

ECONOMIC NEWS

Canada: Strongest population growth in the G7

COMMENTS

This morning, Statistics Canada released the first results from the 2016 population census. At the time of the census (May 10, 2016), Canada had 35,151,728 inhabitants. Since the previous census in 2011, Canada's population has thus increased by 1.7 million people, for an average annual gain of 1.0% during the period. According to Statistics Canada, about two thirds of the growth is attributable to the arrival of new immigrants, whereas one third comes from natural population growth.

Two rapid observations can be made in light of these results. Firstly, between 2011 and 2016, Canada's average annual population growth was the highest of G7 nations. Canada therefore looks good in the context of slowing global population growth.

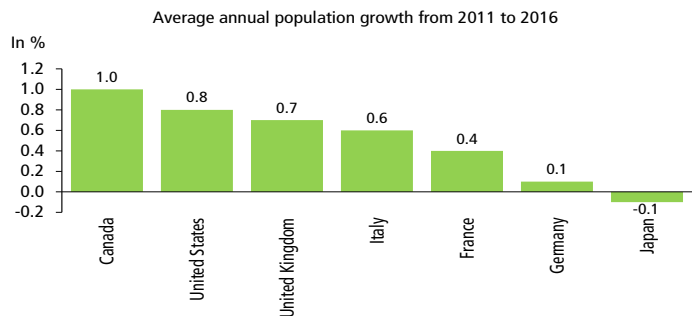
Secondly, the data also shows that there were 14,072,079 private dwellings at the time of the 2016 census, for a total increase of 5.6% since the 2011 census. Comparatively, cumulative population growth was 5.0% during the same period. The slightly faster advance in the number of dwellings signals a behavioural change in the population, as fewer people make up each household on average. This factor, of course, stimulated demand for housing, which could partly explain the lively housing market in recent years.

IMPLICATIONS

The change in the population, combined with productivity growth, are two indicators that provide a glimpse of an economy's growth potential. According to the Organisation for Economic Cooperation and Development's (OECD's) harmonized data, Canada also stood out for labour productivity growth, with the fastest average annual growth in the G7 from 2011 to 2016. This means that Canada has had fairly good growth potential in recent years compared with most of the other G7 nations. Canada was also one of the G7 nations with the strongest economic growth during these years, except for 2015 and 2016, when the temporary problems in the oil industry shuffled the deck.

GRAPH

Canada benefits from slightly faster population growth



Sources: Statistics Canada and Desjardins, Economic Studies

This paints a fairly positive picture of Canada's economy at the dawn of 2017. With the energy sector stabilizing, most forecasters are predicting faster economic growth this year, which could put Canada back in the lead among the G7, just behind the United States. That being said, Canada's higher growth potential, combined with the temporary economic problems in 2015 and 2016, has had a big hand in increasing the country's excess production capacity. This should favour extending the status quo on key interest rates for several more quarters.

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