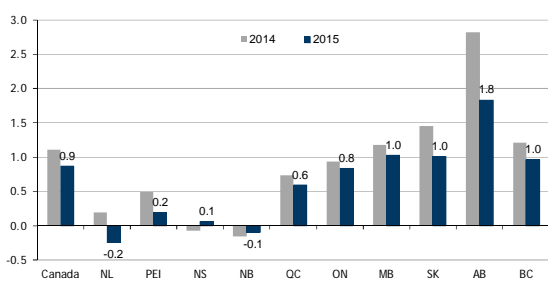


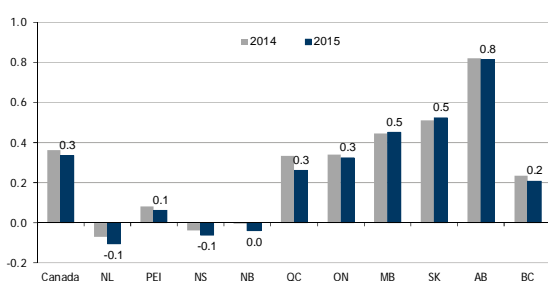
Population growth by province

Annual % change at July 1



Natural increase's* contribution to population growth

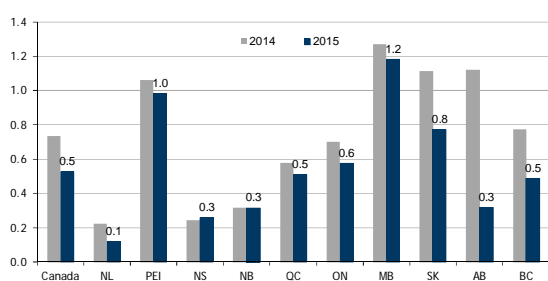
Percentage points



* Births minus deaths

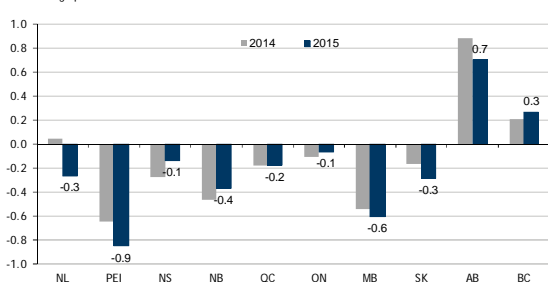
Net international migration's contribution to population growth

Percentage points



Net interprovincial migration's contribution to population growth

Percentage points



Source: Statistics Canada, RBC Economics Research

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Alberta leading all provinces in population growth slowdown

Statistics Canada this week released population estimates up to July 1, 2015, which showed broad based slowing in the rate of growth across Canadian provinces in the past year. Only Nova Scotia and New Brunswick posted a stronger pace compared to the year ending July 1, 2014—although changes were very slim in both cases and growth was still marginally negative for New Brunswick (for the third year in a row) and essentially flat in Nova Scotia. The most significant moderation occurred in Alberta (easing from 2.8% in 2014 to 1.8% in 2015), where net international migration—a primary source of population growth in the past many years in the province—faltered. A slight easing in net interprovincial migration into Alberta (albeit still strongly positive) also contributed. These developments in migration flows no doubt partly reflect the economic challenges faced by Alberta since mid-2014; however, recent changes to the Temporary Foreign Workers Program (TFWP) by the federal government have also likely been a factor.

The strong flow of non-permanent resident reversed in Alberta

Weakness in net international migration in the past year was not unique to Alberta. In fact, the majority of provinces saw a moderation, including British Columbia, Ontario and Quebec—although Alberta registered by far the largest drop. Lower levels of (permanent resident) immigration—despite the government of Canada raising the annual target for new permanent residents in 2015 by 20,000 to a range of 260,000 to 285,000—were a key factor in British Columbia, Ontario and Quebec. In Alberta, however, the main culprit was an outsized net outflow of 21,200 non-permanent residents, which contrasted with net *inflows* of 17,000 in 2013 and 9,000 in 2014 (Saskatchewan experienced a similar swing on a smaller scale). We believe that the recent tightening of TFWP rules (which now impose stricter limits on the use by Canadian firms of temporary foreign workers) affected Alberta disproportionately. In 2013, TFWP permit holders in Alberta represented by far the largest share of labour force (1.7%) of all provinces, and more than three times the share at the national level (0.5%), following years of increases in response to labour shortages in the province. TFWP rule changes and the economic shock caused by the plunge in oil prices undoubtedly lessened reliance on temporary foreign workers in the province in the past year.

