



Canadian Construction
Association
Best Practices Services

SPRING 2026

Construction Quarterly

Economic Insights



Key insights: **Spring 2026**

Economy softened in Q4, but domestic demand held up

Real GDP declined at an annualized rate of 0.6 per cent in the fourth quarter of 2025, driven almost entirely by inventory drawdowns as all other expenditure components posted gains. Manufacturing output eased as producers worked down inventories while continuing to meet resilient consumer demand. Final domestic demand increased 0.6 per cent, supported by a 0.5 per cent rise in consumption and a 0.8 per cent gain in gross fixed capital formation.

Oil shock complicates the inflation outlook

Monetary policy had become less central to the economic outlook, with the Bank of Canada widely expected to hold its policy rate through 2026. That assumption is now less certain following the escalation of conflict in the Middle East and disruptions to shipments through the Strait of Hormuz, which pushed global oil prices from roughly \$60 to \$100 per barrel. While the central bank typically looks past supply shocks of this kind, a sustained rise in energy prices could prompt a response if broader inflation or wage expectations begin to drift higher.

Construction Q4 output pulls back, while permits rebound

Construction GDP declined by 0.6 per cent in Q4 2025 after six consecutive quarterly gains. The quarterly pullback was driven mainly by engineering and other construction activities, which fell 1.4 per cent after strong growth in Q3. Looking ahead, building permits rebounded by 9.8 per cent in Q4 – the strongest quarterly increase since late 2021 – reflecting broad-based gains across sub-sectors and provinces. Despite the rebound, total permit values for 2025 finished 2.5 per cent below 2024 levels.

Building cost pressures concentrated in steel-heavy divisions

The Building Construction Price Index (BCPI) rose 4.1 per cent year-over-year (YOY) in Q4, led again by metal fabrications, structural steel framing, concrete, and plumbing. Steel-related pressures continue to add to bid prices, leaving projects with large structural steel and metal fabrication components exposed to the strongest increases. Factory construction remained the fastest-rising segment, with costs up 6.2 per cent, while high-rise apartment cost inflation eased to 2.2 per cent.

Emerging trends shaping provincial budgets and construction

Canada's push to build more housing and infrastructure is unfolding in a challenging fiscal and geopolitical environment.

This quarterly focus examines the evolving pressures on provincial budgets, municipal capacity, and public-sector financing – factors that will shape how construction investment is funded, delivered, and sustained.

This report, prepared by the Canadian Construction Association (CCA), offers a quarterly overview of the construction sector's economic performance and outlines the implications for member businesses.

Forces shaping the Canadian economy

The Canadian economy posted a soft finish to 2025, with real GDP declining at an annualized rate of 0.6 per cent in the fourth quarter. While the headline figure came in below the forecasted consensus expectation, the weakness was highly concentrated. All components other than investment in inventories were positive. Manufacturing producers lowered their production and reduced inventory levels while continuing to meet still resilient consumer demand.

Household spending rose by 0.5 per cent in Q4, which is a positive sign that broader demand has not contracted, and loss of momentum remain sector-specific and contained. Gross fixed capital formation increased by 0.8 per cent, driven largely by a quarterly recovery in computers (+19.6 per cent) and software (+0.7 per cent). Investment activity in both residential and non-residential sectors slowed. In total, final domestic demand increased by 0.6 per cent quarter-over-quarter (QOQ). Provided inventory levels do not decrease further in Q1 2026, this pattern points to a return to positive gains in GDP.

Exports increased by 1.5 per cent while imports increased by 0.3 per cent, narrowing the trade deficit by 15.1 per cent. Export growth was driven by unwrought gold and aluminum, while import growth was led by computers. Trade in services remained flat compared with Q3. Even so, the softer-than-expected GDP result, combined with weaker labour market outcomes in February, raises the probability of continued below-trend GDP growth in the near term.

Monetary policy and Consumer Price Index (CPI) inflation were becoming less central to the economic outlook toward the end of last year, with the Bank of Canada widely expected to hold its policy rate at 2.25 per cent for at least the duration of 2026. That assumption has become more uncertain following the escalation of military conflict in the Middle East and the blocking of the Strait of Hormuz. Global oil prices rose sharply, from roughly \$60 to \$100 per barrel, adding renewed inflation risk.

Typically, the central bank playbook is to not react to supply shocks, a lesson drawn from the 1970s oil crisis. However, if expectations of higher inflation begin to feed into wages and more broadly through the economy, the Bank of Canada would likely act to increase its policy rate. For now, rates are still expected to remain at their current level, but that expectation is increasingly contingent on labour market and exports performance. At the time of writing, the yield curve was pricing in interest rates about 75 basis points (bp) above the current policy rate by the end of 2026. Compared with the United States (U.S.), Canada continues to exhibit lower inflation but a higher unemployment rate, a classic Phillips curve trade-off, shaped in part by differences in central bank mandates.



Quarterly focus: **A nation in the blueprint – recent trends in public sector construction**

Canada's need to build – more housing, more infrastructure, and more public facilities – is widely acknowledged by the federal government's "build, baby, build" agenda, but translating that ambition into sustained construction activity is challenging. The public sector is also playing a growing role in construction activity, with the share of institutional and governmental buildings in total building permits rising from seven per cent in 2018 to 13 per cent in 2025. While federal policy continues to emphasize accelerated building, actual delivery depends on provincial balance sheets, municipal capacity, and an economic environment that can support long-term capital spending.

Provincial budgets released for the 2026-27 fiscal year provide an opportunity to assess whether those conditions are falling into place – or falling behind.

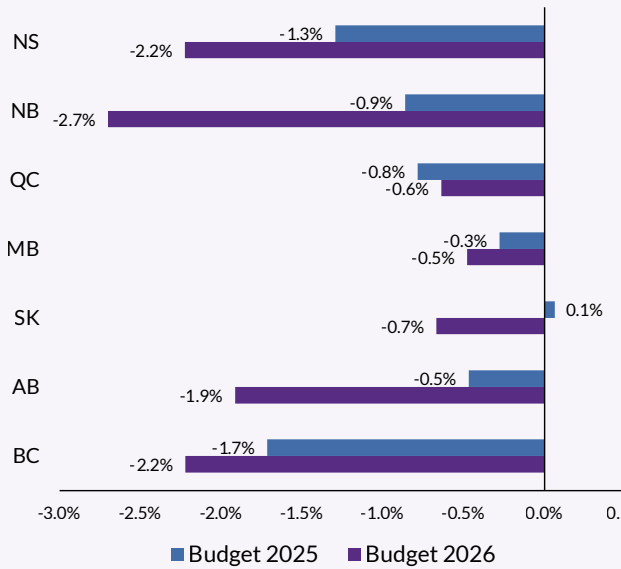
At the time of writing, seven provinces – Nova Scotia, New Brunswick, Quebec, Manitoba, Saskatchewan, Alberta, and British Columbia – have released budgets for the fiscal year 2026-27. Comparing these with projections and assumptions made in their 2025 provincial budgets, fiscal health generally appears weaker than previously expected.

The broad story is that expense revisions dominate revenue revisions. In most provinces, the deterioration in deficit-to-GDP outlooks is driven far more by higher projected expenses than by weaker projected revenues.

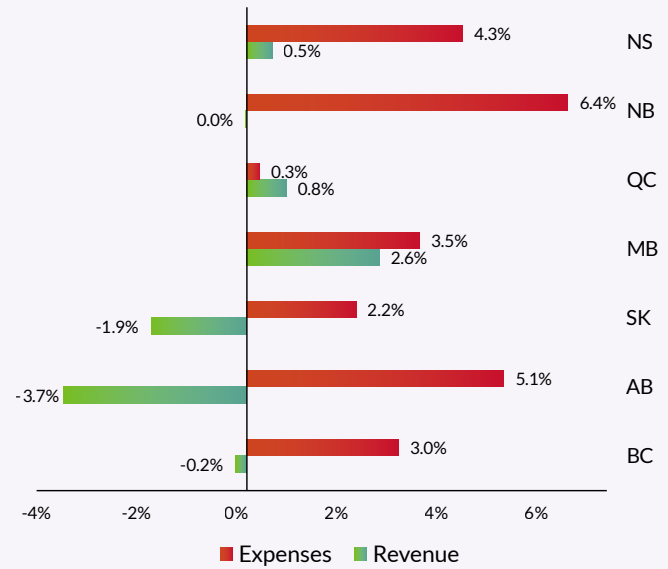
New Brunswick shows the sharpest deterioration in our sample. Its deficit-to-GDP forecast worsened from -0.9 per cent to -2.7 per cent, while revenue was essentially unchanged and expenses were revised up by 6.4 per cent. Alberta also saw a significant decline, with its deficit-to-GDP moving from -0.5 per cent to -1.9 per cent. Notably, Alberta is the only province in the group to report a large revenue downgrade (-3.7 per cent). Nova Scotia and British Columbia also experienced notable deterioration. Nova Scotia's deficit-to-GDP moved from -1.3 per cent to -2.2 per cent, with modest revenue growth (0.5 per cent) more than offset by a 4.3 per cent rise in expenses. British Columbia's ratio worsened from -1.7 per cent to -2.2 per cent, with almost no revenue change but a sizable three per cent increase in expenses. Saskatchewan shifted from a marginal projected surplus to a small deficit. Manitoba's fiscal position weakened slightly, but remains on relatively solid footing thanks to the strongest revenue growth among provinces (2.6 per cent). Quebec is the outlier on the positive side. Its deficit-to-GDP ratio improved slightly, and it is also the only province that experienced a reduction in debt-to-GDP ratio. On a simple average, revenue edged down by 0.3 per cent, expenses expanded by 3.5 per cent, and deficit to GDP grew by 0.8 per cent than previously forecasted.

FY2026-27 forecast revisions

FY2026-27 balance-to-GDP forecast



FY2026-27 Revision in Budget 2026



Source: CCA, StatCan

Each province has its own specific drivers behind the changes. Some reflect major accounting revisions – most notably the tobacco settlement adjustment in British Columbia. Others stem from weaker commodity prices affecting key experts. Alberta, for example, received less bitumen royalties and corporate income tax due to lower oil prices, while Manitoba lost hydro income from the removal of the carbon tax.

