

## ECONOMIC VIEWPOINT

# Is Canada Likely to See More Record-Breaking Population Declines?

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### HIGHLIGHTS

- ▶ Canada's population fell at a record pace in Q3 2025, which begs the question: was the recent drop in population a one-off or should we expect similar decreases moving forward?
- ▶ The Q3 population decline was driven by the largest decrease in non-permanent residents (NPRs) since at least 1971. A rapid acceleration in NPR outflows was largely the cause. Although NPR inflows slowed as well, the decrease was comparatively modest.
- ▶ With more restrictive policy targeted at restraining inflows, the jump in NPR outflows suggests to us there is more at play. Indeed, the difficult labour market for Canadian youth ages 15 to 24 and the slowdown in hiring caused by the trade war with the US no doubt played a role in souring job prospects for NPRs in 2025 as well.
- ▶ Looking ahead, it's likely that population growth will slow down meaningfully given the Government of Canada's adjusted targets. Indeed, if the immigration targets are achieved, Canada's population could decline for two consecutive years, before advancing again in 2027 and 2028. That said, one data point doesn't make a trend, and the road to achieving the government's ambitious targets may prove difficult.

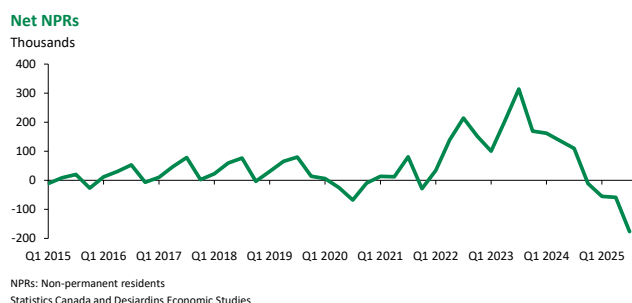
Canada saw its [population decline](#) in Q3 2025 for the first time going back to 1946, save for a much more modest setback during the pandemic when borders were closed. This sharp reversal was driven by the largest decrease in NPRs since at least 1971—the earliest date that data is available. In addition, population data from the most recent quarter came in much closer to the Government of Canada's [new population targets](#), published in Budget 2025, than they have previously. These developments beg the question: was the recent drop in population a one-off or should we expect similar declines moving forward?

### What Happened in the Third Quarter of 2025?

The population decline in Q3 2025 was unprecedented. The drastic fall in net NPRs marked a stark reversal from historic norms, as the third quarter of the calendar year is typically the

annual peak in net NPRs. Although a similar deviation from seasonal norms occurred in Q3 2024, it paled in comparison to the size of the drop observed in 2025 (graph 1).

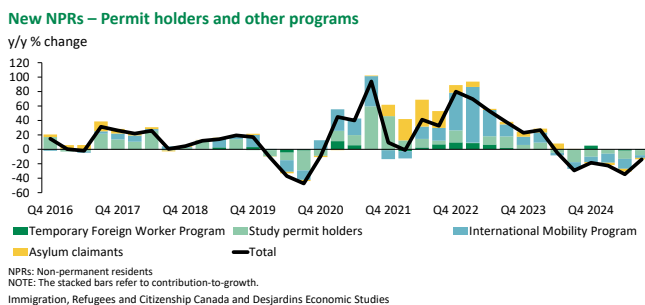
**Graph 1**  
The Recent Decline in Net NPRs Was the Largest on Record



Lower NPR inflows are part of the story, but Statistics Canada data on inflows and outflows only start in 2021. Instead, data from Immigration, Refugees and Citizenship Canada (IRCC) allow us to see how NPR inflows have behaved over a longer period of time.<sup>1</sup> There were 363k new NPRs in Canada during Q3 2025, below the 422k recorded in Q3 2024 and well below the 597k reached in Q3 2023. This recent weakness was largely due to significantly reduced inflows of study permit holders and temporary workers under the International Mobility Program (graph 2). However, lower NPR admissions in recent quarters do little to offset the gains in 2022 and 2023. In addition, the inflow of new NPRs remains well above the pre-pandemic average of 176k.<sup>2</sup>