Despite it all, Alberta population still growing the fastest...

Despite the weakness net international migration, Alberta's population contin-

ues to grow at the fastest pace in Canada thanks to still-strong natural increase and interprovincial migration. Its rate of 1.8% in the past year, still far exceeds the rate of 1.0% recorded in British Columbia, Saskatchewan and Manitoba. Population growth in Ontario (0.8%) and Quebec (0.6%) was slightly below the national average of 0.9%. Newfoundland and Labrador (-0.2%) and New Brunswick (-0.1%) were the only two provinces where population decline in the past year.

...but for how long?

Further changes to the TFWP slated to take effect in 2016 (e.g., the cap on the share of foreign workers of a firm’s low-wage work force will be reduced from 20% to 10% on July 1, 2016) will likely continue to constrict the flow of non-permanent residents into Canada in the coming year. Alberta is poised to bear the brunt of this change once again. Perhaps a bigger issue for Alberta in the year ahead will be the flows of interprovincial migrants and permanent migrants from other countries. We expect further deterioration in labour market conditions in Alberta (both in absolute terms and relative to other provinces), which in the past contributed to weaken such flows—particularly on an interprovincial basis. We therefore expect Alberta’s population growth to slow further in the period ahead.

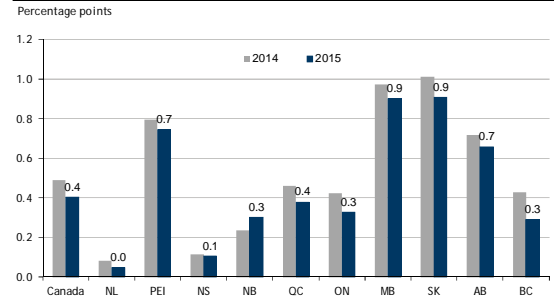
Immigration slowdown likely to be temporary

Outside Alberta (and possibly Saskatchewan), we expect that the surprising decline in immigration in the year ending July 1, 2015 (to 239,900 from 267,900 a year earlier), will reverse and, therefore, provide stronger contribution to population growth in the year ahead. We believe that the transition toward a new immigration admission system in Canada (Express Entry, the implementation of which began on January 1, 2015) likely caused a temporary slowdown in the approval of residency applications during the second half of 2014 and first half of 2015. We still expect Canada to meet its 260,000-285,000 target range in calendar 2015, thereby implying an accelerated pace of approvals during the second half of 2015.

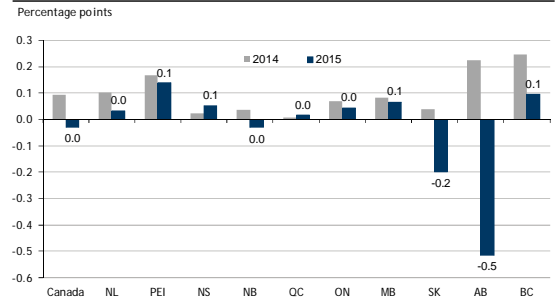
Upside scope in British Columbia, Ontario and Manitoba

Because interprovincial flows are a zero-sum affair, Alberta’s weakness will be other provinces’ gain (or diminished loss). We expect British Columbia, Ontario and Manitoba—all facing improved job prospects—to be prime beneficiaries. These three provinces also are likely to gain from any diversion of new permanent residents away from Alberta. We therefore believe that there is scope for British Columbia, Ontario and Manitoba to stabilize or reverse this year’s slowing in population growth in the year ahead. We expect the same factors to play out in the other provinces; however, the effects are likely to be too small to alter weakening trends. In Atlantic Canada, for instance, we expect natural declines to remain a substantial drag (due to prevailing age structures) and keep population growth.

