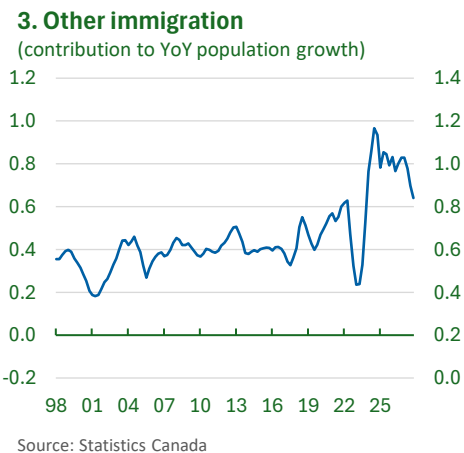
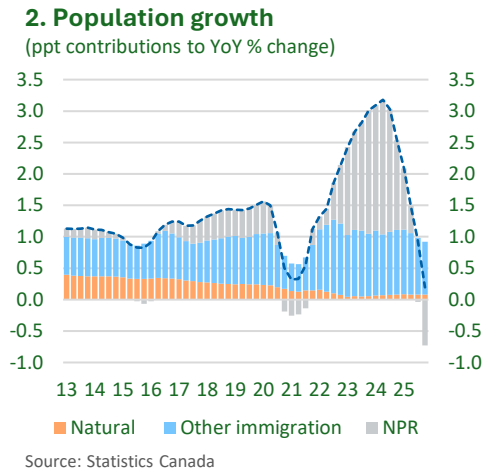
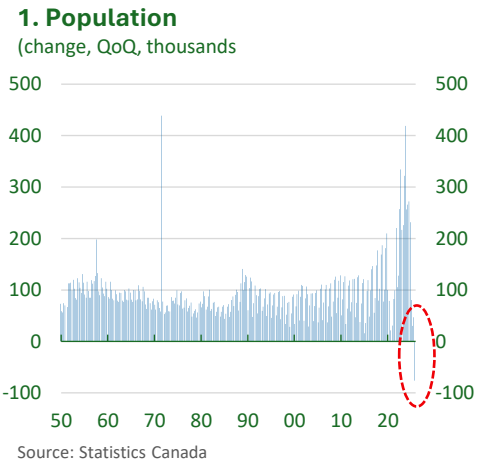


A historic drop in population due to a dramatic reversal in non-permanent residents

18 December 2025



Statistics Canada released demographics estimates putting Canada's population at 41.576 million in October 2025 (Q4).

QoQ the population fell by 76,068. That was the first quarterly decline since a small drop in late 2020 and the largest QoQ drop on record (chart 1).

With the quarterly decline, the YoY rate of population growth slowed to 0.2%. For reference, population growth peaked at 3.2% in mid-2024.

Chart 2 shows contributions to YoY population growth, demonstrating that that much of the slowdown has come via the dramatic reversal in the contribution of non-permanent residents (NPRs) to population growth.

For example, from a peak growth contribution of 2.1ppt in mid-2024, NPRs made a -0.73ppt contribution to population growth in the most recent quarter.

The growth contributions from other components of population were relatively little changed.

For example, natural population growth contributed 0.08ppt, in line with its average contribution since 2023. If nothing else, this reinforces the fact that natural

population growth is making only a negligible contribution to population growth.

Regarding natural population growth, an intriguing fact is the steady decline in its contribution to population growth over the past decade. Through 2009 and 2010, the natural population growth's population growth was consistently around 0.4ppt. It only began to stabilize at a very low level in 2023.

Immigration's contribution

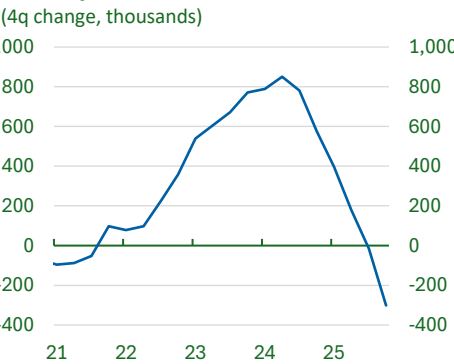
The population component that has typically carried much of the burden of population growth is immigration. In charts 2 and 3, we define "other immigration" as the admission of permanent residents less net emigration.

