



Canadian Construction  
Association  
Best Practices Services

FALL 2024

# Construction Quarterly Economic Insights



## Key insights from Q2 2024

- **Canada's economic performance (January-June 2024):** Canada's economic activity growth slowed slightly by 0.01 per cent during the second quarter of 2024, with GDP increasing by 0.5 per cent. This slower growth has resulted in lower inflation in Canada, prompting interest rate cuts.
- **Loosening monetary policy:** In August, inflation dropped to two per cent, reaching the Bank of Canada's target for the first time since 2021. Due to inflation pressures easing, the Bank of Canada implemented its third consecutive interest rate cut in four years, lowering the overnight rate to 4.25 per cent. More cuts are expected this year.
- **Construction sector's economic performance:** The industry contracted during the second quarter of the year, driven by another significant downturn in residential construction. Engineering construction continued to post positive growth, boosting overall industry activity. Investments in non-residential construction extended its growth streak to 10 consecutive quarters.
- **Material costs and price indexes:** During the second quarter of 2024, the Industrial Product Price Index (IPPI) rose by 2.6 per cent, while the Building Construction Price Index (BCPI) increased by 1.1 per cent. Although both indices marked slight increases, these gains are lower than the record highs reached during the pandemic of 6.4 per cent and 4 per cent, respectively.
- **Greenhouse gas reductions:** Even with a rising population, sector growth, and higher energy consumption, emissions per capita from energy and material use have declined. This reflects improved efficiency and the wider adoption of sustainable practices.



This report was prepared by the Canadian Construction Association (CCA) to provide an overview of the last quarter, the current economic health of the industry, and its implications for member businesses.



## Looser monetary policy boosts business recovery

The global economic landscape has undergone significant shifts in recent months, marked by coordinated interest rate cuts from major central banks. After two years of elevated interest rates aimed at curbing inflationary pressures stemming from the pandemic, the Bank of Canada was the first central bank to begin a series of rate reductions.

Over three consecutive meetings, the Bank lowered its overnight target interest rate by 25 basis points each time, bringing it to 4.25 per cent. This move signals confidence that inflation is easing, and efforts are being made to stimulate economic growth.

This trend extends beyond Canada. The European Central Bank (ECB) has implemented two interest rate cuts, including its first reduction since 2019, bringing its key rate down to 3.5 per cent. The Federal Reserve in the United States also surprised markets with a 50 basis point rate cut. The decisions made by central banks across these major economies is showing that inflation is under control and that they are moving towards a soft landing for their economies. While interest rate cuts signal success in managing inflation, they also serve as tools to revitalize slowing economies. Global GDP growth has decelerated due to the restrictive monetary policies enacted over the past few years to combat pandemic-related economic challenges.

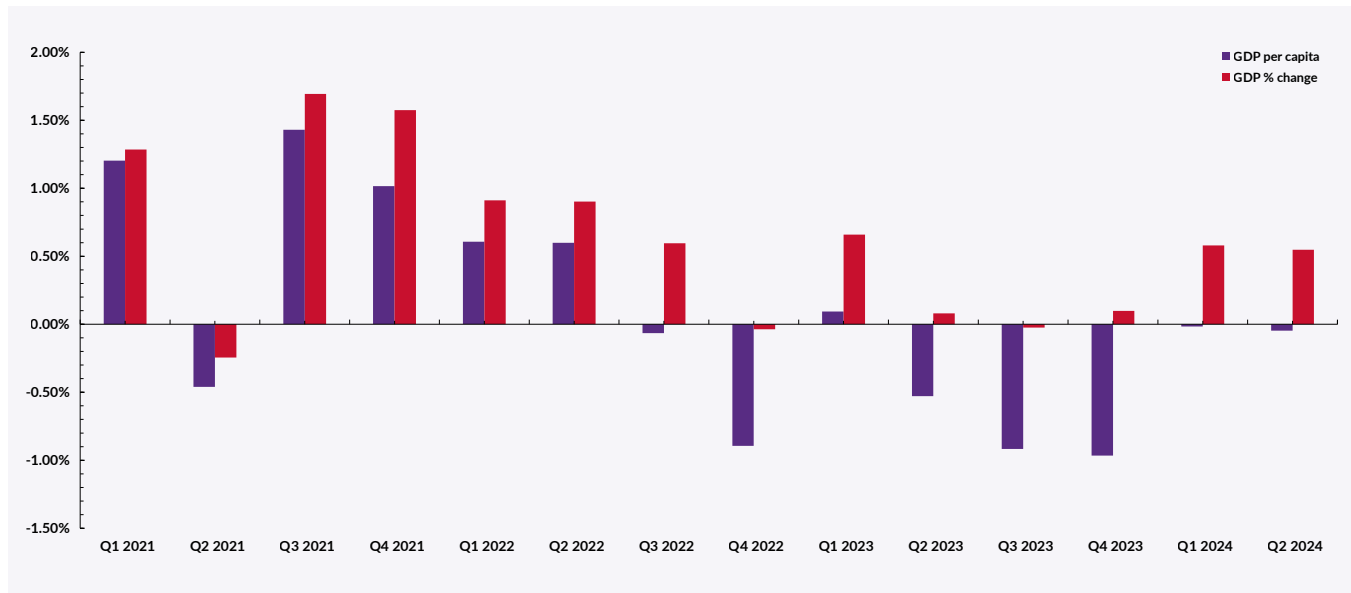
In Canada, real GDP rose by 0.5 per cent during the second quarter of 2024, following a 0.6 per cent increase in the first quarter. The public sector was the largest contributor to this growth for the second consecutive quarter, expanding by one per cent. This sector—which includes educational services, health care and social assistance, and public administration—benefited mainly from increased activity in educational services and health care. June marked the sixth consecutive month of growth in the public sector. In contrast, other economic activities contracted during this period, including construction.



Despite overall GDP growth, GDP per capita experienced another quarterly contraction, marking its fifth consecutive decline. This trend highlights ongoing challenges in productivity and individual economic well-being.

## GDP and GDP per capita

Source: Statistics Canada, CCA



Consumer sentiment in Canada remains subdued, as indicated by the [Canadian Survey of Consumers Expectations](#). High inflation and elevated interest rates continue to restrict household budgets, with many consumers reporting that past increases in interest rates will have an ongoing impact on their future spending. The share of consumers expecting economic activity in Canada to decline over the next 12 months remains high at 51 per cent this quarter, slightly down from 52 per cent last quarter. Uncertainty about the economic outlook persists, with respondents citing government policies, global tensions, and interest rates as the primary factors making the future difficult to predict.