Three common economic risks emerge across these provincial budgets: tariffs and trade, population growth and immigration policy, and wildfires and other natural disasters.





Tariffs and trade

July 1, 2026 marks six years since the Canada-United States-Mexico Agreement (CUSMA) entered into force, triggering the agreement's first joint review. The review is intended to determine whether all three countries agree to extend the agreement for another 16 years. If they do not, CUSMA will remain in force but shift to annual reviews until an extension is agreed to, or the agreement expires in 2036. Formal amendments would still require a separate negotiation and ratification process; however, the current review process is increasingly being used by all parties to advance broader trade priorities. As a result, the CUSMA review has taken on heightened significance as a proxy for wider Canada-U.S. trade tensions.

Recent reporting suggests the U.S. is seeking to tighten North American rules around China-linked trade and production, while Canada is seeking relief from trade barriers in sectors such as steel, aluminum, and autos. There is still very little public transparency on where talks stand between the two countries. Uncertainty has been compounded by the tendency toward late stage policy shifts in the U.S., increasing the risk that positions signaled during the review may change before being formalized. Any announced positions by both parties should be treated with caution until they are formalized and implemented. Trade-related risks also extend beyond the CUSMA framework, reflecting the continued potential for unilateral tariff actions or sector-specific disputes.

Differences in exposure to U.S. tariffs across provinces underscore the uneven economic impact of these risks. According to calculations reported by Desjardins, the effective U.S. tariff rate is estimated at 3.1 per cent for Canada overall, rising to 5.6 per cent for Ontario and Quebec. The difference largely reflects the difference in product mix that each province exports to the U.S., based on Statistics Canada and U.S. International Trade Commission data. Provinces with export baskets more concentrated in heavily targeted manufacturing sectors faced higher effective U.S. tariff rates, while provinces with larger energy export shares, such as Alberta and Saskatchewan, faced lower effective rates. Provinces facing higher effective tariff rates may also experience greater pressure on their tax base. While it remains unclear which sectors and provinces would be most affected if trade tensions escalate, energy products are widely viewed as less likely targets.



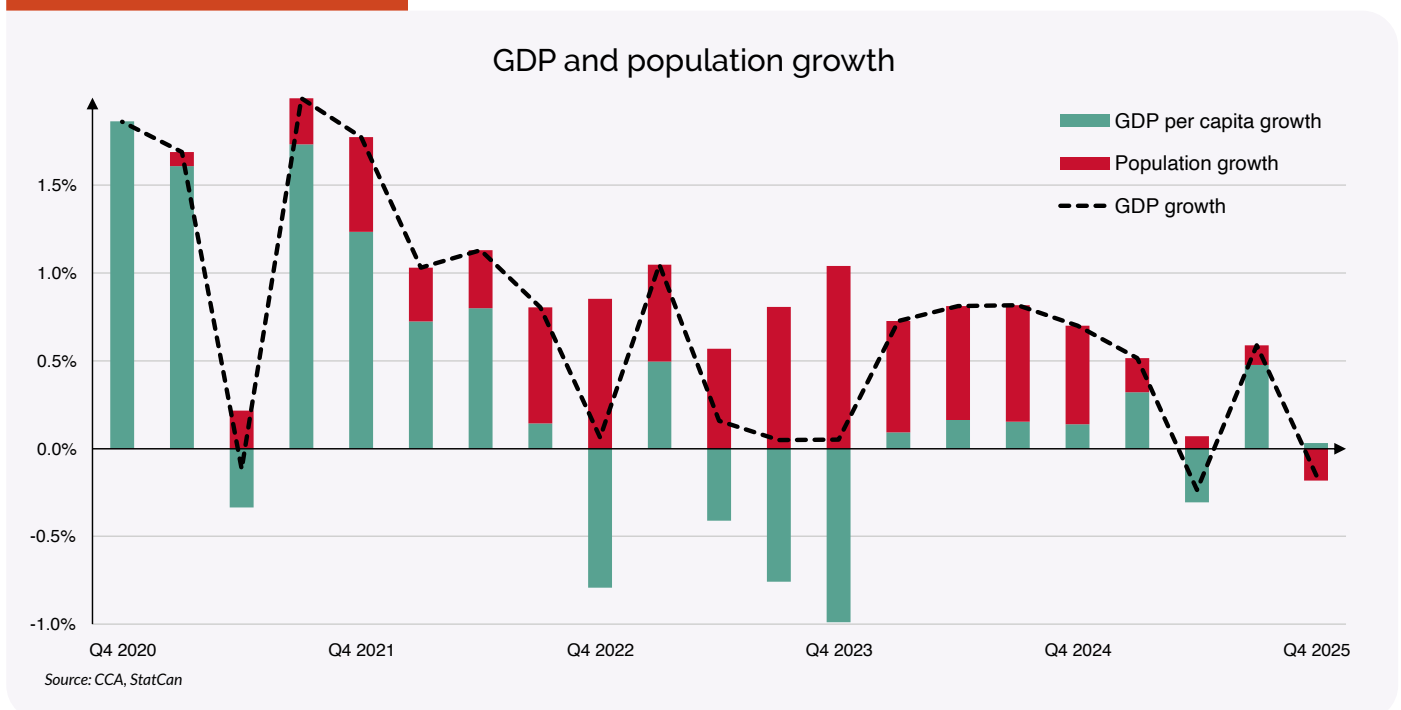


Population growth and immigration policy

Population growth has slowed more sharply than expected, as federal immigration restraint begins to be reflected in the data. On a national-accounts-consistent basis, Canada's population declined in Q4 2025, marking the first quarter since the per capita series began in 1981 in which population subtracted from YOY GDP growth. The slowdown is already weighing on headline GDP and labour-force growth. Since 2022, much of Canada's aggregate GDP growth has come from population gains rather than stronger output per person. In Q4 2025, real GDP declined by 0.2 per cent, while GDP per capita was unchanged and household spending remained resilient.

Over 2025, Canada's population declined by 102,436 people, or 0.25 per cent, a weaker outcome than anticipated in most earlier forecasts. The pullback was concentrated in provinces that had seen the largest earlier inflows, particularly Ontario (-119,070) and British Columbia (-41,461), which each recorded population declines of 0.73 per cent. Much of the adjustment came from a reduction in non-permanent residents, whose numbers fell by 461,688 over the year, or 15 per cent nationally. Ontario alone accounted for more than half of that decline (-261,269). Narrower pathways to permanent residency, softer labour market conditions, and reduced international student inflows appear to have contributed to both fewer arrivals and more departures, including among residents exiting before their temporary status expired.

Population and GDP



Most provinces have identified slower population growth as a risk, or as a factor behind weaker-than-expected revenue. Among the seven provinces that had released full budgets at the time of writing, population growth assumptions for 2026 were, on average, 0.5 pp lower than those embedded in their 2025 budgets, and those estimates could still move lower. Canada's reliance on lower wage and temporary labour has raised concerns among economists that weaker population growth may expose longer standing productivity challenges, particularly if it disincentivizes Canadian firms to invest in productivity-enhancing capital. Population is usually not the largest driver of deficit, but its effects are tangible.



Wildfire and other natural disasters

Natural disasters, particularly wildfires, are likely to become a more prominent theme as Canada enters the summer season. Several provinces reported higher than expected damage to infrastructure due to natural disasters last year. Some are allocating additional funds to rebuild and protect, and others are allocating contingency funds to manage future risk.

For the construction industry, natural disasters affect both project delivery and cost. Extreme weather events can disrupt work schedules, delay project timelines, and increase uncertainty around labour availability and site access. In addition, repeated disaster activity has contributed to rising insurance costs, adding to overhead pressures alongside broader geopolitical and market driven risks. Together, these factors reinforce the role of climate related events as a growing source of cost volatility and planning risk for construction activity.





Policy and financing adjustments that could influence construction delivery

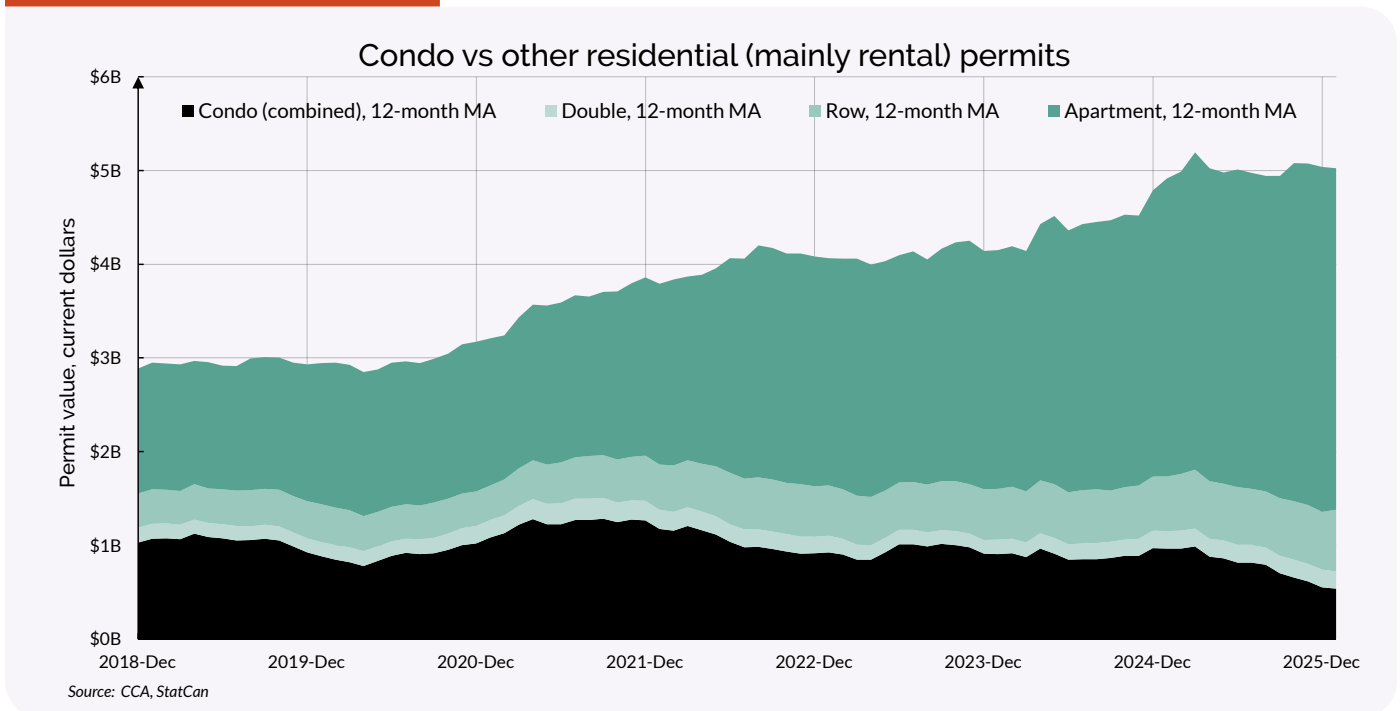
Development charges have become a frequent point of criticism from developers and housing advocates, as they add materially to the upfront cost of new housing and can constrain project viability. At the same time, they are a major municipal financing tool that helps pay for growth-related infrastructure such as roads, transit, water, wastewater, and parks.