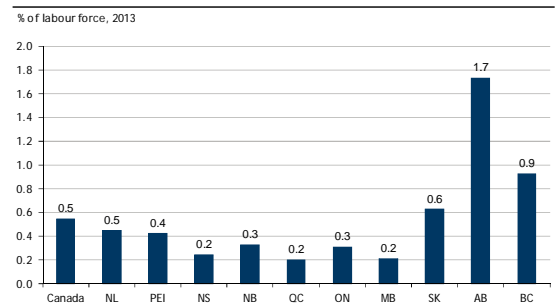
Net permanent immigrants contribution to international migration



Net non permanent residents contribution to international migration



TFWP permit holders as a share of labour force



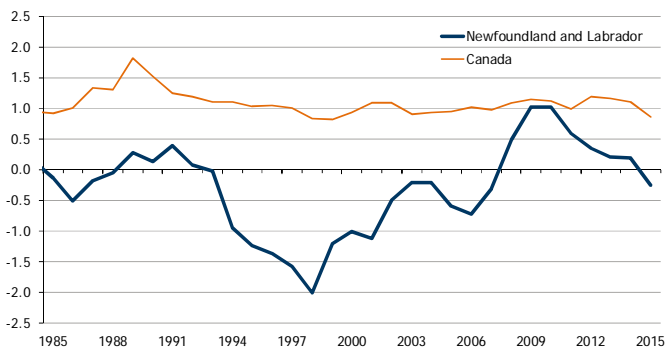
Source: Statistics Canada, Citizenship and Immigration Canada, RBC Economics Research