As monetary policy loosens and less restrictive financial conditions take effect, the Canadian macroeconomic environment appears more stable. However, uncertainties remain, particularly regarding global economic dynamics and domestic fiscal policies. These developments present both opportunities and challenges for the construction industry. Lower interest rates may stimulate investment and increase demand for construction services, such as multi-residential construction and engineering projects, while subdued consumer confidence and contractions in non-public sectors could temper growth prospects in areas such as commercial buildings.

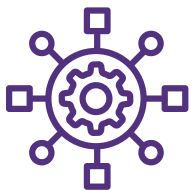


## Quarterly focus: Material and energy use by Canada's construction industry

### Greenhouse gas (GHG) emissions

Like all sectors, the construction industry relies on various inputs, many of which generate greenhouse gas (GHG) emissions during production. These emissions stem not only from the materials used but also from the energy required to power construction activities. Under the Paris Agreement, by 2030, Canada has committed to reducing national GHG emissions to 40-45 per cent below 2005 levels. As part of these efforts, Canada's national greenhouse gas inventory is submitted annually to the United Nations Framework

Convention on Climate Change (UNFCCC), providing a detailed breakdown of GHG emissions by sector. The construction industry's contributions are tracked through energy use and material production, with a focus on key gases such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), sulphur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>). To enable accurate comparisons, all greenhouse gases are measured in terms of their CO<sub>2</sub> equivalents.



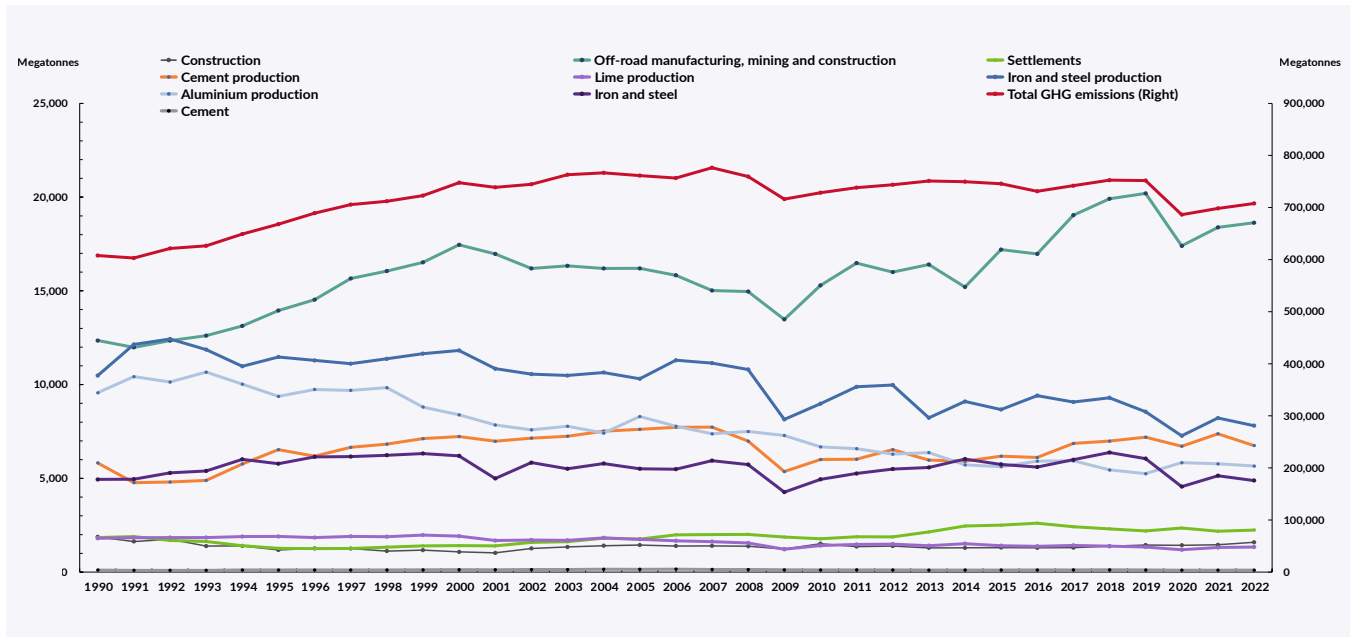
The national GHG emissions inventory categorizes these emissions into distinct segments, providing detailed insights into the sources and sectors contributing to their production. GHG emissions are categorized into five key sources: energy consumption, industrial processes and product use, agriculture, waste, and land use change and forestry. These categories help identify the specific activities and sectors responsible for GHG emissions.



In 2022, Canada's total GHG emissions reached 708 megatonnes of CO<sub>2</sub>-equivalent, down seven per cent from 761 megatonnes in 2005.

### GHG emissions

Source: National Inventory Report, 1990 - 2022: Greenhouse Gas Sources and Sinks in Canada, CCA



While national GHG emissions have been on a downward trend, emissions from energy consumption in the construction sector have risen due to increased activity in the industry.

**-16.5%**

decline in GHG emissions per capita from energy usage in construction compared to 2005 levels.

Additionally, transportation energy use in construction increased by 15 per cent, driven by the rising demand for infrastructure development and maintenance of aging assets.

Despite these increases, there have been significant reductions in GHG emissions associated with the production of construction materials, such as a 30 per cent decline in cement emissions and an 11 per cent reduction in iron and steel emissions.



## GHG emissions per capita from construction energy usage

Although overall GHG emissions in the construction sector have risen due to increased activity, evaluating emissions on a per capita basis provides a more accurate measure of the industry's progress. As Canada's population grows and demand for housing and infrastructure expands, this approach offers better insight into how efficiently the sector is managing its emissions relative to its growth.

The construction sector directly contributes to GHG emissions through the energy it consumes in producing various outputs, from multi-residential buildings to large infrastructure projects such as bridges and highways. A significant portion of these emissions is attributed to the fuel required for heavy machinery and the transportation of materials, both of which are essential for the sector's operations.

A positive metric for the industry is that energy consumption per capita from the industry has been on a downward trend compared to its 2005 levels. Energy consumption includes all emissions from fuels consumed by the construction industry and from the consumption of fuels (excluding the biogenic CO<sub>2</sub> emissions from ethanol and biodiesel) by mobile combustion devices not licensed to operate on roads, which include heavy construction equipment. Since 2005, the industry has reduced its energy emissions per capita by approximately 16.5 per cent.