As a result, eliminating development charges is not straightforward. They would need to be replaced with alternative financing opportunities to fund new infrastructure. One option is the creation of a municipal infrastructure corporation: separate public entities that deliver infrastructure services, charge users directly, and finance projects over a longer period. A recent example is Ontario's approach in Peel Region under the *Fighting Delays, Building Faster Act*, which will transfer water and wastewater jurisdiction from Peel Region to Mississauga, Brampton, and Caledon. However, the effects of this change on infrastructure financing and housing development will not become clear until January 1, 2029. If separately incorporated, this kind of change could lower both reported revenue and spending of municipal governments, moving both development charges and infrastructure investment off its books. Infrastructure costs may be funded first from debt, then repaid over a long period through utility fees. In theory, this would reduce initial project costs and may support more project starts.

Some major municipalities, like Vancouver or those in Ontario, have adopted development-charge relief for purpose-built rental housing. These policies intentionally trade reduced municipal infrastructure funding capacity for a direct boost to rental supply. With condominium pre-sales flatlining in some major markets in 2025, developers are no longer able to finance projects through sales, leading to a structural shift toward rental construction.



Condo vs rental permits



In jurisdictions with meaningful rental charge relief, this structural shift would further reduce development-charge collections. While the national effect could be significant, it will vary across regions depending on pre-sale market conditions and the local scale of development-charge relief. One potential offset in Ontario, is if the government expands the GST/HST rebate for new homes from first-time buyers to all buyers, which would lower the after-tax cost of purchasing newly built homes and could support demand in new-home construction.

At the federal level, Build Canada Homes (BCH) is in the process of transitioning from a special operating agency (SOA) to a Crown corporation. Bill C-20, the *Build Canada Homes Act*, would formally establish BCH as a Crown corporation whose purpose is to “promote, support and develop the supply of affordable housing in Canada” and to promote innovative and efficient building techniques. This is not a shift in policy, but it would provide BCH a more commercial operating model better suited to play a more permanent role in the housing sector. If BCH were to take on a larger direct-building role, governments would need to manage fiscal capacity trade-offs carefully to avoid diverting capacity away from other core priorities, particularly growth-related infrastructure that remains necessary to support new housing supply.

Canada was pushing to build before the federal government sharpened its own posture in Budget 2025. Since COVID, many provinces had already raised the share of spending devoted to capital, and the public sector was taking on a larger role in construction. That push is now coinciding with slower population growth, elevated trade risk, and rising costs tied to natural disasters. At the same time, municipal owners continue to face tighter procurement constraints and rising project costs due to trade barriers. With aging infrastructure and tightening fiscal room, provinces and municipalities are operating under increasingly complex conditions. In this environment, if Canada wants to build more, it will need a more durable way to finance it.

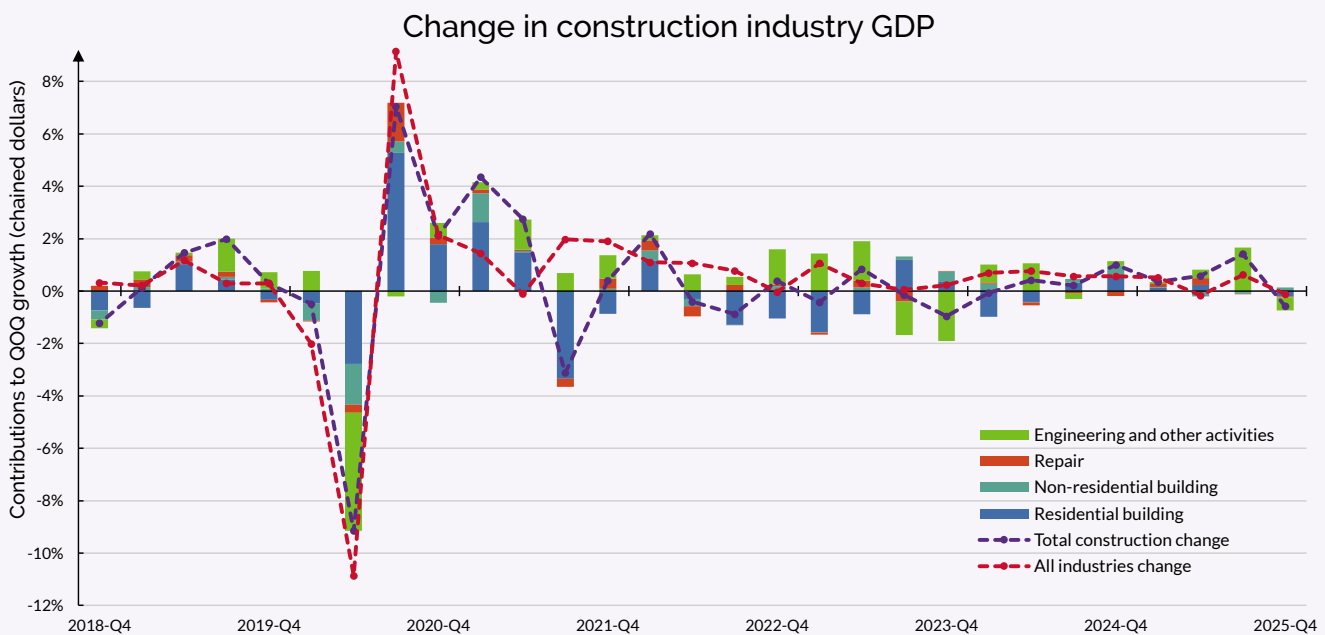
ICIC construction sector: Performance and sectoral trends

Sectoral GDP

GDP by industry measures the value added generated by an industry, including wages paid, gross operating surplus, and tax contributions net of intermediate costs. It is calculated via the production approach rather than expenditure and is therefore not directly comparable with the headline national GDP number. Under the North American Industry Classification System (NAICS), the construction industry encompasses residential and non-residential building construction, repair construction, and engineering and other construction activities.

Construction sector GDP declined by 0.6 per cent QOQ, following six consecutive quarterly increases. Despite the pullback, real construction GDP remained elevated at \$171 billion, and the sector's share of total industry GDP held steady at 7.3 per cent. The all-industry average decreased as well, but only by 0.1 per cent QOQ. This was the first time construction sector GDP growth fell behind the all-industry average since Q1 2025. Annually, the industry's growth rate was positive – 2.3 per cent compared to 1.6 per cent of the all-industry average.

Construction GDP



Source: CCA, StatCan

The main contributor of the dip was engineering and other construction activities, which fell by 1.4 per cent after strong growth in Q3 and contributed -0.5 pp to the total decline in construction GDP. In 2025, the subsector increased by 3.7 per cent over the sum of 2024.

Residential building construction also declined, down 0.6 per cent, while non-residential building construction recovered by 0.9 per cent, translating to a 2.2 per cent and 1.7 per cent annual increase. Repair construction saw a quarterly decline of 0.2 per cent, but is up 0.7 per cent in 2025. All in all, engineering construction has gained momentum in 2025 as non-residential building construction eased, and factory and warehouse builds weakened with the exporting and manufacturing sector.

Investments in building construction

Investment in building construction measures the amount spent by individuals and organizations on construction projects, and does not include investment in land. The amount is estimated for the month in which work was carried out and is based on permits issued and housing starts. Typically, this indicator exhibits a two-month lag from when building permits are issued.

In Q4 2025, Canada recorded \$63.9 billion in investment in building construction, up 1.3 per cent from the previous quarter. Rate cuts in September and October led to the first quarterly gain since Q1, following a pause in rate cuts after the trade disputes. After revisions, the -0.4 per cent contraction in Q3 was adjusted to -0.1 per cent. Investment in building construction remains 5.9 per cent higher YOY.

The largest contributor to this gain was the multiple-dwelling buildings subcategory, accounting for 0.9 pp of the total increase. This also represents a 2.4 per cent increase over its own Q3 value, and a 15.1 per cent increase over a year ago. As explained in previous editions of this report, condo construction has some of the highest financial leverage, making the start of these projects the most responsive to changes in interest rates. Even so, it is expected that investment in multiple-dwelling buildings will moderate through 2026, particularly in the Greater Toronto Area.

Commercial buildings contributed meaningfully as well, accounting for 0.3 pp of the total gain. Compared to its own value, investment in commercial buildings rose by 2.3 per cent over the third quarter, which is down 1.5 per cent YOY. The sub-category has been stable, but soft since COVID. Its recent recovery in November, December, and January is an encouraging sign.