Other immigration's contribution to population growth was 0.84ppt in the most recent quarter (chart 3). Though that that is down from readings of between 1.0ppt and 1.2ppt during the post-pandemic period, it remains elevated relative to history, when the component's contribution to population growth was closer to 0.5ppt.

Non-permanent residents in steep decline, though asylum claimants continue to rise

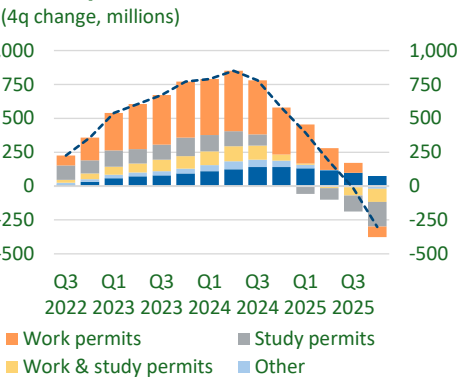
18 December 2025

4. Non-permanent residents*



* temporary foreign workers, student permit holders, asylum claimants, work/study permit holders, other NPRs
Source: Statistics Canada

5. Non-permanent residents



Source: Statistics Canada

A focus on non-permanent residents

Most of the focus of the just released population data has been on the non-permanent resident category.

Chart 4 reinforces the dramatic growth and reversal in the NPR category. The surge started during 2022, and at its peak, the annual inflow of non-permanent residents hit 800,000 in mid-2024. In the most recent population report, the number of NPRs has declined by 300,000 over the past four quarters, including declines in each of the past four quarters.

Chart 5 shows the evolution of the components of NPRs:

- 1) Work permit holders
- 2) Work and study permit holders
- 3) Study permit holders
- 4) Asylum claimants
- 5) Other NPRs.

Chart 5 helps give some perspective on the stunning growth in the number of non-permanent residents.

Most of the growth in NPRs came via those with work permits, although all the components experienced growth

through mid-2024. In the past year, each of the components have been negative, apart from asylum claimants, which continue to rise though at more moderate pace.

Digging into the details

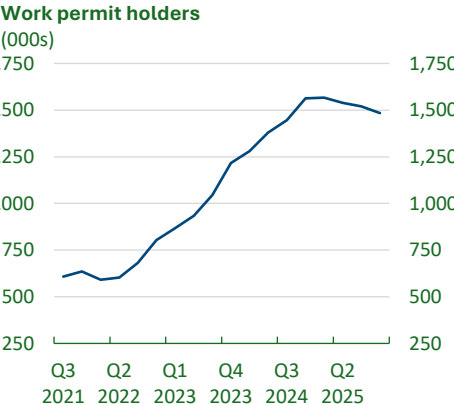
Charts 6 and 7 give more perspective on the evolution of Work permit holders, Study permit holders and asylum claimants.

Note that the number of work permit holders has started to decline, but that they remain very elevated on a historic basis at 1.48 million — more than double the number observed in Q3 2021 (608,000).

Meantime, the number of study permit holders have been in decline for five straight quarters and are down over 180,000 over the past year.

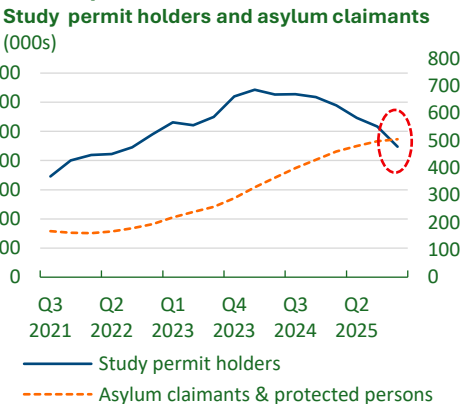
Notably, the number of study permit holders has fallen below the number of asylum claimants.