Population growth by province

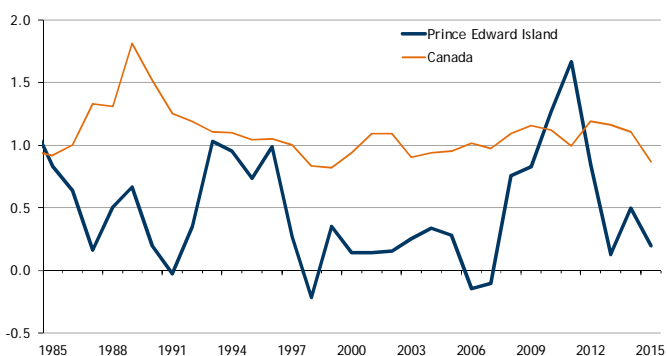
Newfoundland and Labrador vs. Canada

year-over-year % change



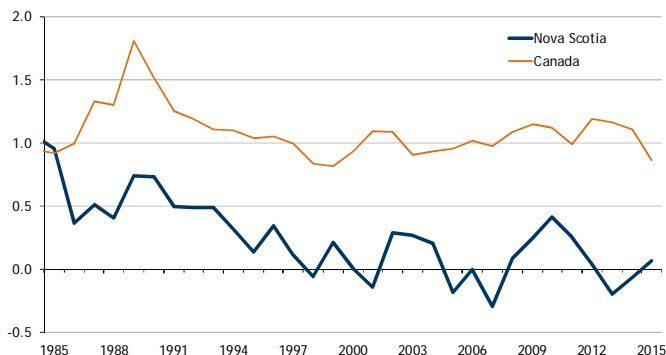
Prince Edward Island vs. Canada

year-over-year % change



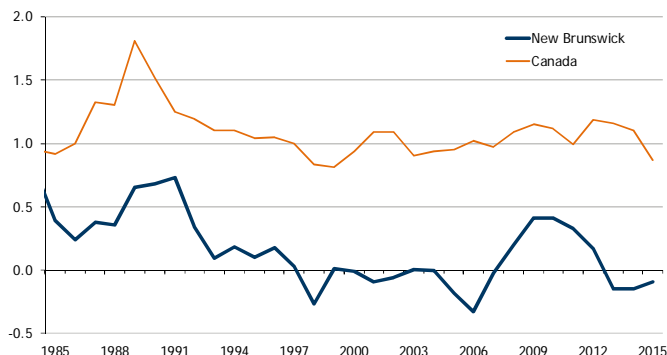
Nova Scotia vs. Canada

year-over-year % change



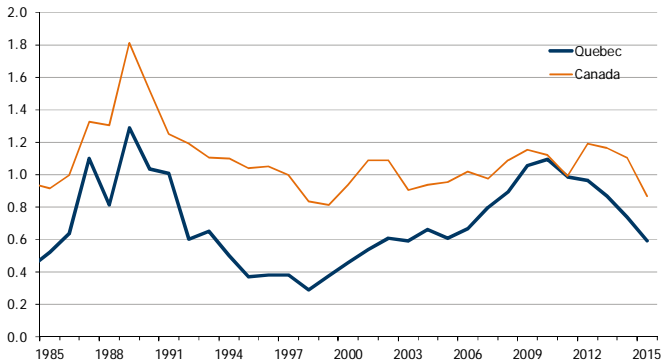
New Brunswick vs. Canada

year-over-year % change



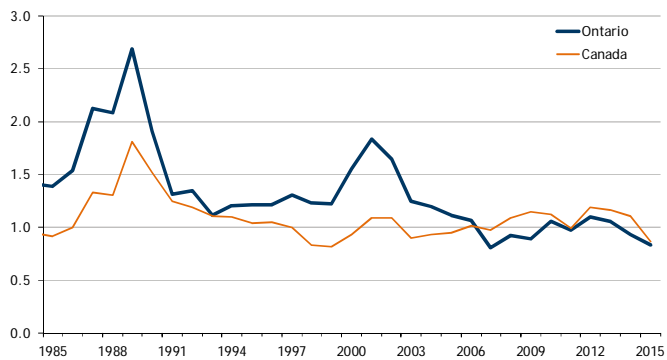
Quebec vs. Canada

year-over-year % change



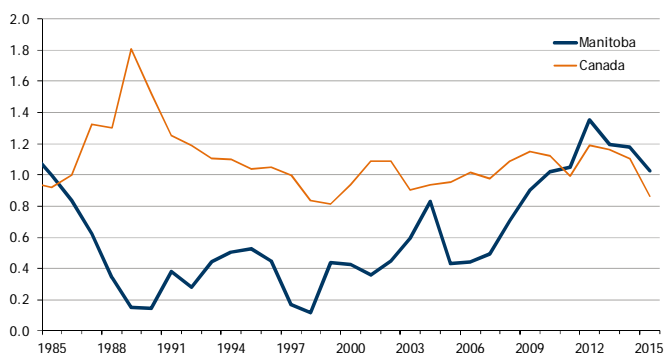
Ontario vs. Canada

year-over-year % change



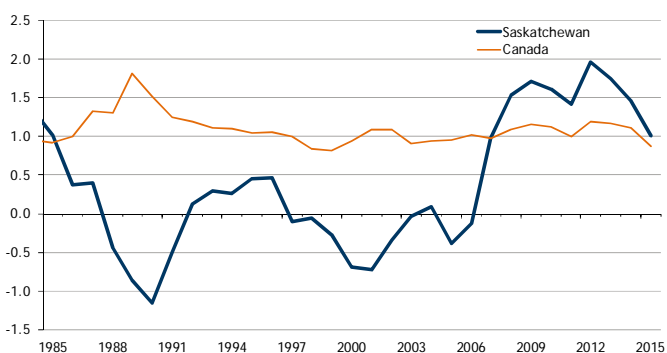
Manitoba vs. Canada

year-over-year % change



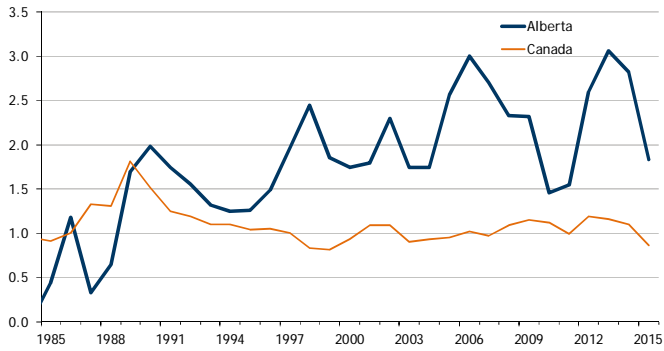
Saskatchewan vs. Canada

year-over-year % change



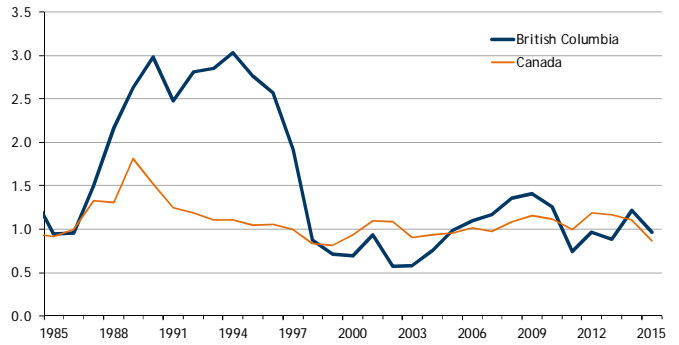
Alberta vs. Canada

year-over-year % change



British Columbia vs. Canada

year-over-year % change



Source: Statistics Canada, RBC Economics Research

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