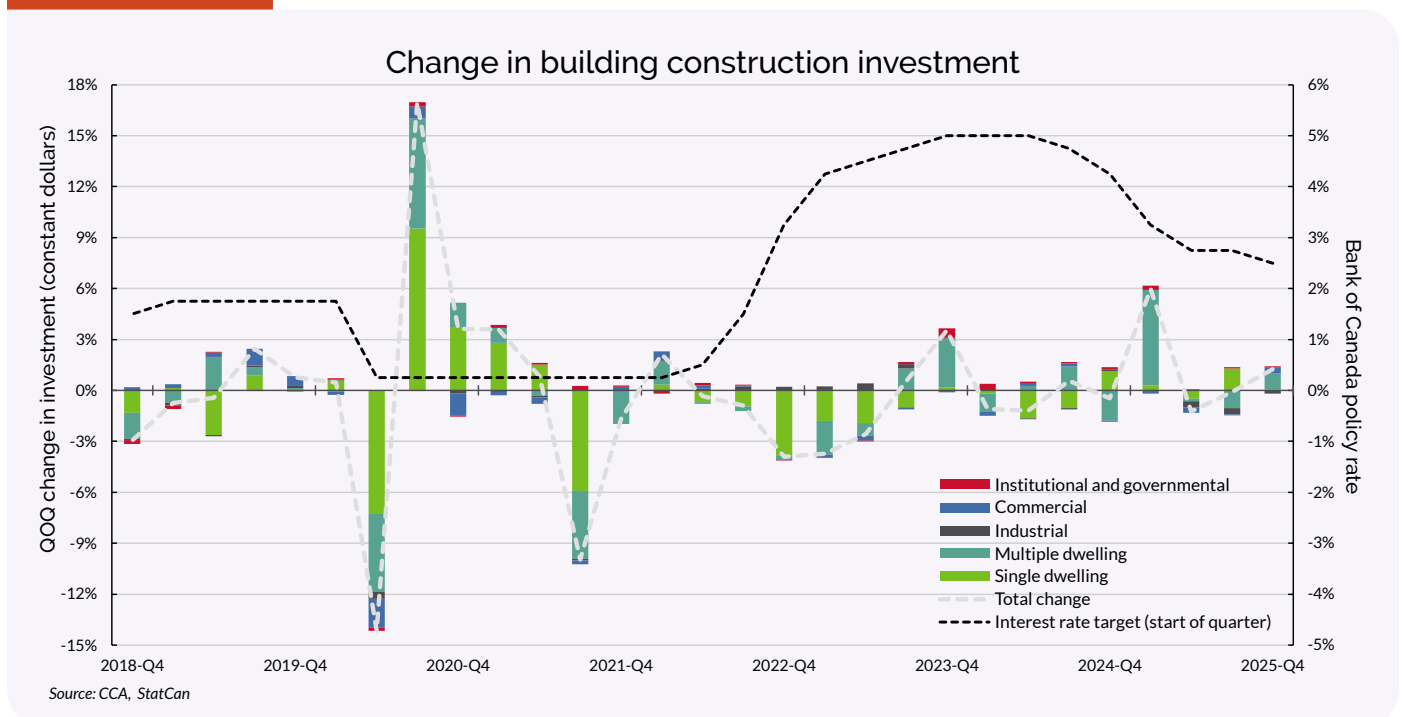


Industrial building construction was the only sub-category that saw a quarterly decline, contributing -0.2 pp. This was offset by modest increases in single-dwelling buildings and institutional and governmental buildings. On a quarterly basis, industrial building construction dropped by three per cent, which is 14 per cent lower than a year ago. The slowdown in manufacturing and increasing cost of steel are both contributing factors to the lower demand for factory and warehouse buildings.

Looking back at 2025, we saw a healthy increase in total investment, total value is up 4.9 per cent annually. This was driven primarily by multi-dwelling projects that were able to break ground after the rate cuts, which have now come to an end. The subcategory alone contributed 4.6 pp, representing a 12.9 per cent annual increase. Single-dwelling building construction ticked up by 1.6 per cent while commercial buildings slipped by two per cent. On the flip side, industrial building construction fell 7.3 per cent from 2024, slowing down growth of the broader industry. This decline was offset by a 5.7 per cent boost in institutional and governmental building investment.

Provincially, eight out of 13 provinces and territories recorded quarterly increases in the last quarter of 2025, with 10 reporting annual gains. Ontario remained soft in the fourth quarter, decreasing by 0.8 per cent QOQ following a 3.2 per cent decline in Q3. Nova Scotia also showed signs of softening, falling by 2.2 per cent after a 1.4 per cent decrease the previous quarter. Annually, the two provinces are up by nine per cent and 2.8 per cent, respectively. Quebec was at the upper end, posting a 4.9 per cent quarterly increase after a 3.7 per cent gain in Q3, resulting in an annual growth of 12.8 per cent. Alberta declined by 1.3 per cent QOQ, and is down by 4.1 per cent for the entire year.

Investments



Building permits

The value of building permits is a leading indicator of vertical construction activity. It is collected monthly from approximately 2,400 municipalities that issue permits before construction can begin, based on the cost declared on the permit application. This indicator provides insight into the volume of work the sector can expect to see within the next six months. It primarily reflects new building activity, as many renovation and civil projects may not require building permitting. All values are reported in constant dollars and are seasonally adjusted.

In Q4, the value of building permits rebounded by 9.8 per cent from Q3 2025, reaching \$35.7 billion. This marked the strongest quarterly increase since Q4 2021 and followed two consecutive quarterly declines earlier in the year. The rebound provides a firmer starting point for construction activity in early 2026, though it does not yet constitute a full recovery.

Multi-dwelling building permits were the largest contributor, accounting for 5.6 pp of the total increase. Compared to its own value in Q3, multi-unit permits are up 14.2 per cent, with almost all provinces posting gains. Ontario alone accounted for 5.1 pp of the 14.2 per cent increase while also rising by 14.5 per cent relative to its own level. Quebec (14.9 per cent QOQ), and Alberta (25.4 per cent QOQ) both contributed around 3 pp, while Manitoba (53.9 per cent QOQ) and Newfoundland and Labrador (141.9 per cent QOQ) saw significant quarterly increases in the component.

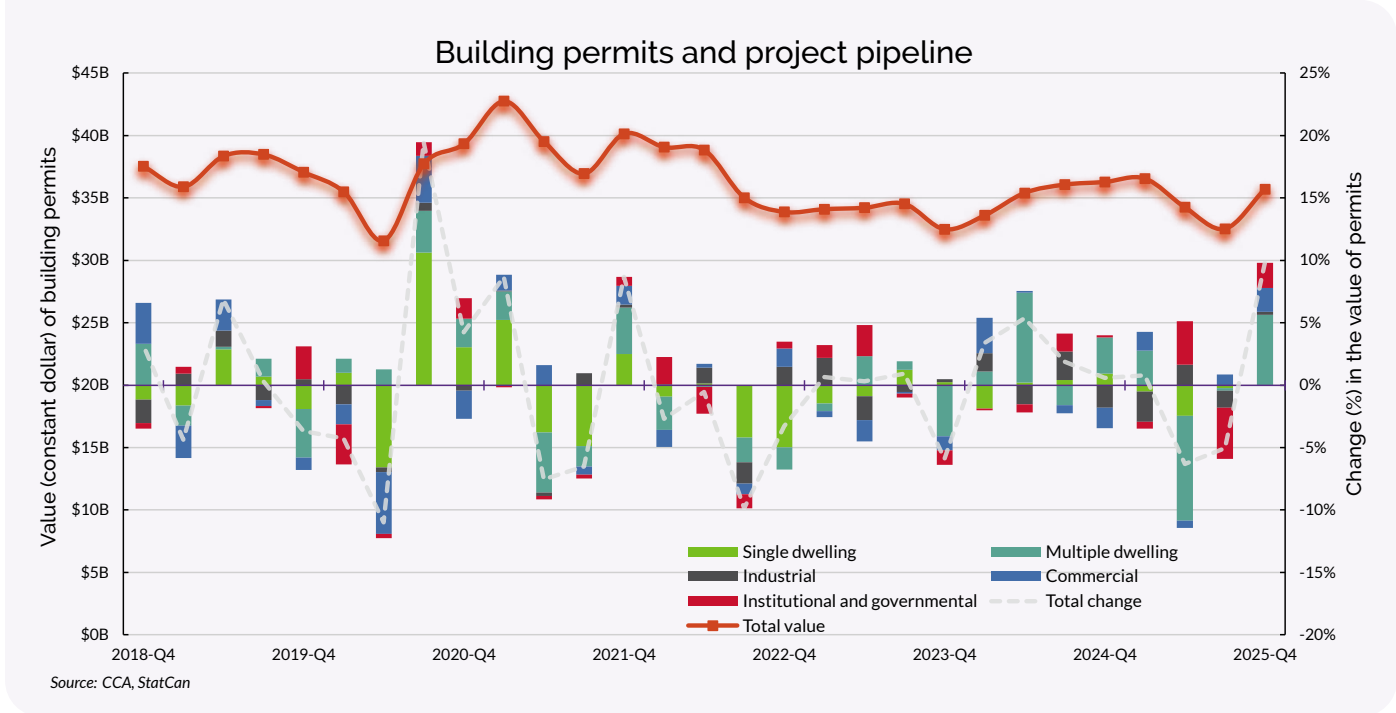
Institutional and governmental permits was the second largest contributor, accounting for two pp of the total increase, representing a 17.2 per cent quarterly increase from its own Q3 value. Nearly all of this increase was attributable to permits issued in British Columbia. Followed by commercial building permits, which accounted for +1.9 pp of the total change (+9.9 per cent QOQ). The gain in this component was driven almost exclusively by office building permits in Toronto alone. While change in industrial and single-unit building permits were more negligible, no component saw meaningful declines.

At the provincial level, seven provinces recorded increases in Q4. Ontario recovered by 14.5 per cent but remained 8.1 per cent below its level in Q4 2024. Alberta posted a solid gain of 14 per cent and British Columbia experienced a consecutive increase of 9.7 per cent after rebounding in Q3. Manitoba has been on a three-quarter streak, up by 8.3 per cent, which is five per cent higher YOY. Prince Edward Island was the only province that experienced a substantial decrease, down by 36 per cent.



Despite the Q4 recovery, total residential and non-residential building permit values for 2025 were still 2.5 per cent lower than in 2024. The largest drag came from single-family dwellings, which accounted for two pp of the overall decline, with permit values down 8.8 per cent YOY. Industrial buildings accounted for a further 1.8 pp, as permit values fell 20.4 per cent YOY, while multi-dwelling buildings subtracted another one pp, with values down 2.5 per cent. Pulling in the positive direction, institutional and governmental buildings rose 1.8 per cent, and commercial buildings increased 2.7 per cent relative to 2024.