6. Non-permanent residents: Work permit holders



Source: Statistics Canada

7. Non-permanent residents: Study permit holders and asylum claimants

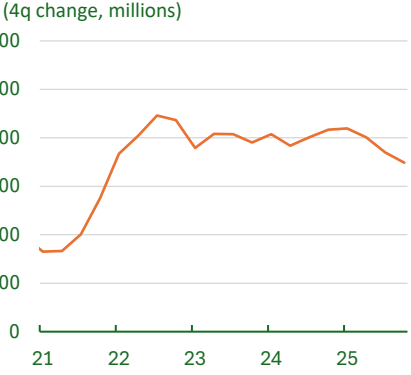


Source: Statistics Canada

Immigration levels (permanent residents) are moderating, but remain historically elevated

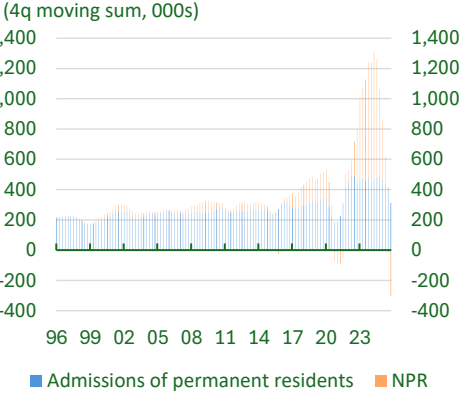
18 December 2025

8. Other immigration*



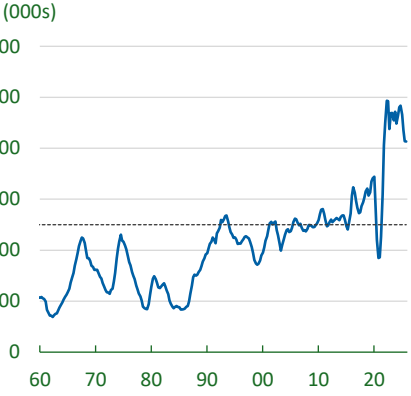
* permanent residents admitted less net emigration
Source: Statistics Canada

9. Components of immigration



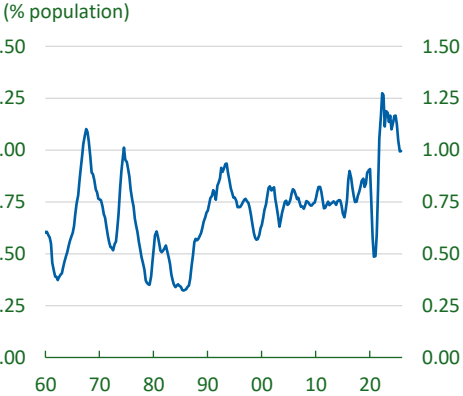
Source: Statistics Canada

10. Immigration



Source: Statistics Canada

11. Immigration



Source: Statistics Canada

A focus on immigration

While there has been a significant reversal in NPRs other immigration measures remain elevated, though off peak.

For example, other immigration (permanent resident admissions – net emigrants) totaled 350,000 in the past year, down only slightly from around the 400,000 per year observed from 2022 through 2024 (chart 8).

Shifting focus a bit, we will highlight admissions of permanent residents in reference to immigration given that this is what has historically been what was referred to as "immigration."

The reason for this is presented in chart 9. Admissions of permanent residents has typically been the dominant driver of those allowed into the country on a permanent or temporary basis. The number of NPRs started to rise in 2016, tumbled when borders were closed during the pandemic, and then soared during the post-pandemic period, swamping traditional measures of "immigration."