The industry's emissions rebounded from a low of -21 per cent during the pandemic as more demand for construction, particularly engineering construction, has driven growth during the post-pandemic recovery period. Although the industry has made positive strides in reducing its carbon footprint, more work needs to be done. During the same period, total GHG emissions have been reduced by approximately 22.9 per cent, a 6.4 percentage points difference compared to the construction sector in 2022.



### Material use in construction and GHG emissions

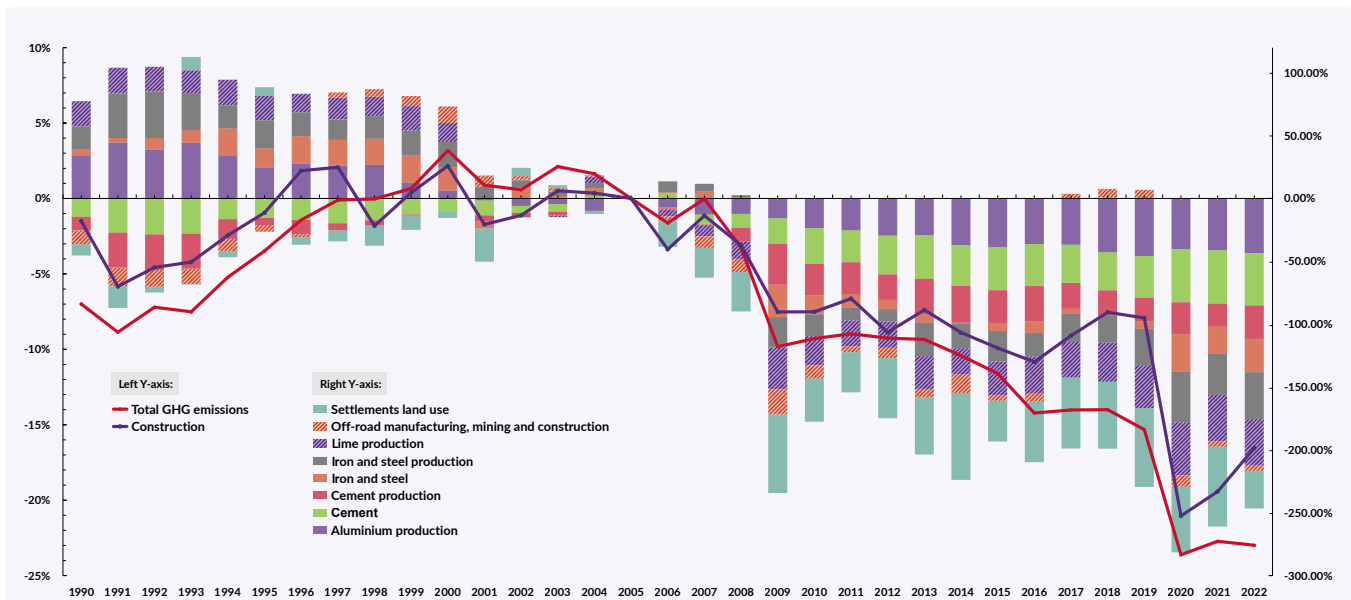
The industry also indirectly contributes to GHG emissions through its substantial demand for materials produced via energy-intensive industrial processes. These include the production of mineral products like cement, lime, glass, and limestone, as well as metal products such as steel and aluminum. The construction sector’s large demand for these materials plays a major role in driving GHG emissions at the production level.

To illustrate the scale of the industry’s material demand, the construction sector consumed approximately 72 per cent of all steel products, 79.5 per cent of all wood products, and 92.9 per cent of all cement and concrete products in Canada between 2010 and 2020. Given the significant use of these materials, the construction industry is a key contributor to the GHG emissions associated with their production and usage.

Despite the industry’s heavy reliance on these materials, per capita GHG emissions related to their production have been on a downward trend since 2005.

### GHG emissions per capita

Source: National Inventory Report, 1990- 2022: Greenhouse Gas Sources and Sinks in Canada, CCA



Emissions per capita for key materials have decreased significantly, with aluminum, cement, lime, and steel showing reductions of 43.5 per cent, 41.6 per cent, 36.5 per cent, and 26.5 per cent, respectively. These improvements reflect advancements in production efficiency and the adoption of greener technologies across these sectors. Similarly, the construction industry’s own GHG emissions per capita related to its material usage have also seen notable declines. Emissions associated with the use of steel have decreased by 26.5 per cent, cement by 41.6 per cent, and other mineral products, including lime and glass, by approximately 71.6 per cent.





## Green alternatives and potential GHG reduction

The production and use of high-emission materials like cement, steel, and lime present a significant opportunity for further GHG reductions in the construction sector. Introducing greener alternatives, such as green concrete and steel, could drastically reduce emissions tied to material production.

Additionally, the increased use of sustainable materials, such as wood, as substitutes for traditional building materials could further drive down emissions.

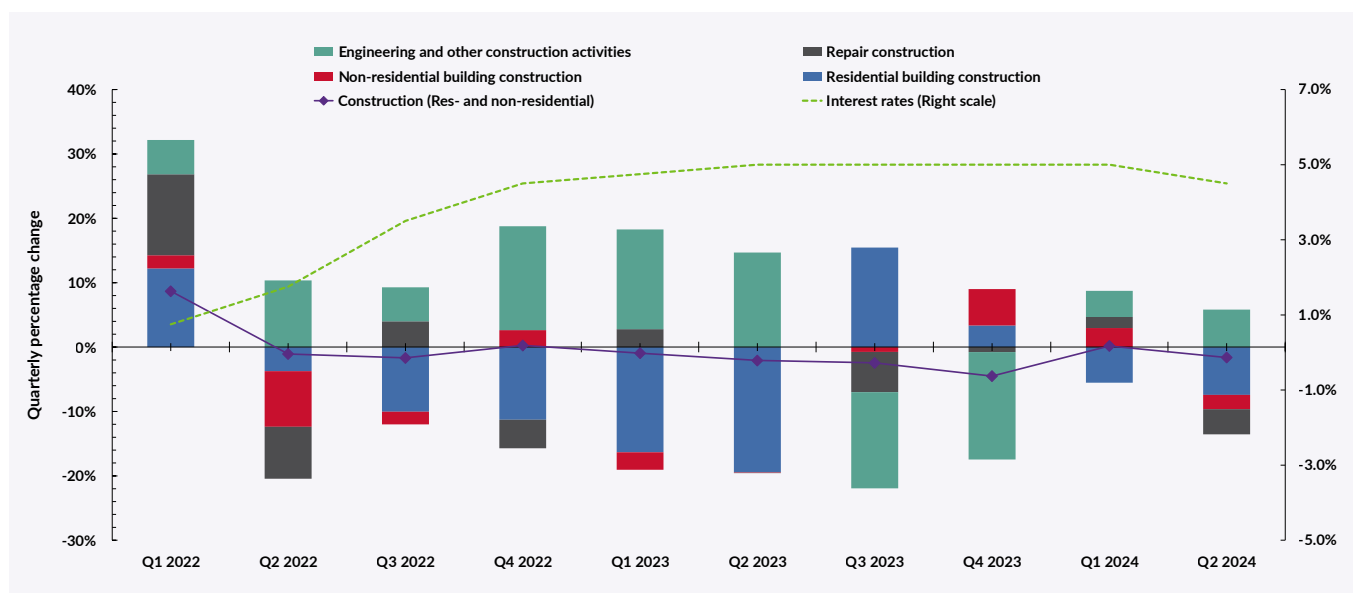
Significant strides have already been made, but the potential for greater GHG reductions lies in the adoption of more sustainable practices and materials. Innovations in green construction technologies and energy-efficient practices will be critical in helping the industry meet its GHG reduction targets while continuing to support the growth and development of Canada's infrastructure. Continued investment in sustainable materials, technologies, and processes will be essential for reducing emissions as the sector continues driving sustainable practices forward.