Permits



Labour market conditions

Construction is a cornerstone of the Canadian economy, employing approximately 1.64 million people, or nearly eight per cent of the Canadian workforce, making it the sixth-largest sector nationally. Yet the industry faces unique labour challenges. BuildForce Canada estimates a shortfall of 108,300 workers by 2034, driven largely by retirements and aging demographics. For contractors, labour availability directly affects project timelines, bid pricing, and competitiveness. This section examines current employment levels, job vacancies, and labour market tightness. Unless otherwise stated, calculations are based on seasonally adjusted values.

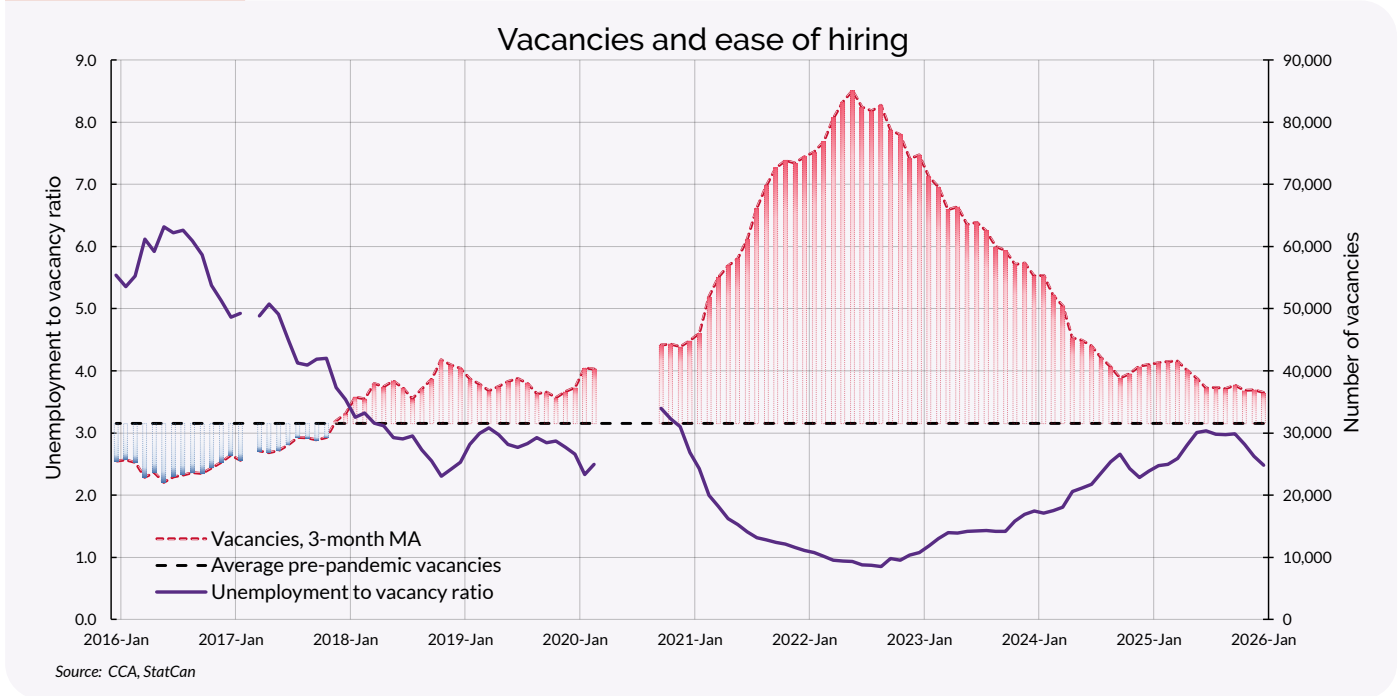


Vacancies

Labour market conditions are best assessed by examining both labour demand and supply. Job vacancies reflect employers’ hiring needs and, when considered together with unemployment, provide insight into how difficult it is to fill positions or find work.

Job postings averaged nearly 38,000 in Q4, up 2.7 per cent from about 37,000 in Q3. Despite the quarterly increase, postings were still 8.7 per cent below their level a year earlier. Within the quarter, November stood out as a weak month, with postings just above 34,000. Although this raised concern at the time, levels rebounded in December to above 40,000. Overall, vacancies remain broadly stable and are not showing a meaningful upward trend. The same is true of vacancy rates. That said, the recent large month-to-month swings suggest these levels have become more volatile.

Vacancies



Unemployment and labour market tightness

The national unemployment rate increased to 6.7 per cent in February, up from 6.5 per cent in January. While this remains below the recent peak of 7.1 per cent recorded last August and September, it is still quite high. The construction industry followed a similar pattern, with unemployment increasing from 5.4 per cent in January to 5.8 per cent in February, but lower than 6.6 per cent in September. Despite this, the unemployment rate in the construction industry remains below the national average.

In Q4, there was an average of 96,933 job seekers in construction, down 13,567 from Q3, representing a 12.3 per cent decline. A portion of this reduction was likely due to retirements and other age-related attrition, as the number of construction workers aged 55 and older fell by 30,000, or 9.1 per cent. This helps explain why unemployment declined even though employment did not rise enough to account for the full drop. The figures also suggest that some workers stopped looking for jobs in construction.

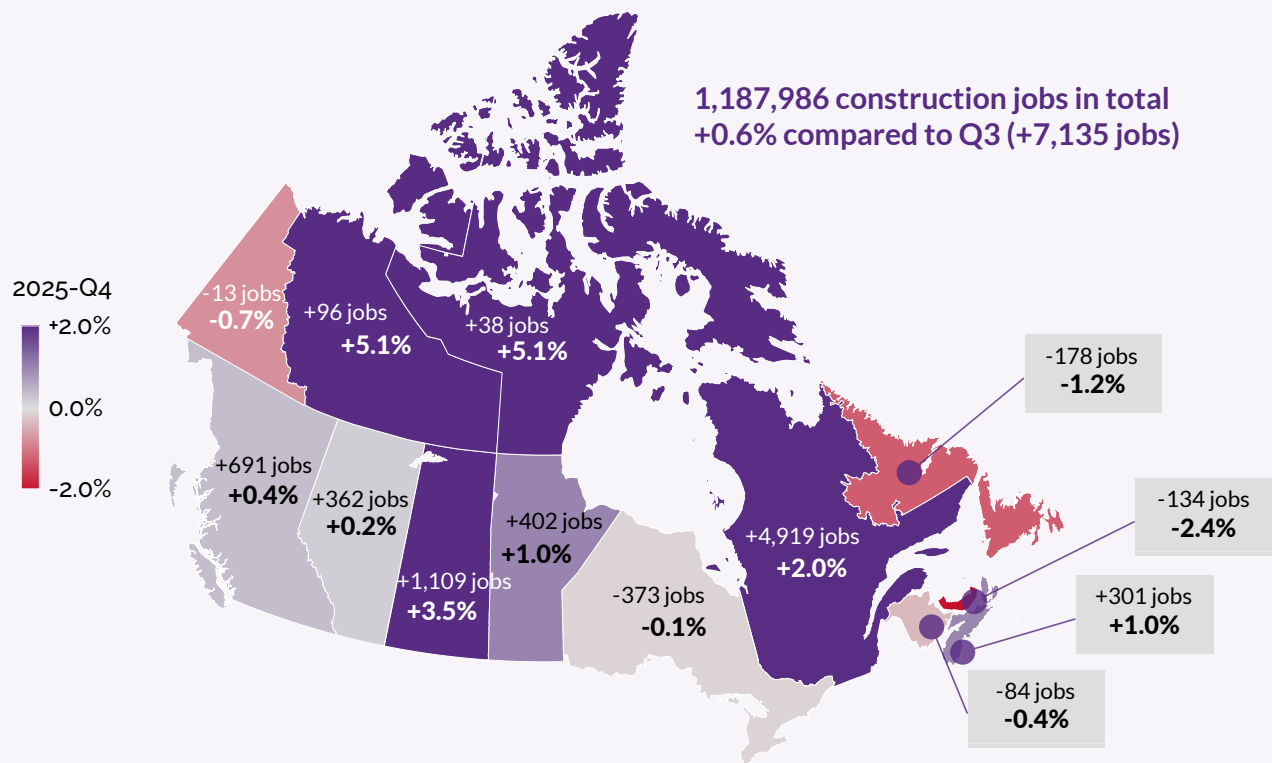
As a result, the ratio of unemployed individuals to job vacancies fell to approximately 2.6 applicants for every vacant position, down from three in Q3 and up from 2.2 in Q4 2024. This decline indicates a tightening labour market. Labour market tightness is tracked by measuring the ratio between the number of unemployed individuals and number of vacant positions. A lower ratio indicates a tighter market, meaning companies face greater difficulty filling open positions.

Employment: SEPH

The Survey of Employment, Payrolls and Hours (SEPH) tracks the number of jobs from payroll records, both salaried and paid-by-the-hour, and offers a more stable view of sectoral employment trends. The SEPH provides a more granular view in the composition of subsectors and hours worked, with geographic definition based on location of the job. According to the SEPH, construction accounted for 1.2 million payroll jobs in 2024 (6.5 per cent of all industries). This series has low variations, typically less than two per cent in most provinces.

SEPH change

Quarterly change in employment (SEPH)



Source: CCA, StatCan

The number of payroll employees in Canada increased by 0.6 per cent in Q4 compared with Q3 (+7,135 jobs). Eight out of the 13 provinces and territories posted gains, with Quebec and Saskatchewan leading the growth. Quebec added nearly 5,000 payroll employees in Q4, equivalent to a two per cent increase over the three-month period and driving the first materially significant national gain in the past year. Saskatchewan added 1,109 jobs from Q3, or a 3.5 per cent increase, which is a significant value for this series.

At the subsector level, building equipment contractors contributed the most to overall growth, adding 0.2 pp while rising 0.8 per cent from its Q3 level. Highway, street and bridge construction also supported growth, posting the strongest QOQ increase within the group at 2.6 per cent. At the same time, land subdivision employment fell by another 2.1 per cent, reaching the lowest level since Q1 2021, continuing the downward trend since the pandemic.

Year-over-year, construction payroll employment increased by only 0.2 per cent, indicating the overall size of the workforce has changed little, but its composition shifted slightly beneath the surface. The shares of non-residential building construction and building equipment contractors each rose by 0.3 pp, while utility system construction and residential building each declined by 0.2 pp. Among categories, land subdivision fell the most, down 7.9 per cent, while other heavy and civil engineering construction posted the strongest annual increase at 4.3 per cent.

