population reached 41,528,680 on January 1, 2025, an annual increase of 744,324 and a growth rate of 1.8%. However, the population increased only by 63,382 in the last quarter, for a growth rate of 0.2%. That was a continuation of a slowing trend that began after the peak reached in the third quarter of 2023 (+1.1%). Growth was almost exclusively driven by international migration which constituted 97.3% of growth in 2024.

The 3,020,936 non-permanent residents (NPRs) counted on January 1, 2025 made up 7.3% of the total population, down slightly from 3,049,277 NPRs (7.4%) in the prior quarter. There were 28,341 fewer NPRs on January 1, 2025, compared to the prior quarter.

In Q4, the decrease in the number of people holding only a study permit (-32,643) was tempered by the increasing number of asylum claimants, protected persons, and related groups (+25,774), which rose for the 12th consecutive quarter and reached a new record high of 457,285 people.

### The issue

Statistics Canada officially projects 0.3% population growth in 2025, to be followed by negative 0.2% in 2026. We believe that those projections are too low due to dual factors of overestimating the number of NPRs leaving the country, and undercounting asylum seekers and "others".

Let's start with the overcounting of the outflow of NPRs. The Statistics Canada narrative on quarterly population references "non-permanent residents in the country". However, Statistics Canada does not (yet) measure departures/outflows from Canada. Rather, they count expired permits of visa holders who are then removed from the resident population (within 120 days of expiry).

Therefore, expiring student and temporary worker visas do not translate into comparable population declines. Official immigration and population targets, and Statistics Canada population projections, fail to account for this. What are described in official Canadian statements as "outflows" of populations are actually "expired visa holders", many of whom actually remain in Canada and retain employment, long after their visas expire. While some NPRs acquire permanent resident status, more of the outflows that remain retain status with Immigration Canada awaiting the issuance of new visas, a status not recognized by Statistics Canada in the determination of the "resident" population.

This population base assumes an "outflow" of 745,306 NPRs in 2024, compared to 469,407 in 2023, and 408,722 in 2022. As for 2025 and 2026, the official projections call for outflows of 1.26m and 1.1m respectively — a tall order.

How many of these expired visa holders remain and are still residents of Canada? In previous research we estimated that number to be close to one million, with the overwhelming majority being expired temporary visa holders who arrived in Canada legally, as long as a generation (or two) ago. Former Immigration Minister Miller estimated the number was upwards of 600,000 in early 2024, when the Minister took a proposal to regularize the status of some of them to Cabinet.

While assumed outflows include the transition to permanent residency, government projections do not reduce the permanent resident inflows by those who are already residents of Canada. While the share of permanent residents who already had temporary residence in Canada has reached 50% in the past, an increasing share of new permanent residents were approved after their visas had expired, or they had been given a Temporary Resident Visa (TRV). These persons would not have been included in Statistics Canada population estimates. Some of the expired visa holder population remaining in Canada gradually returns into population numbers through the inflow categories over a number of years. Statistically, they would all have the same impact as new arrivals.

What's more, until and unless new legislation is passed changing criteria and procedures for asylum, and can be sustained through inevitable court challenges, the Government of Canada has limited control over the numbers of asylum seekers from within Canada. Inflows identified as a "contingency reserve" in government immigration targets fail to account for geopolitical shifts that impact asylum claims.

Importantly, Statistics Canada does not count extended TRVs (not work permits), considering them to be "visitors". Immigration Canada historically issued TRVs to visitors who had a valid reason to extend, usually beyond six months. Increasingly, TRVs are being issued to long term temporary residents who held (expiring) student or work visas and who are awaiting renewals or determinations of applications for permanent residency. Some applications take years to process.

Immigration Department data showed the number of visitor record applications received doubled from 196,965 in 2019 to 389,254 in 2024. The refusal rate hovered at around five per cent. Last year, an extension was granted to 321,277 temporary residents — only down slightly from 333,672 in 2023.

Again, TRV visa extension holders are not in the Statistics Canada population estimates.

Accordingly, in order to derive a more realistic population growth projection, it is necessary to adjust current official estimates by reducing outflow projections (since many NPRs stay after their visa expires), and assuming the number of asylum seekers and Humanitarian and Compassionate (H+C) permits to be closer to the actual number we have seen in 2024. We assumed conservatively that the NPR outflows are 65% of the level assumed by official projections and that the number of asylum seekers from within Canada in 2025 will be close to 200k.

Based on those two adjustments, we project that population growth in 2025 will be 1.1%, followed by 1% growth in 2026 – notably stronger than the 0.3% and negative 0.2% currently officially projected. If we add TRV visa extensions back into the population base, growth could reach 2.3% in 2025 and 1.3% in 2026.

Importantly, without making those adjustments, official population growth will still be lower than the numbers we project (with the only source of surprise being asylum seekers and H+C permits). Our point is that those adjustments are necessary to get a more realistic picture of population growth in the country. After all, the official forecast is used to plan housing, services, and community infrastructure. Governments and developers do not build for populations that are not projected. Exclusions of numerous subsets of those living and working in Canada from the official population, as is the case today, materially leads to suboptimal planning.

Note: This article was written with input from Integrated Trade and Economics.

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