## ICIC construction sector: performance and sectoral trends

In the second quarter of 2024, the construction industry experienced its first contraction of the year, with a quarter-over-quarter decline of 0.4 per cent.

### GDP construction

Source: Statistics Canada, CCA



Three out of the four major construction sectors saw reduced activity. The primary driver of this downturn was a significant 1.9 per cent decrease in residential construction activity, which had the most substantial impact on overall industry performance. Non-residential construction also contracted, declining by 0.6 per cent, marking its second contraction in 2024. Additionally, repair construction, which includes maintenance work across Canada, decreased by one per cent.

Engineering and other construction activities continue to show resilience. After slowing at the end of 2023, this sector rebounded and continued its growth trajectory, expanding by 1.4 per cent quarter-over-quarter. It remains the only sector in the construction industry to have achieved growth in 2024, contributing positively to the industry's overall outlook. As interest rates ease and demand for housing rises, along with increased investments in multi-residential projects, growth is expected across residential, non-residential, and engineering construction sectors, driving future expansion in the industry.



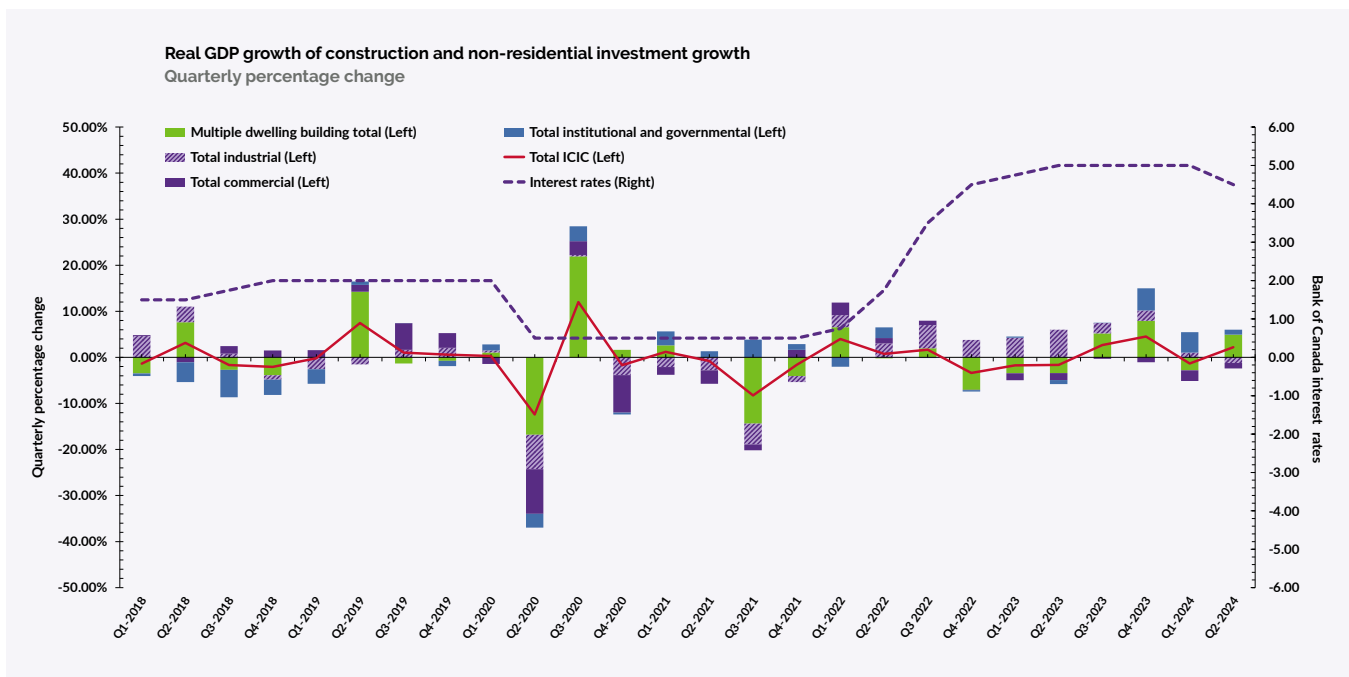
## Investments in building construction

The building construction sector saw a positive uptick in investments during the second quarter of 2024, driven by strong performance in the multi-residential and institutional sub-sectors within the ICI (industrial, commercial, institutional) construction segments.

Overall, investments in construction increased by 2.2 per cent quarter-over-quarter, equating to an approximate rise of \$572 million.

### Investments

Source: Statistics Canada, CCA



Multi-residential construction continued to lead the growth, with a substantial quarterly increase of \$642 million, or a 4.9 per cent increase. This increase in investments reflects ongoing policy initiatives to address Canada's housing crisis by increasing the housing supply. As housing demand remains a priority for policymakers, and as interest rates are further cut, investments in multi-residential construction are expected to continue driving growth within the sector.

On the non-residential side, the commercial and industrial sub-sectors both experienced contractions of 1.2 per cent in the second quarter of 2024, amounting to declines of \$32 million and \$78 million, respectively.

This marks the first contraction in industrial construction investments since 2022 and the seventh consecutive quarterly decline in commercial building investments. In contrast, the institutional sub-sector recorded its fourth consecutive quarter of growth, signalling continued strength in this area, with a 10.8 per cent growth, equal to an increase of \$40 million.

