

Economics

THE WEEK AHEAD

June 24 - 28, 2024

Slowing population growth? Not so fast

by Benjamin Tal benjamin.tal@cibc.com

At the center of the efforts by the federal government to limit population growth is the newly introduced cap on international students and targeted decrease in the number of temporary residents to 5% of the population over the next three years. For these measures to work we need to see not only a dramatic decline in the number of new visas issued, but also a spike in the number of NPRs exiting Canada. The former is largely under the government's control (we hope). The latter, not so much. We suggest that population growth in 2024 might be stronger than currently anticipated by many, largely due to a lower than expected departure rate.

Let's start with permanent residents. Here the situation is relatively simple. There were 471,771 new permanent residents to Canada in 2023, a target of 485,000 in 2024, and 500,000 in both 2025 and 2026. That's about 1.2% of Canada's current population. These targets, historically have been achieved (except in 2020), and are not expected to be revised lower. Adjusting for visas issued already in Canada on a temporary basis, about 1% population growth is "fixed" in 2024, 2025, and 2026 in the federal government's immigration targets.

Things are a bit more interesting when it comes to NPRs. Net additions in 2023 were 804,901, and so far visa issuances are still rising. Between January and April, the number of foreign students rose by 13.6% relative to the same period last year. The number of workers is up by 10.5%, and for asylum seekers it is up by no less than 65.9%.

Now, given the policy measures undertaken, the current pace of growth of student visa holders arriving will almost certainly slow, and the stock of (valid) international student visa holders will likely decline by year-end from the 1.04 million in 2023. The question is by how much. Exemptions from the announced caps for Master's, PhD, and elementary and secondary students may result in a more modest overall decline than some forecast.

More important here is the fact that for the targeted decline on NPRs to work we need to see a spike in the number of departures of existing visa holders, especially students who are now restricted in their hours of work and visa renewals.

Implementation has time lags and those restrictions were not evident in departure numbers for Q1.

Now, while we assume a significant reduction in visas issued for students in the remaining quarters of the year, we also suggest that expiring student visas, and their work visas, may not translate fully into the desired slowing in population growth. The retention rate of temporary visa holders appears to be rising. This likely reflects a combination of seeking economic security by retaining current jobs, continuing aspirations of permanent residency, and the promise of a special pathway for qualified "illegals"/expired visa holders for those that cannot qualify currently for permanent residency.

Accordingly it's hardly surprising that an increasing share of students are seeking asylum. In fact, overall asylum seekers will likely be the source of the greatest growth in the population in 2024. Asylum claimants apply at ports of entry, CBSA, or Immigration Canada offices within Canada. They receive temporary status upon processing of their application, and most receive work visas. Asylum claims through April are up 65.9%. If that growth rate extends to year-end, there would be close to 240,000 asylum claimants, 95,000 greater than in 2023.

Many others are remaining in Canada while permanent residents, or other work visa requests, are in process. Statistics Canada counts all expired visa holders as having left the country 120 days after expiry of their visa. Only those expired visa holders applying as asylum seekers or approved for another visa will appear in Statistics Canada population numbers. By including expired visa holders for 120 days (rather than 30 as was case before July 2021) there will be a greater lag in assumed departures.

Bottom line: 2024 might see population growth between 2-3% — potentially double the rate hoped by many, with obvious implications for rent inflation and economic growth. The hope is that 2025 and 2026 will see more of the desired softening.

Week Ahead Calendar And Forecast—Canada

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, June 24	1:45 PM	Speaker: Tiff Macklem (Governor)	-	-	-	-	-
Tuesday, June 25	8:30 AM	CPI M/M	(May)	(H)	0.2%	0.3%	0.5%
Tuesday, June 25	8:30 AM	CPI Y/Y	(May)	(H)	2.5%	2.6%	2.7%
Tuesday, June 25	8:30 AM	Consumer Price Index	(May)	(M)	-	161.1	160.6
Tuesday, June 25	8:30 AM	CPI Core- Median Y/Y%	(May)	(M)	2.6%	2.6%	2.6%
Tuesday, June 25	8:30 AM	CPI Core- Trim Y/Y%	(May)	(M)	2.8%	2.8%	2.9%
Wednesday, June 26	-	-	-	-	-	-	-
Thursday, June 27	-	AUCTION: 2-YR CANADAS \$5.5B	-	-	-	-	-
Thursday, June 27	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Apr)	-	-	-	51.4K
Friday, June 28	8:30 AM	GDP M/M	(Apr)	(H)	0.3%	0.3%	0.0%
Friday, June 28	8:30 AM	GDP Y/Y	(Apr)	(H)	-	1.0%	0.6%