**Graph 2**

**The Inflow of New NPRs Has Been Lower in Recent Quarters**



But while lower inflows of NPRs have played an important role in causing Canada's population to decline, the impact of increased outflows recently has been even more pronounced (graph 3). NPR outflows have not only outpaced inflows since the end of 2024 but they skyrocketed in Q3 2025, nearly doubling the prior historic peak.<sup>3</sup>

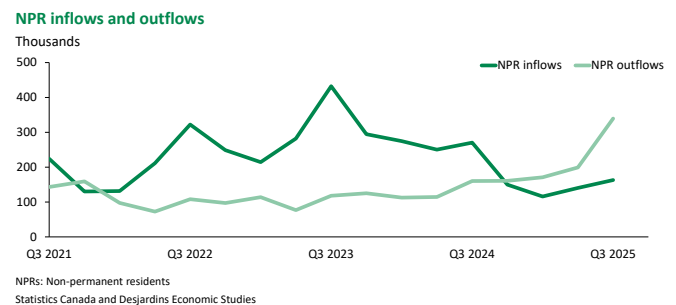
<sup>1</sup> Statistics Canada has published a disclaimer which cautioned against comparing their population estimates with temporary resident and asylum claimant data from IRCC due to different organizational objectives. That said, the temporary resident and asylum claimant data provides a meaningful signal of inflows into Canada.

<sup>2</sup> This is the historical average from Q1 2015 to Q4 2019.

<sup>3</sup> Statistics Canada estimates NPR levels, inflows and outflows using data from IRCC's Global Case Management System, which uses unique identifiers for asylum claimants (ACs) and permit holders (PHs). Demographic adjustments are applied using other information such as census data. PHs are counted as an outflow when their permits expire and may be reinstated in the NPR data through revisions if a permit extension is later observed. ACs exit the NPR population when they obtain PR status, are removed/deported, withdraw/abandon their claim, or after long inactivity. As such, former NPRs who are counted in outflows may still be in Canada even if not counted as an NPR, permanent resident or citizen.

**Graph 3**

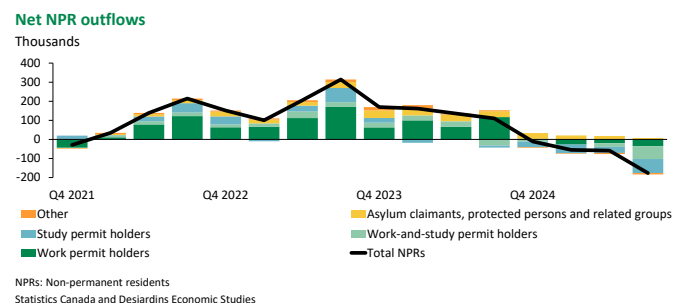
**NPR Outflows Have Become More Pronounced Recently**



When we look at what's driving NPR outflows, study permit holders make up a significant portion of the recent acceleration (graph 4). The Q3 2025 data also included a much larger outflow from work-and-study permit holders than observed in the past.

**Graph 4**

**Study Permit Holders Have Been Driving Recent NPR Outflows**



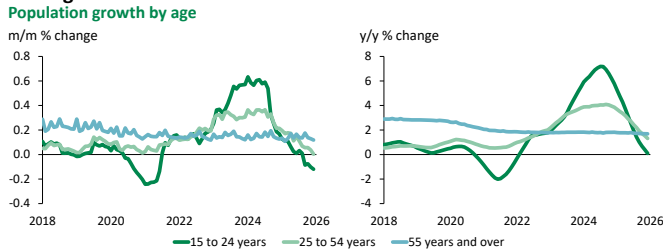
## Are Net NPRs Down Because of Effective Policy or a Weakening Economy?

Immigration policy has had a pronounced impact on the Canadian labour market over the past few years. After rising quickly in 2023 and 2024, there has been a significant slowdown in Canada's working-age population growth since the introduction of the immigration restrictions in late 2024.<sup>4</sup>

<sup>4</sup> While Statistics Canada's Labour Force Survey (LFS) is aligned with the quarterly population estimates in terms of sources and methods, the LFS is not optimized or designed to monitor changes in the population. Even so, we can still use the LFS to observe how economic conditions and recent immigration policies are shaping labour market dynamics.