## Labour market in construction

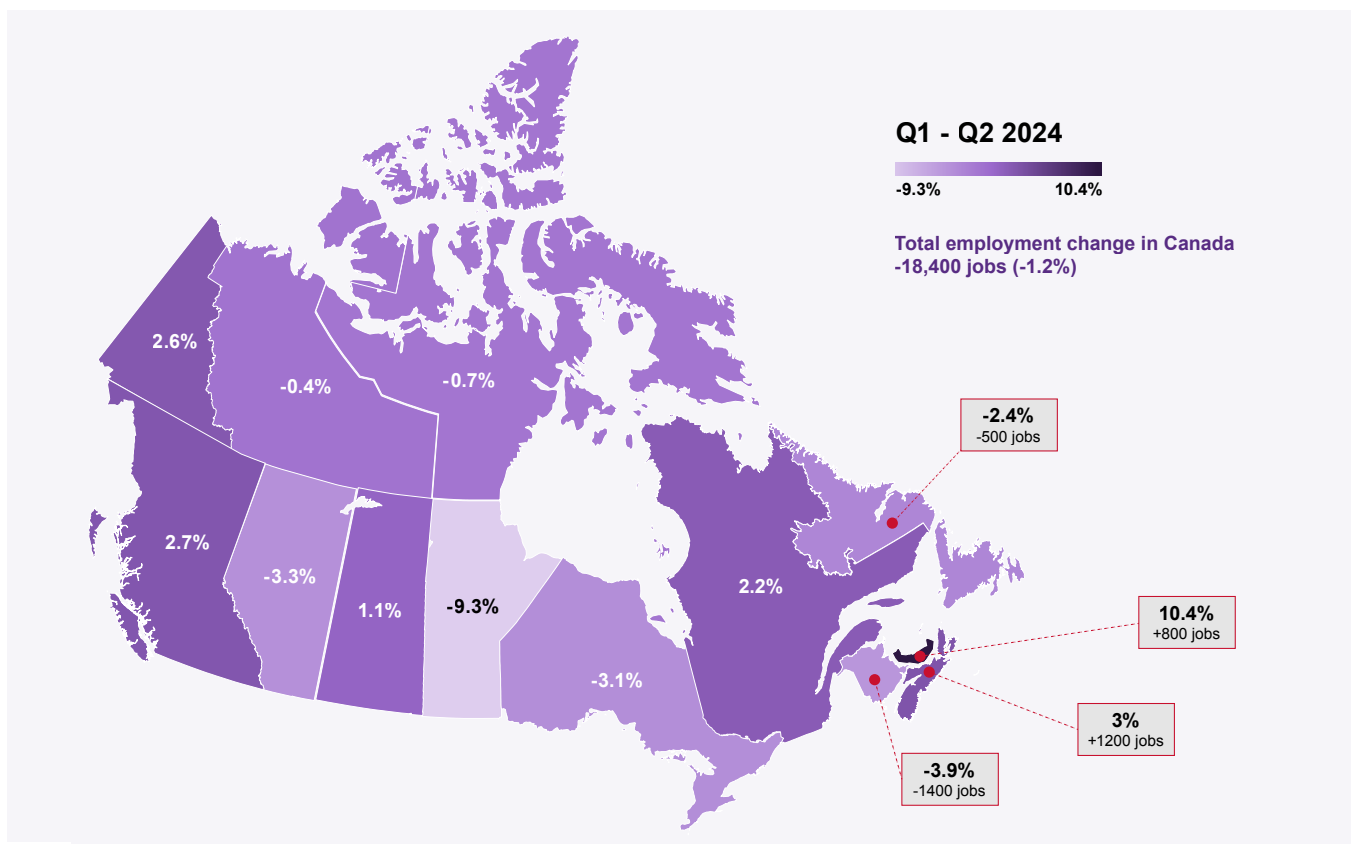
In 2024, employment in construction began the year with significant gains from 2023. However, in the second quarter, employment declined, erasing most of the progress made in the first quarter. Despite this setback, overall employment in the construction sector remains at historically high levels. While rising unemployment rates in other sectors have attracted media attention, the construction industry continues to experience relatively low unemployment driven by sustained demand for construction work.

### Employment

The construction sector is highly decentralized, and so is its labour force. Construction employment is categorized into three main sectors: building construction, heavy and civil engineering construction, and specialty trade contracting. Approximately 25 per cent of workers are engaged in building construction, 15 per cent in heavy and civil engineering construction, and the remaining 60 per cent in specialty trade contracting.

During the second quarter of 2024, national employment in the construction industry experienced a slight contraction as labour conditions softened. Overall, employment in the sector decreased by 1.2 per cent quarter-over-quarter, resulting in a loss of approximately 18,400 jobs across Canada. This shift highlights regional disparities, with different provinces exhibiting varied employment trends.

### Employment by province





Seven provinces saw declines in construction employment. The most notable contraction occurred in Ontario, where 18,300 jobs were lost. Manitoba also experienced a significant tightening in its labour market, with employment down 9.3 per cent, representing a loss of 5,600 jobs. Other provinces such as Alberta and New Brunswick reported decreases, with Alberta contracting by 8,100 workers (a 3.3 per cent decline) and New Brunswick down by 1,400 jobs (a 3.9 per cent decline).



These losses were partially offset by gains in other regions, particularly in British Columbia, Quebec, and the Atlantic provinces. Quebec's construction employment increased by 2.2 per cent, adding 7,330 jobs, while British Columbia saw a 2.7 per cent rise, translating to 6,230 additional workers. Nova Scotia experienced a three per cent increase, adding 1,200 jobs, and Prince Edward Island recorded the highest percentage gain across Canada with a 10.4 per cent rise, equal to 800 new jobs in the construction sector.

Despite the overall contraction, these regional employment gains underscore the resilience of certain provinces and the continued demand for construction labour in key areas. This is particularly evident in regions responding to ongoing infrastructure and multi-residential development projects, which continue to drive employment opportunities within the industry.



## Unemployment

Despite recent political discussions surrounding rising unemployment rates—reaching a decade high of 6.2 per cent across all industries in the second quarter of 2024—the construction sector continues to demonstrate resilience thanks to the demand for labour in the industry. While the unemployment rate in construction experienced a slight increase during this period, it remains well below historical averages, highlighting the industry’s demand for skilled labour and ongoing workforce shortages.