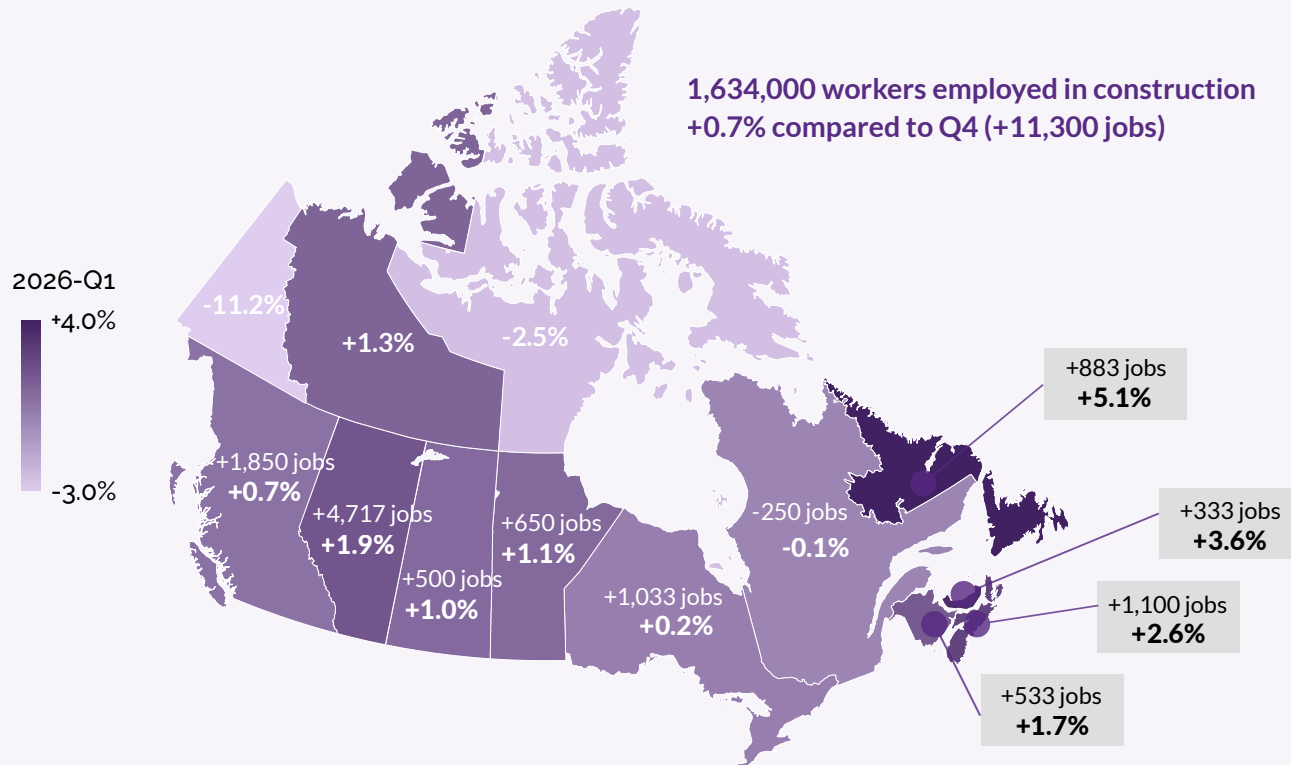


Employment: LFS

The Labour Force Survey (LFS) captures the number of people employed from household survey results and is the survey reported most often when referencing unemployment data in Canada. It includes both payroll employees and self-employed workers, and shows approximately 1.6 million people employed in construction, representing 7.8 per cent of total employment, with geographic definition based on place of residence instead of place of job. Unless otherwise stated, figures are estimated based on results from the first two months of the represented quarter.

LFS change

Quarterly change in employment (LFS)



Source: CCA, StatCan

* YK, NT, and NU values are proxies

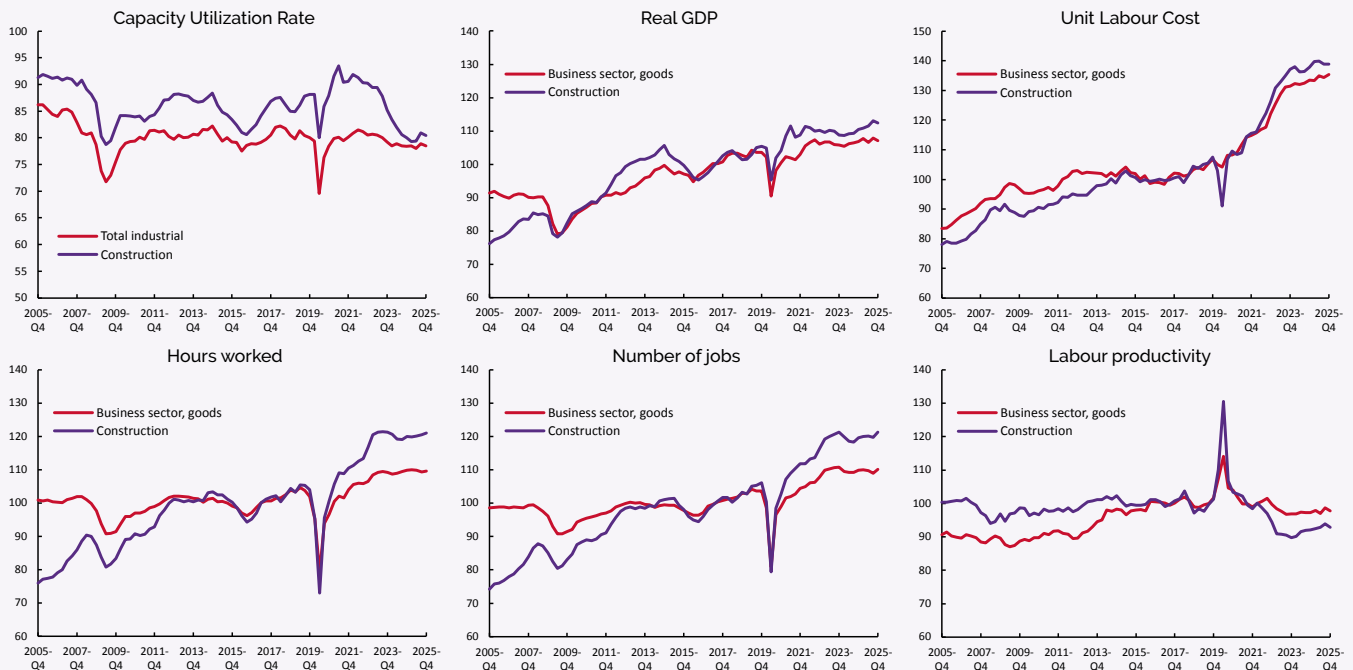
In the first two months of Q1, construction employment increased by 0.7 per cent, adding 11,300 more workers than in the last quarter of 2025. While the February drop in Canadian employment made headlines through the country, the overall quarterly effect remained modest in percentage terms. The decline was broad-based across both goods and services producing industries, rather than construction-specific. Quarterly gains remain positive, but employment growth has not yet regained sufficient momentum following interest rate easing.

Almost all provinces posted gains in LFS employment this quarter, although total construction employment remained 0.6 per cent lower than in the same quarter last year. Alberta and the Atlantic region drove most of the increase. Employment in Alberta rose 1.9 per cent (+4,717 jobs), while Newfoundland and Labrador (5.1 per cent), Prince Edward Island (3.6 per cent), and Nova Scotia (2.6 per cent) also posted gains. The rebound was especially notable for Newfoundland and Labrador (+0.3 per cent YOY), where employment had been edging down over the past two years. Quebec (-3.1 per cent YOY) saw employment surge from mid-2024 to mid-2025, but levels have since moderated as the quarterly decline slows toward zero. Ontario (-1.5 per cent YOY) remained relatively weak, while Saskatchewan (+3.0 per cent YOY), Manitoba (+9.3 per cent YOY), and British Columbia (+4.6 per cent YOY) continued to trend higher.

Industrial capacity utilization rate and measures of productivity

Canada's housing, infrastructure, and economic goals all depend on a construction sector that can build efficiently. Low labour productivity, rising unit labour cost, and a potential capacity utilization gap could throttle progress. Tracking these metrics against the broader economy can help spot areas of sector-specific inefficiencies.

Productivity



Source: CCA, StatCan

Capacity Utilization Rate

The industrial Capacity Utilization Rate (CUR) measures an industry's actual output as a percentage of its full-capacity potential (100 per cent utilization). In Q4 2025, the construction sector's CUR slipped 0.5 pp from the previous quarter to 80.4 per cent. While this marked the second consecutive quarter above 80 per cent, the latest reading suggests conditions were stabilizing rather than improving. The decline was tied to weaker activity in residential and engineering construction. Construction continued to operate above the all-industry average of 78.5 per cent, but the broader picture for 2025 was softer than in 2024, as the sector gave back some of the strength seen a year earlier and ended the series on a weaker footing. This release also marks the conclusion of the industrial CUR series in its current form, leaving Q4 2025 as the final reading for construction under this dataset.

Measures of productivity

Productivity, defined as value added per hour worked, has improved slowly since bottoming out near the end of 2023. The construction sector posted a noticeable jump in Q3 2025, but that improvement was quickly reversed in Q4. Productivity fell one per cent QOQ, although it remained 0.9 per cent above last year's levels. The broader goods-producing business sector showed a similar pattern, with productivity down 0.9 per cent on the quarter and up 0.6 per cent YOY. The Q3 rebound did not carry forward into a sustained recovery.

Unit Labour Cost (ULC) measures the ratio of labour compensation to real output. By definition, lower productivity drives down ULC, which has been the trend over the last four years. Higher ULC in recent years is therefore not indicative of rising wages, but rather reflects lower value added, as it typically indicates higher project costs and reduced investment viability.

Construction's ULC was unchanged from Q3 to Q4 and was 0.7 per cent higher than a year earlier. By comparison, ULC for the goods producing business sector rose more quickly, increasing 0.7 per cent QOQ and 1.4 per cent YOY. Although this is a mildly positive reading, taken together, the flat ULC suggests that hourly compensation was just weak enough to offset the decline in productivity.