This decline has been most pronounced among workers ages 15 to 24—an age cohort that closely overlaps with recent NPRs, particularly international students (graph 5). This suggests that policy is likely playing a central role in reducing the number of NPRs in Canada.

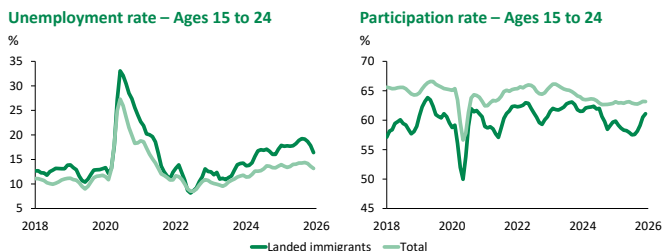
**Graph 5**  
Canada's Labour Force Population Growth Is Slowing, Particularly Among Youth



Statistics Canada and Desjardins Economic Studies

That said, while policy may be restricting inflows, there is convincing evidence that economic conditions could be contributing to recent outflows. As [our prior research](#) suggests, Canada's youngest workers have faced disproportionately adverse labour market conditions compared to the rest of the population and are much more sensitive to economic downturns. This trend is more noticeable when looking at youth unemployment among landed immigrants, which has increased at a faster pace than the total youth unemployment rate (graph 6). In addition, landed immigrant youth saw a decline in their participation rate starting in early 2024, although it has seen some recovery recently as labour market conditions have improved.

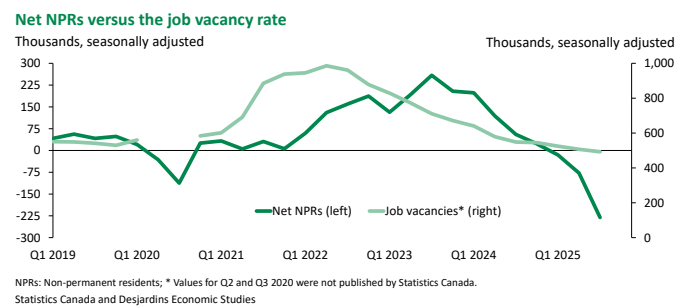
**Graph 6**  
Landed Immigrant Youth Face More Adverse Labour Market Conditions



NOTE: Both the unemployment rate and participation rate are seasonally adjusted.  
Statistics Canada and Desjardins Economic Studies

The trade war has added another layer of strain to Canada's labour market. It has shrunk the pool of available jobs for people entering the labour market. Indeed, research from Statistics Canada points to overall layoff rates being consistent with historical norms while sectors that are more exposed to US trade saw modest declines in employment. In contrast, lower hiring rates seem to be the clearer cause of weak labour market outcomes recently ([Clarke and Fields, 2025](#)). Despite these factors, [our analysis](#) shows that job creation has held up relatively well, with only modest effects on overall employment. In addition to soft job creation, the strength in net NPRs started to fade as job vacancies began to be filled (graph 7). The return of job vacancies to more normal levels may therefore explain some, albeit relatively little, of the recent drop in net NPRs. Looking ahead, weak economic growth and an uncertain outlook are likely to keep a lid on hiring in 2026.