Historically, the construction industry’s unemployment rate averaged around 7.8 per cent from 1987 to 2019, with an average of 7.2 per cent during the 2010s. In contrast, the second quarter of 2024 saw the unemployment rate in construction rise by a modest 0.43 percentage points, bringing it to 5.7 per cent. This figure is notably 1.5 percentage points below the average unemployment rate of the 2010s, indicating a healthier labour market within the sector compared to previous decades.



The sustained demand for construction services, driven by infrastructure projects and investments to address the housing crisis, suggests that employment opportunities will remain strong. Moreover, as the industry gradually recovers from restrictive monetary policies, there is cautious optimism that the unemployment rate may continue to find new lows. Looking ahead, the construction industry may see its unemployment rate stabilize at lower rates than those in the past as employment opportunities continue to expand across various regions of the country.





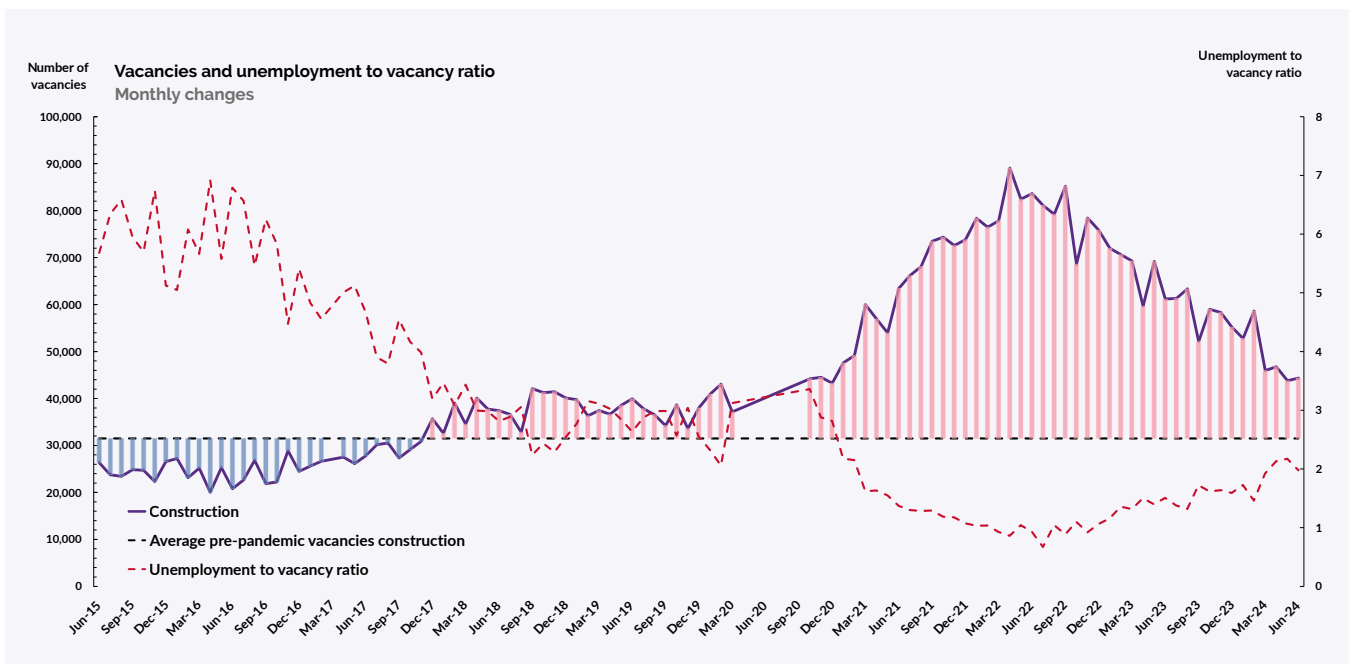
## Vacancies in construction

Vacancies in the construction industry have stabilized at a higher rate than before the pandemic, indicating that demand for construction services remains strong. During the second quarter of 2024, job vacancies across all industries in Canada experienced a significant decline—the largest on record—with a quarterly decrease of 13 per cent. Notably, this was the first quarter where every industry saw fewer vacancies. Sectors such as retail trade and finance and insurance recorded substantial declines of 17.2 per cent and 14.7 per cent, respectively.

In the construction sector, vacancies declined slightly more than the average across industries, decreasing by 14.3 per cent. This reduction brought the number of job vacancies down to pre-pandemic levels of approximately 45,000 positions.

## Vacancies

Source: Statistics Canada, CCA



The construction labour market remains tight despite vacancies returning to levels seen before the pandemic. This is evident from the ratio of unemployed individuals to job vacancies in the industry. In the second quarter, this ratio decreased to 1.9 unemployed persons per open position. Comparatively, the average pre-pandemic ratio was 4.2—more than double the current figure—highlighting the continued tightness of the labour market. The sustained low ratio suggests that while there are fewer vacancies, the number of available workers has also decreased, maintaining pressure on the labour supply. Employers in the construction industry may continue to face challenges in filling positions.

# Industrial capacity utilization rate and measures of productivity

Productivity has become a central political and economic topic in Canada, with policymakers and business leaders increasingly focused on improving efficiency to bolster long-term economic growth. Recent discussions have emphasized the need for industries, including construction, to enhance productivity to address key challenges such as inflation, wage pressures, and slowing economic output. In this context, the construction industry's productivity performance is of particular concern, as it plays a vital role in supporting infrastructure development, housing supply, and overall economic activity.