Week Ahead Calendar And Forecast—United States

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, June 24	3:00 AM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Monday, June 24	2:00 PM	Speaker: Mary C. Daly (San Francisco) (Voter)	-	-	-	-	-
Tuesday, June 25	-	AUCTION: 2-YR TREASURIES \$69B	-	-	-	-	-
Tuesday, June 25	8:30 AM	PHILADELPHIA FED - NON-MANUFACTURING	(Jun)	(M)	-	-	-0.6
Tuesday, June 25	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(May)	(M)	-	-	-0.2
Tuesday, June 25	9:00 AM	HOUSE PRICE INDEX M/M	(Apr)	(M)	-	-	0.1%
Tuesday, June 25	9:00 AM	S&P CORELOGIC CS Y/Y	(Apr)	(H)	-	-	7.4%
Tuesday, June 25	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Jun)	(H)	101.0	100.0	102.0
Tuesday, June 25	10:00 AM	RICHMOND FED MANUF. INDEX	(Jun)	(M)	-	-	0.0
Tuesday, June 25	7:00 AM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-
Tuesday, June 25	12:00 PM	Speaker: Lisa D Cook (Governor) (Voter)	-	-	-	-	-
Tuesday, June 25	2:10 PM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-
Wednesday, June 26	-	AUCTION: 5-YR TREASURIES \$70B	-	-	-	-	-
Wednesday, June 26	-	AUCTION: 2-YR FRN \$28B	-	-	-	-	-
Wednesday, June 26	7:00 AM	MBA-APPLICATIONS	(Jun 21)	(L)	-	-	0.9%
Wednesday, June 26	10:00 AM	NEW HOME SALES SAAR	(May)	(M)	666K	650K	634K
Wednesday, June 26	10:00 AM	NEW HOME SALES M/M	(May)	(M)	5.0%	2.5%	-4.7%
Thursday, June 27	-	AUCTION: 7-YR TREASURIES \$44B	-	-	-	-	-
Thursday, June 27	8:30 AM	INITIAL CLAIMS	(Jun 22)	(M)	-	-	238K
Thursday, June 27	8:30 AM	CONTINUING CLAIMS	(Jun 15)	(L)	-	-	1828K
Thursday, June 27	8:30 AM	GDP (annualized)	(1Q T)	(H)	1.5%	1.5%	1.3%
Thursday, June 27	8:30 AM	GDP DEFLATOR (annualized)	(1Q T)	(H)	-	-	3.0%
Thursday, June 27	8:30 AM	WHOLESALE INVENTORIES M/M	(May P)	(L)	-	-	0.1%
Thursday, June 27	8:30 AM	DURABLE GOODS ORDERS M/M	(May P)	(H)	-0.1%	0.0%	0.6%
Thursday, June 27	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(May P)	(H)	-0.1%	0.1%	0.4%
Thursday, June 27	8:30 AM	ADVANCE GOODS TRADE BALANCE	(May)	(M)	-\$95.0B	-\$95.5B	-\$99.4B
Thursday, June 27	8:30 AM	RETAIL INVENTORIES M/M	(May)	(H)	-	-	0.7%
Thursday, June 27	10:00 AM	PENDING HOME SALES M/M	(May)	(M)	-	-	-7.7%
Friday, June 28	8:30 AM	PCE DEFLATOR Y/Y	(May)	(H)	2.5%	2.6%	2.7%
Friday, June 28	8:30 AM	PCE DEFLATOR Y/Y (core)	(May)	(H)	2.6%	2.6%	2.8%
Friday, June 28	8:30 AM	PERSONAL INCOME M/M	(May)	(H)	0.5%	0.4%	0.3%
Friday, June 28	8:30 AM	PERSONAL SPENDING M/M	(May)	(H)	0.3%	0.3%	0.2%
Friday, June 28	9:45 AM	CHICAGO PMI	(Jun)	(M)	-	-	35.4
Friday, June 28	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Jun)	(H)	-	-	65.6
Friday, June 28	6:00 AM	Speaker: Thomas I. Barkin (Richmond) (Voter)	-	-	-	-	-
Friday, June 28	12:00 PM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-

Week Ahead's market call

by Ali Jaffery and Katherine Judge

In the **US**, the personal income and outlays report on Friday is the major economic data next week, and our views are lined with consensus. Following the CPI and PPI reports, core PCE inflation in May should be tame at a below target pace. But the Fed's attention is already on June to see if the trend persists. A few Fed speakers will give us their views next week, but the data will speak for itself from here on out so we don't expect any earth shattering revelations. The real big news of the week will be on the political front, with the first Presidential debate between Biden and Trump on Thursday. Our hopes are not high to learn much, but perhaps amidst the histrionics, we will get a few clues about how the candidates plan — or are not planning — to restore fiscal sustainability.

In **Canada**, the May CPI data will extend the recent softer trend in core measures that will keep the BoC on track for a July rate cut. The April GDP data on Friday will confirm that the quarter got off to a healthy start as supply disruptions in the auto sector eased, but that one-off impact will fade over the rest of the quarter to reveal weak underlying demand amidst consumer caution as mortgages come up for renewal.