The chart 10 shows the evolution of immigration (admissions of permanent residents). For years, the annual immigration inflow was around 250,000. This was the immigration target set by Brian Mulroney's PCs in the early 1990s. Though there were lower

readings toward the late 1990s, immigration lingered around 250,000 per year until 2015. Higher immigration targets were established under PM Justin Trudeau.

Post-pandemic, immigration surged to close to 500,000 per year before slowing during 2025.

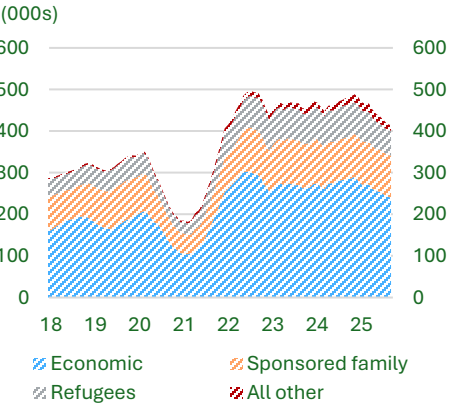
Hence, even though NPRs accounted for the bulk of the population surge, immigration certainly did increase as well.

Putting the increase in immigration into perspective, we show immigration as a share of population in chart 11. Immigration tended to linger around 0.75% of population for two decades before spiking to 1.25% after the pandemic. At present, immigration is around 1% of population.

Note that some analysts, such as the Conference Board of Canada had long argued that annual immigration totals should be roughly 1% of the population to help boost the labour force and to help offset the effects of population aging.

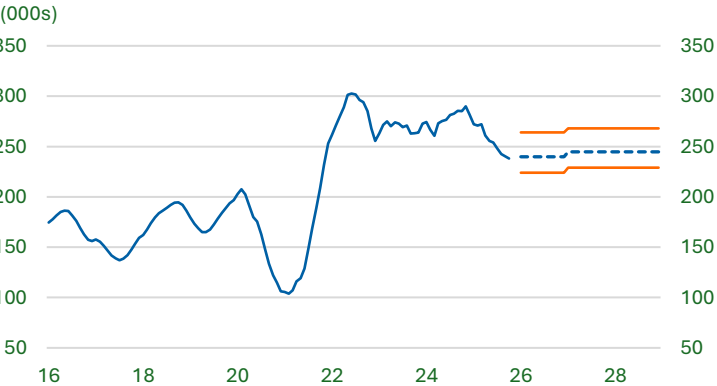
Current immigration targets are to set at 380,000 per year through 2028, a level that would represent a cap of "less than 1% of the population" beyond 2027.

Immigration by category



Source: Immigration, Refugees and Citizenship Canada

Economic immigration projection



Source: Immigration, Refugees and Citizenship Canada, Government of Canada

Digging a little deeper into the immigration data, there are basically four classifications to track: the economic class, sponsored family, refugees, and all others.

The economic class is the main category regarding immigration. Between 2022 and 2024, economic class immigration averaged between 250,000 to 300,000, up from an average of between 150,000 to 200,000 from 2016 until the pandemic.

The Federal Government's current targets are for economic class immigration to be 239,000 in 2026, and to rise to 244,700 for 2027 and 2028. Thus, economic class admissions are set to remain historically elevated, and not much lower than those observed between 2022 and 2024.

This is actually quite important, particularly given the opportunity with skilled professionals in the US potentially being internationally mobile due to the policies adopted by the Trump Administration.

Disclaimer

This report is provided by Watt Strategic Economic Advisors. It is provided for informational purposes only. Opinions, estimates and projections contained in this report are those of Watt Strategic Economic Advisors as of the date of this report. Views expressed are subject to change without notice based on market and economic conditions, and outcomes might differ from projections. Though, the information presented in this report has been drawn from sources considered to be reliable, there is no guarantee of accuracy. Watt Strategic Economic Advisors assumes no responsibility for errors or omissions contained. This material does not constitute investment advice or investment recommendations and is not to be relied upon as such.