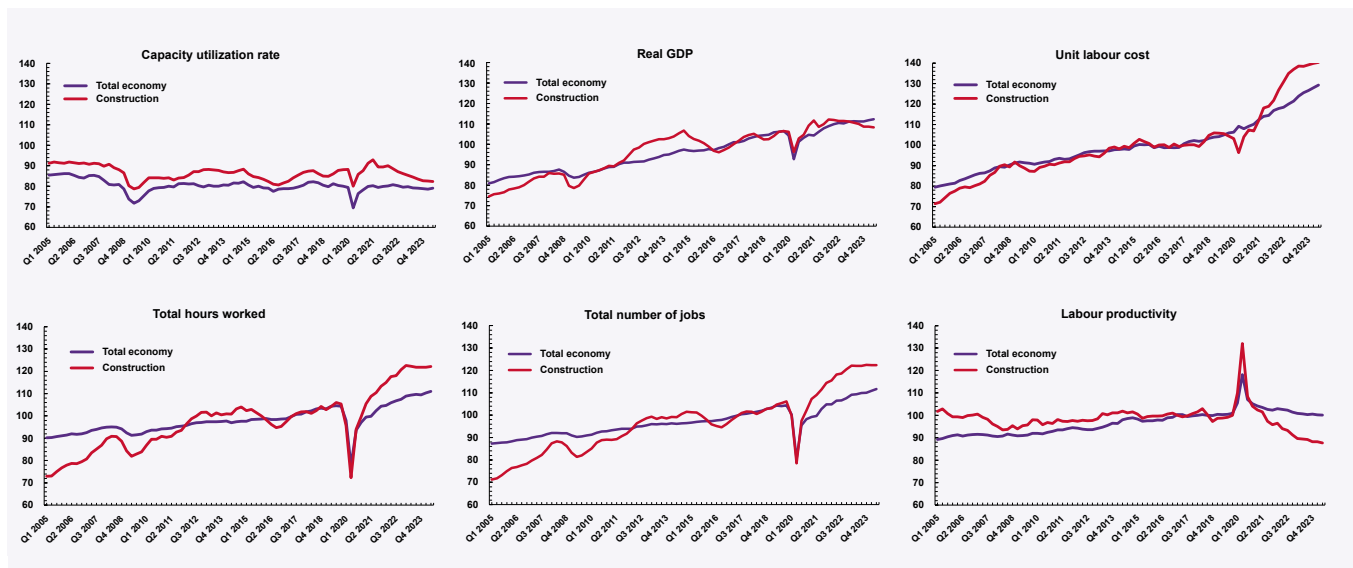
Productivity is a critical indicator of the construction industry's health and efficiency, encompassing various metrics such as the Capacity Utilization Rate (CUR), total hours worked, productivity ratios, and unit labour costs (ULC). These measures collectively provide insights into how effectively the industry leverages its resources to generate output and remain competitive.

## Capacity Utilization Rate

The Capacity Utilization Rate measures the actual output of an industry relative to its potential output if operating at full capacity (100 per cent utilization). In the second quarter of 2024, the CUR for the construction industry decreased by 0.2 percentage points, reaching 82.4 per cent. This slight decline continues a gradual downward trend observed since the first quarter of 2022.

Historically, the gap between the construction sector's CUR and the all-industry average has been significant. However, this gap has been narrowing—from a high of 12.6 percentage points in the second quarter of 2021 to just 3.3 percentage points in the latest quarter. This convergence suggests that the construction industry's capacity utilization is aligning more closely with broader industry norms, potentially reflecting improved efficiency or changes in demand dynamics.

## Measures of productivity







## Other measures of productivity

Productivity, often at the forefront of concerns for employers, business leaders, economists, and policymakers, is fundamentally about the efficiency of converting labour input into output. It is typically measured as the amount of output produced per hour worked.

Before 2020, the construction industry experienced gradual growth in employment and total hours worked, paralleling the all-industry average. However, from 2020 to 2024, the sector saw a substantial increase in both the number of jobs and total hours worked—rising by approximately 22 per cent and 26 per cent, respectively. This surge is double the growth rate of the all-industry average and has plateaued at a level higher than other sectors.

The industry's output has not correspondingly risen despite the increased labour input. Instead, output growth has gradually slowed during the same period. This divergence means that as more hours are worked, the amount of output per worker has been declining—a trend more pronounced in construction than in other industries. While productivity across all industries has decreased by about five per cent since the pandemic, the construction sector has faced a steeper decline. The difficulty in transforming increased labour and additional working hours into proportional output gains may stem from various inefficiencies or external factors. These include regulatory burdens such as excessive red tape, supply chain disruptions, the time required for new workers to become proficient in their tasks, and the retirement of experienced workers. Together, these factors pose significant challenges to improving productivity in the construction industry despite increased labour inputs.

## Unit Labour Cost

Unit Labour Cost (ULC) is another essential productivity metric, calculated as the ratio of labour compensation to real output. It reflects the total labour cost required to produce a single unit of output and helps identify inflationary pressures and other factors increasing production costs.

The ULC has shown that wage increases continue to outpace productivity gains in the construction industry. This means that a unit of labour is becoming more

expensive to produce one unit of output. However, there is a positive sign as the pace of ULC growth has been decelerating. In the second quarter of 2024, the ULC increased by just one per cent year-over-year, a significant reduction from the nine per cent increase observed in the same quarter of the previous year. This slowdown suggests that while labour costs are still rising, the rate at which they are increasing is diminishing, potentially easing some cost pressures on the industry.

# Inflation of construction materials

The Industrial Product Price Index (IPPI) is a crucial indicator that tracks the price movements of goods used in the production of final products. For the construction industry, the IPPI provides valuable insights into the cost trends of essential materials. In the second quarter of 2024, the IPPI experienced a rebound, increasing by 2.6 per cent quarter-over-quarter after months of price slowdowns

## IPPI

Source: Statistics Canada, CCA



This uptick was primarily driven by price increases in energy products, cement, glass, and other non-metallic mineral products, as well as primary non-ferrous metal products.





## Primary non-ferrous metal products

The primary non-ferrous metal products category saw the most significant price increase among all groups, with a substantial quarterly rise of 14.77 per cent. Rising global demand for metals like aluminum, copper, and nickel, alongside supply chain disruptions, pushed prices upward. The increase was mainly driven by significant price increases in unwrought aluminum, copper, and nickel alloys, which increased by 14.01 per cent. These metals are vital for various construction applications, including electrical wiring and plumbing.

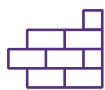


## Energy products

The energy products group recorded a quarterly price increase of 2.44 per cent. Notably, motor gasoline prices rose sharply by 11.03 per cent, influencing transportation and operational costs within the construction sector. While diesel fuel prices decreased by 2.7 per cent, other products like heavy fuel oils and asphalt saw increases of 4.28 per cent and 3.63 per cent, respectively. Asphalt's price rise is particularly significant for road and highway construction projects.