Week Ahead's key Canadian number: Consumer price index—May

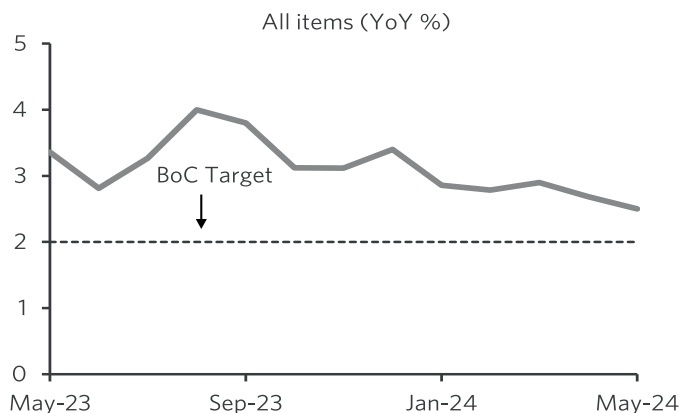
(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.2	0.3	0.5
CPI (y/y)	2.5	2.6	2.7

Inflation likely eased further in May, to 2.5% y/y, leaving it at the slowest pace seen since mid-2021. The deceleration will have been helped by a drop in prices at the pump and likely muted food price pressures. Ex. food/energy categories could have been boosted a little by changes to the CPI basket weights, which are now placing a higher weight on mortgage interest costs (MIC), masking some of the weakness from sluggish demand. As a result, the ex. food/energy group could have accelerated to 0.2% m/m SA. However, the BoC will be more focused on inflation excluding MIC and their core measures, trim and median. Both trim and median will have continued to run around a 2% annualized monthly pace (in SA terms) for the fifth month in a row.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — With inflationary pressures concentrated in shelter, and demand dampened by still high interest rates as mortgages renew and the rise in the unemployment rate, the BoC remains on track to trim interest rates again in July.

Other Canadian releases: GDP—April

(Friday, 8:30 am)

Advance indicators for April GDP suggest a 0.3% m/m bounce back in activity tied largely to a resumption of auto manufacturing following plant retooling. Retail sales will also provide some support, but slower housing market activity will provide a partial offset. Overall, that suggests that Q2 will likely see an acceleration in GDP growth to around 2% annualized, but that's only making up for the downside surprises seen in Q1 and downward revisions to Q4. Removing the one-time lift to activity from the resumption of auto manufacturing will likely reveal weaker growth over the rest of the quarter, with consumer caution weighing.

Week Ahead's key US number: Personal income & outlays—May

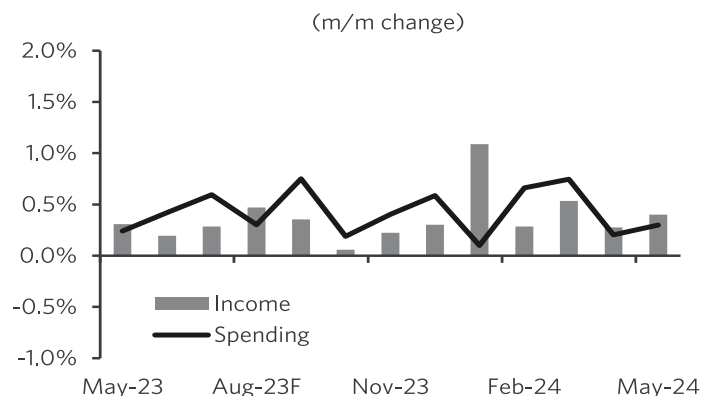
(Friday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.5	0.4	0.3
Personal spending (y/y)	0.3	0.3	0.2
Core PCE price index (y/y)	2.6	2.6	2.8

Next week all eyes will be on the May reading of the Fed's preferred inflation gauge. For the FOMC, this will feel more like an afterparty following the stellar CPI and PPI reports. We expect core PCE to come in at 0.1% m/m pace and headline PCE inflation to be flat in the month. Nominal income growth should rise by 0.5% in the month, and we expect nominal and real spending growth to be 0.3%. The saving rate should remain unchanged at 3.6%. The Fed's focus is now on seeing whether the trends seen in the May data persist and what mix of forces emerge. The big questions for the FOMC are how much more disinflation can they get out of core goods and will services inflation, particularly non-housing inflation, start to trend down sustainably. We still believe in the laws of economics, and with a labor market that is no longer in need of much rebalancing and perhaps at the risk of tipping over a bit, broader price pressures should continue to cool.

Chart: US personal income and spending



Source: BEA, Haver Analytics, CIBC

Forecast implications — Solid consumption growth has our consumption forecast for 24Q2 at around 2% annualized and our GDP nowcast tracking is at 2.5% currently, which averages out to just below a 2% pace for the first half of 2024.

Market impact — Our views are aligned with the market and with all the source data available for May now, it will be hard to find surprises in this report. The strength of services consumption and revisions to PCE data will be the newest information for markets.

Other US Releases: Durable goods order—May

(Thursday, 8:30 am)

We expect durable goods orders to disappoint in May, following the sharp deterioration in the ISM manufacturing new orders sub-index a potentially leading indicator. However, the broader trend in equipment investment should remain to move sideways as it has since summer of 2022.

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