Building Construction Price Index

The Building Construction Price Index (BCPI) tracks the total cost of constructing a typical building in 15 of Canada's largest census metropolitan areas (CMAs). It is based on the full bid price submitted by general contractors, and provides insight into which MasterFormat divisions, regions, or types of building are experiencing higher inflationary pressures. Over the past nine years, since January 2017, the BCPI has increased by more than 50 per cent, doubling the increase in the CPI. Consequently, contingency costs have risen, leading to project delays and cancellations.



By division

As in previous quarters, cost pressures were concentrated in the metal fabrications, structural steel framing, and concrete divisions. Metal fabrications rose by 7.9 per cent, following a seven per cent increase in Q3, while structural steel framing increased by 10.1 per cent, after rising nine per cent in Q3. Concrete rose by only 2.3 per cent YOY, but remained a significant contributor to overall inflation given its large share of total construction costs. Although the concrete division includes rebar trades under MasterFormat definitions, rebar prices have so far risen less than those for large structural steel sections, which are less commoditized and less readily available locally.

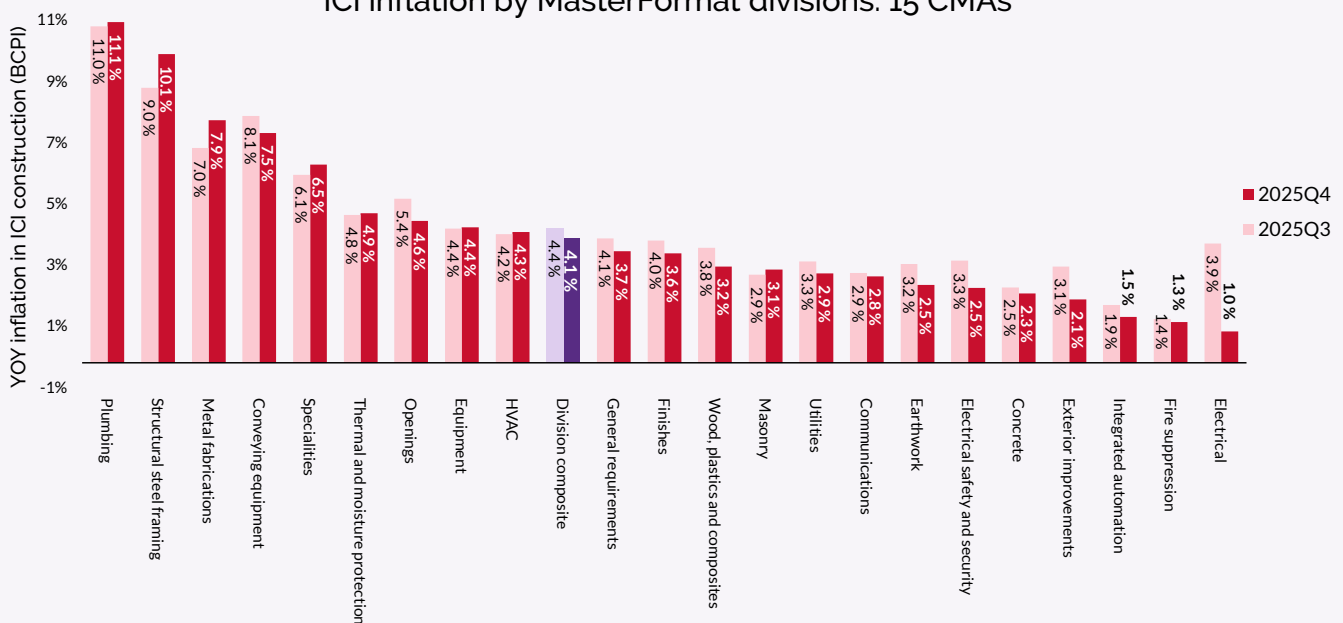
Plumbing costs increased sharply, rising by 11.1 per cent, following an 11 per cent increase in Q3. This made plumbing the fourth-largest contributor to overall inflation. Somewhat surprisingly, the automated integration and electrical divisions did not post similar increases despite rising copper prices in 2025.

The effects of steel tariffs and tariff rate quotas (TRQ) are increasingly evident in bid prices. Some of these increases were implemented only recently, while additional procurement restrictions and funding conditions continue to evolve across jurisdictions. As a result, inflation in steel-intensive MasterFormat divisions is likely to keep rising in the coming quarters.

It is also worth noting that supply conditions could tighten further. As of January 1, 2026, China – the second-largest steel exporter to Canada – introduced export licensing requirements on mill steel products. The move comes amid rising protectionist measures in Western countries in an effort to curb exports of lower-end steel. TRQs bind on volume, not value, which creates an incentive to preserve export by shipping fewer tonnes of cheap steel. Some importers are already dealing with additional paperwork. How much this will affect future access to Chinese steel remains uncertain.

BCPI-Division

ICI inflation by MasterFormat divisions: 15 CMAs



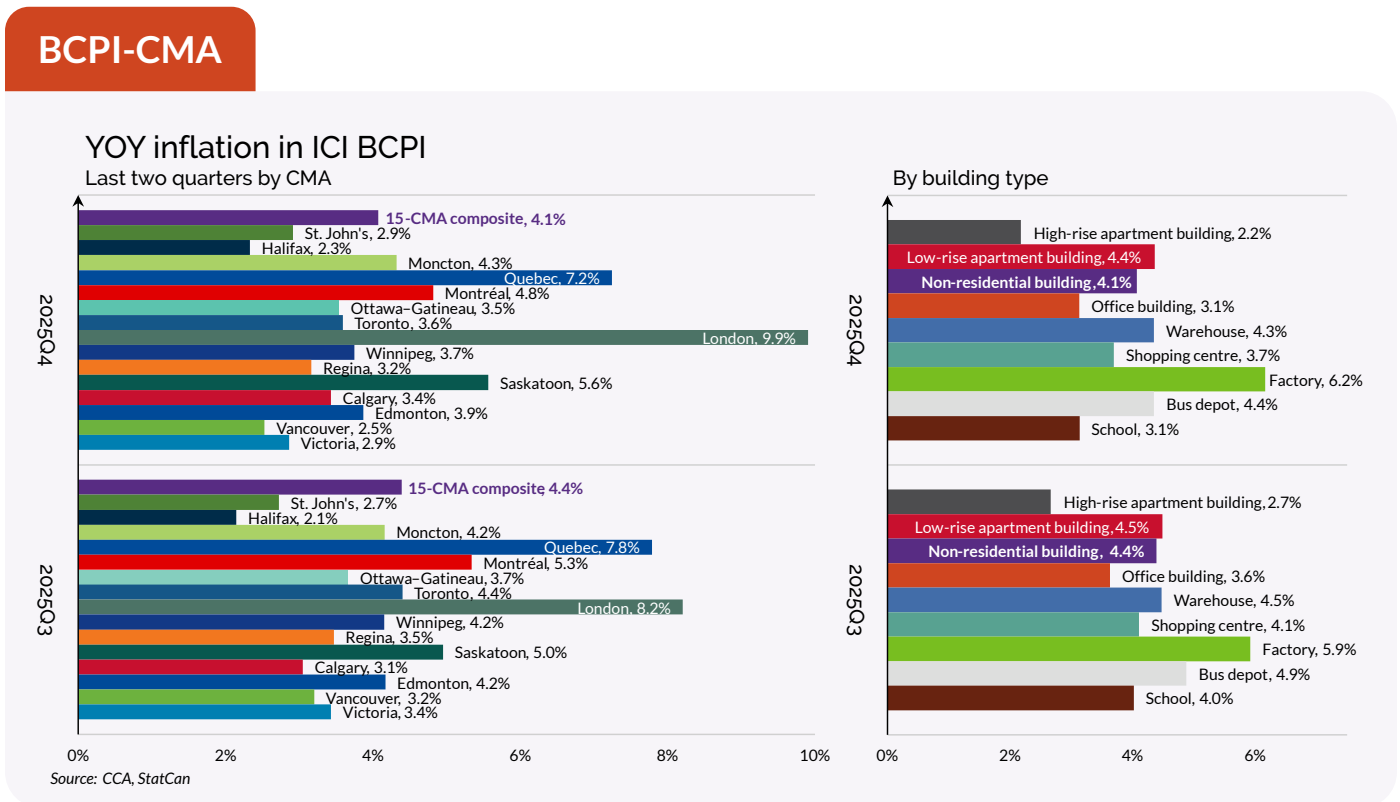
Source: CCA, StatCan

By census metropolitan area

Regionally, 11 of the 15 CMAs recorded growth above three per cent. London posted the highest increase for a second consecutive quarter, with prices up 9.9 per cent, compared with 8.2 per cent in Q3. This acceleration reflects London’s project mix, driven by factory construction, which places relatively more weight on structural steel framing.

Quebec City remained the second fastest-rising CMA, though growth eased to 7.2 per cent from 7.8 per cent in Q3. Unlike London, Quebec City’s BCPE basket is more evenly distributed across divisions than in the national composite. This suggests Quebec City’s elevated BCPI growth reflects more generalized cost pressure, rather than a basket-composition effect.

Steel-intensive divisions moved in opposite directions in Montreal and London during Q4. In Montreal, cost pressures eased, with structural steel framing slowing to 16.7 per cent from 19.6 per cent in Q3, and metal fabrications falling to 14.3 per cent from 20.1 per cent. In London, by contrast, both divisions accelerated. Structural steel framing rose to 19.9 per cent from 15.2 per cent, while metal fabrications increased to 18.3 per cent from 14.1 per cent. At the other end of the spectrum, Halifax and Vancouver posted the smallest YOY increases, at 2.3 per cent and 2.5 per cent, respectively.



By building type

The BCPI for industrial, commercial, and institutional (ICI) construction increased by 4.1 per cent YOY in Q4, easing from 4.4 per cent in Q3. Residential construction costs continued to moderate in the apartment segment. High-rise apartment costs increased by 2.2 per cent YOY, down from 2.7 per cent in Q3 on a revised basis. Low-rise apartment costs rose by 4.4 per cent increase, changing little from the previous quarter. It is worth noting that revisions to residential building cost growth have tended to come in on the upside in subsequent releases.