**Graph 7**  
Net NPRs Began to Decline Modestly After Job Vacancies Were Filled



## The Pace of the Recent Population Decline May Be Unsustainable

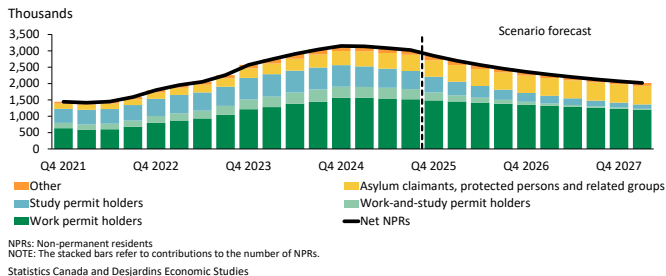
If, moving forward, NPR outflows stay at the same levels reported in Q3, the Government of Canada would be well on its way to reaching its 5% target for NPRs as a share of the total population.<sup>5</sup> The number of NPRs could fall to around 2 million by the end of 2027, slightly lower than the total number of NPRs in Q1 2023. That would be down from 2.85 million in Q3 2025 and a peak of 3.15 million in Q3 2024. Under this scenario, the level of study permit holders would need to decline by 73% from current levels while work-and-study permit holders would have to fall by 89% by the end of 2027, assuming outflows continue to outpace inflows. NPR reductions of this magnitude would imply that study permit holders and work-and-study permit

<sup>5</sup> In this scenario, we assume the net increase in asylum claimants continues at the same pace as in Q3 2025.

holders would decline to around 6.5% and 1.3% of total NPRs respectively, from 16.8% and 8.6% currently (graph 8).

**Graph 8**  
Canada Could Achieve Its Targets If NPRs Decline at a Similar Pace as in Q3 2025

NPRs and contributions by category



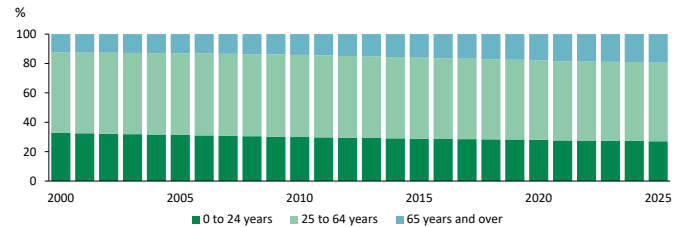
However, this pace of population decline may prove unsustainable. The degree of declines for study permit holders may suggest foreign students will leave mid-program, which is unlikely. Furthermore, NPRs with study permits who left in droves recently may also be those least attached to their post-secondary institutions or invested in their education. That said, there is also the risk that Canada will no longer be seen as a preferential destination for top-tier international students, stemming inflows of study permit holders beyond the desired pace.

In addition to study permit holders, work-permit-only holders would be required to fall by about 19% by the end of 2027 to reach the federal government's targets. Such a decrease would be consistent with the comparatively modest decline recorded for this group in Q3 2025. However, a persistent, significant outflow in work permit holders seems unlikely given the unexpected resilience of Canada's labour demand so far in 2025. Though economic activity has slowed due to the trade war, Canada has avoided a recession in 2025. That said, the outcome of this year's Canada–United States–Mexico Agreement (CUSMA) review is likely a critical turning point. Still, as indicated in our latest [Economic and Financial Outlook](#), labour demand is expected to remain positive but weak in 2026.

Moreover, Canada's aging demographics make it hard to sustainably reduce population growth while still expanding the labour force, as natural drivers of growth are weakening. Canada's [total fertility rate in 2024](#) fell to 1.25 children per woman, a continuation of declining fertility rates since 2009. At the same time, Canada's population is continuing to age, with the share of Canadians age 65 and over increasing to almost 20% in 2025 (graph 9). While restricting immigration could help improve Canada's weak GDP per capita performance and potentially improve [housing affordability](#), it may lead to unforeseen consequences for the labour market, economy and government finances given Canada's aging population.

**Graph 9**  
Canada's Population Is Slowly Aging

Share of total population

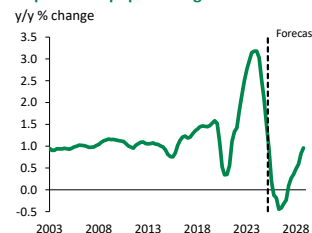


## What Does This Mean for the Government of Canada's Population Outlook?

Looking ahead, it's likely that population growth will slow down meaningfully given the Government of Canada's adjusted targets. Indeed, if the immigration targets are achieved, Canada's population could decline for two consecutive years, before advancing again in 2027 and 2028 (graph 10). That said, one data point doesn't make a trend, and the road to achieving the government's ambitious targets may prove difficult.

**Graph 10**  
Population Growth May Contract Further Before Rebounding in 2027

Implied GoC population growth forecast



Change in population level by source