Among non-residential building types, factory construction once again posted the strongest YOY increase, rising 6.2 per cent, up from 5.9 per cent in Q3. This partly reflects their greater exposure to structural steel costs. Warehouse buildings, by contrast, remained at 4.3 per cent despite the large role of metal fabrications in their cost structure. School construction costs rose by 3.1 per cent YOY, down from four per cent in Q3, making them less expensive to build on an inflation basis than in the previous quarter. Most other building types saw cost increases that remained close to levels from the previous quarter.

Business conditions and what's ahead for the industry

Expectations and pressing obstacles

Results from the Q1 Canadian Survey on Business Conditions (CSBC) provides insight into the key obstacles currently facing construction businesses. The survey is conducted regularly at the beginning of each quarter.

Over the course of 2025, 40 per cent of construction businesses reported a negative impact from U.S. tariffs on goods sold in Canada, while 33 per cent reported a negative impact from Canadian tariffs on goods purchased from the U.S. The elimination of interprovincial trade barriers recorded its lowest positive reading. Only five per cent of construction businesses reported a positive impact, below the almost seven per cent of firms that reported a negative one.



More than two-thirds of construction firms experienced cost increases due to tariffs. Only 1.8 per cent of construction businesses delayed Canadian investment or expansion plans, compared with 2.8 per cent across all industries and 8.7 per cent in manufacturing. Meanwhile, 28.9 per cent of construction businesses reported no cost increases due to tariffs, nearly unchanged from Q3 2025. That share remained well below the all-industry average of 39 per cent. At the same time, the share of construction firms passing on tariff-related costs rose to 43.8 per cent, up from 38.5 per cent in Q3 2025. Construction business expectations were largely unchanged at the start of 2026 compared to the end of 2025. Only 17.9 per cent of firms reported expecting no significant obstacles in Q1, which is only 1.2 pp less than the share in Q3. Among the 10 most frequently cited obstacles, cost-related concerns increased by 2.8 pp while labour-related concerns declined by 2.8 pp. Inflation remained the top concern shared by businesses despite easing somewhat, falling by 2.6 pp to 44 per cent. Recruiting skilled employees became the second-largest concern, increasing by 2.4 pp from the last quarter to 36 per cent, consistent with signs of tightening labour market conditions. Labour force shortages were cited by 28 per cent of firms, up by 1.3 pp, and may continue to increase as immigration flows slow.

Sorted by net change, the cost of insurance saw the largest decline, with 12.2 pp fewer firms expecting high insurance costs. With 23 per cent of construction firms still identifying it as a concern, it ranked ninth overall. This concern could rebound in next quarter's survey, as the military conflict involving Iran has pushed oil prices sharply higher and adds renewed pressure to uncertainty. Costs related to real estate, leasing, or property taxes were cited by 4.2 pp more firms, while concern over fluctuations in consumer demand rose by 3.5 pp.

Provincially, firms in New Brunswick and Ontario were most likely to cite cost-related obstacles as a concern, with 78 per cent and 77 per cent of firms reporting so, respectively. Quebec recorded the largest quarterly increase in cost concerns, with 18 pp more firms citing cost pressures. Labour-related obstacles were most acute in Quebec and New Brunswick, where more than 60 per cent of firms cited them as a challenge, while Alberta (32 per cent) and the rest of Atlantic provinces reported lower labour-related concerns, around 30 per cent. It's a similar story change-wise, with Quebec (+16 pp) and New Brunswick (+14 pp) having the highest increase, and Alberta the highest quarterly decrease (-29 pp).

Optimism among construction firms improved modestly, rising 2.1 pp from Q4 2025, with almost 71 per cent of firms reporting that they are either somewhat or very optimistic over the next 12 months. Newfoundland and Labrador (91 per cent), British Columbia (84 per cent), and Quebec (83 per cent) were among the most optimistic, while Alberta (54 per cent), New Brunswick (59 per cent), and Ontario (64 per cent) were less so. The provincial ranking was also broadly consistent with quarterly trends, with several of the most optimistic becoming more positive, while some of the least optimistic provinces saw declines.



CSBC 2026-Q1

Rank	Obstacles	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT	NU	CAN
1	Inflation	-4 pp	+10 pp	+3 pp	+30 pp	-10 pp	+11 pp	-2 pp	+4 pp	-19 pp	-17 pp			-4 pp	-2.6 pp
2	Recruiting skilled employees	-7 pp	-7 pp	-5 pp	-16 pp	+5 pp	+7 pp	+15 pp	-28 pp	-12 pp	+7 pp	-56 pp	+40 pp	+14 pp	+2.4 pp
3	Shortage of labour force	-10 pp	-18 pp	-1 pp	-1 pp	+21 pp	-13 pp	+26 pp	-23 pp	+2 pp	+6 pp	-37 pp	+29 pp	+1 pp	+1.3 pp
4	Interest rates and debt costs	+22 pp	-5 pp	-8 pp	+27 pp	+11 pp	-13 pp	+21 pp	+2 pp	+6 pp	+7 pp				+1.0 pp
5	Cost of inputs	+25 pp	+18 pp	-7 pp	+30 pp	+10 pp	+12 pp	-1 pp	+8 pp	-47 pp	-18 pp	-9 pp	+52 pp	+2 pp	-1.8 pp
6	Fluctuations in consumer demand	-9 pp	+29 pp	+7 pp	+11 pp	-4 pp	+6 pp	-9 pp	-31 pp	-8 pp	+27 pp		-3 pp	-19 pp	+3.5 pp
7	Transportation costs	+4 pp	+21 pp	-3 pp	+15 pp	-1 pp	+6 pp	+18 pp	-2 pp	-19 pp	-8 pp	-12 pp		+4 pp	-1.2 pp
8	Increasing competition	-14 pp	+2 pp	-12 pp	+14 pp	-6 pp	+3 pp	+12 pp	-10 pp	-16 pp	+18 pp	+2 pp	+3 pp	-19 pp	+0.7 pp
9	Cost of insurance	-0 pp	-10 pp	+1 pp	+36 pp	+5 pp	-26 pp	+7 pp	+7 pp	-21 pp	-15 pp	-18 pp		+4 pp	-12.2 pp
10	Costs in real estate, leasing, or property taxes	+13 pp	+12 pp	-20 pp	+22 pp	+12 pp	+7 pp	+8 pp	+3 pp	-20 pp	+9 pp		+20 pp	+3 pp	+4.2 pp

What's ahead for the industry?

Geopolitical risk is escalating and remains a key source of uncertainty for the construction industry. The conflict in the Middle East has added ongoing volatility to energy markets, with disruptions through the Strait of Hormuz tightening global supply. The shipping route normally handles roughly 20 million barrels per day of oil, and recent IEA reporting suggests the disruption has already forced Gulf producers to cut output by at least 10 million barrels per day, with losses likely to rise under a prolonged disruption. For construction, higher oil prices affect costs through diesel use on site and in transportation, as well as through oil-linked materials such as piping, roofing membranes, insulation, and adhesives.

Trade policy represents a second layer of uncertainty. According to the U.S. Trade Representative (USTR), the CUSMA review is already being used to explore measures to "reduce dependence on imports from outside the region," "strengthen rules of origin," and "enhance the security of North American supply chains." Trade and tariff risks are very much still alive and far from settled for builders.

New permits in 2025 were weaker than 2024 in constant dollars, but the rebound in Q4 was encouraging. While this does not amount to a full recovery, it does give 2026 a firmer base than the mid-year data had suggested. Policy could still help at the margin, especially in Ontario. The federal first-time GST/HST rebate is now in force and Ontario's 2026 Budget also proposes a full 13 per cent HST relief for not just first-time, but all buyers of new homes up to \$1 million. That could improve condo absorption and pre-construction economics, while unsold inventory is still high.

Slower population growth is also beginning to reshape the labour outlook. Many forecasts suggest the Canadian labour force will see almost no growth over the next few years. That does not necessarily imply a severe labour-market downturn, but it does mean softer employment headlines may appear more often, especially when vacancies are already low and retirements begin to outweigh new entrants.

Mortgage renewal remains a headwind for 2026, but mainly through household cash flow rather than through a broad financial-stability event. The Bank of Canada estimated that about 60 per cent of mortgage holders renewing in 2025 and 2026 will see their payments rise. Borrowers who locked in five-year fixed rates during the pandemic were facing an average rate on insured residential mortgages of 2.12 per cent in January 2021. By January 2026, that number became 4.14 per cent. Even after the Bank's easing cycle, monthly payments could be six per cent higher than what many originally borrowed at. Renewal risk is still real, but it looks more like a drag on consumption and housing demand than a trigger for a market-wide break.



Looking ahead: **Key economic and policy considerations**

Trade policy and geopolitical risks

The war in the Middle East has already tightened energy markets and pushed oil prices sharply higher, feeding through to construction costs via diesel, transportation, and petrochemical-heavy inputs such as piping, roofing membranes, insulation, and adhesives. At the same time, the 2026 CUSMA review adds a second layer of uncertainty. For builders, uncertainty around trade rules is still a growing cost factor, complicating pricing, sourcing, and risk allocation.

Immigration reset and tighter labour market

Lower temporary resident inflows and the recent decline in non-permanent residents are reducing one of the main sources of Canada's labour force growth. While this does not represent the largest macroeconomic risk in the outlook, it is a gradual but increasingly relevant drag at the margin. With vacancies subdued and retirements high, softer employment headlines are likely to appear more often. It will also have implications on output and demand.

A less comfortable growth-inflation mix

Economic growth has been slower than hoped, unemployment pressures have become more persistent while tariffs, supply-chain adjustments, and the recent energy shock add new friction to inflation. Nothing at this stage points to broad economic slack, and business sentiment remains generally optimistic. However, slower growth alongside sustained cost pressures do create a more challenging operating environment. The longer these pressures linger, the more strain begins to build across households, businesses, and public finances.

National projects

The Major Project Office (MPO) has completed another round of referrals, this time focused largely on northern and security-linked infrastructure. While referrals signal intent, translating ambition into groundbreakings remains a slower process. Additional progress is expected in 2026, although some of the biggest projects remain in planning, financing, and engineering phases.





For more information on this report or the work CCA is currently focused on to address these issues, please email Yunhan Liu, Analyst, Economics and Policy, at yliu@cca-acc.com.



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