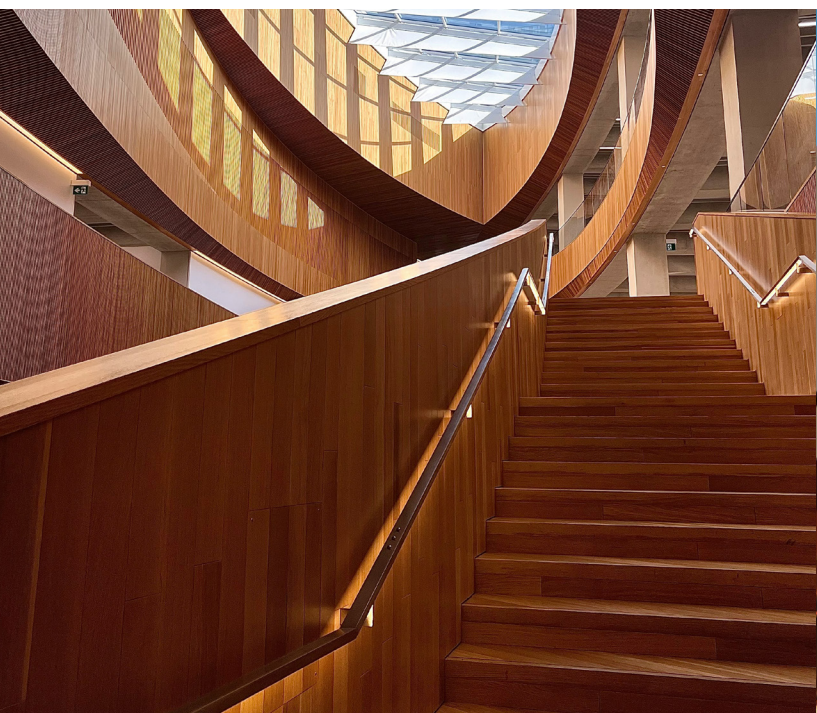
Preliminary data for the third quarter of 2024 do however indicate that oil prices have begun to decline from the high levels reached in the second quarter. This downward trend is attributed to revised global demand growth forecasts, primarily due to uncertainties surrounding China's economic outlook and the pace of the world's transition to cleaner energy sources. These factors have prompted OPEC+ to reduce their production estimates for 2024 and 2025 to prevent an oversupply in the market. The anticipated excess supply has contributed to lower oil prices, which may lead to reduced costs for energy products for the second half of the year.





## Cement, glass, and other non-metallic mineral products

Prices in the cement, glass, and other non-metallic mineral products group increased by 2.75 per cent during the quarter. Cement prices saw a sizeable quarterly increase of 8.75 per cent, and concrete products rose by 3.41 per cent. Lime and gypsum products also experienced a price hike of four per cent. These materials are foundational to many construction activities, and their rising costs may affect both residential and commercial projects.



## Lumber and other wood products

Lumber and other wood products—a vital group for the residential construction sector—experienced a slight price contraction of 0.11 per cent in the second quarter. Declines were observed in softwood lumber (-0.61 per cent), wood trusses (-1.22 per cent), and reconstituted wood products (-3.37 per cent). However, these decreases were partially offset by price increases in veneer and plywood products (0.96 per cent), wood cabinets (1.74 per cent), and hardwood products (2 per cent).



## Primary ferrous metal products

The primary ferrous metal products group, important for non-residential and heavy engineering sectors, saw a price decline of 1.06 per cent. This contraction was driven by significant decreases in hot-rolled iron prices (-4.2 per cent), which includes structural metal components and metal buildings, and iron and steel pipes and tubes (-2.95 per cent). These contractions may offer some cost relief for large-scale infrastructure projects requiring substantial metal inputs.

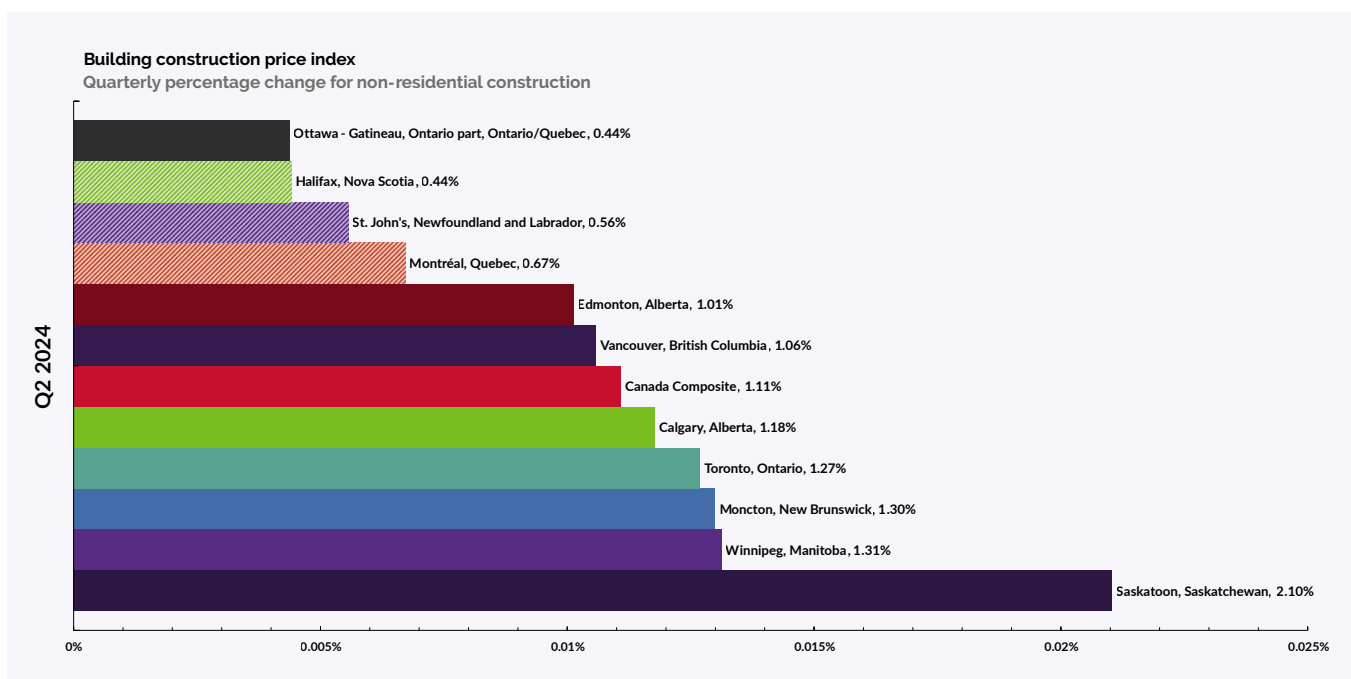


## Building Construction Price Index (BCPI)

The Building Construction Price Index (BCPI) offers a comprehensive measure of the overall cost of constructing a typical non-residential building, incorporating expenses related to land, labour, and materials. This index provides valuable insights into how various factors, such as labour market pressures and material price fluctuations, affect the total cost of construction.

In the second quarter of 2024, the BCPI continued to accelerate, marking the second consecutive quarter of cost increases. The index rose by 1.11 per cent compared to the previous quarter, indicating rising construction costs across several key inputs. This sustained acceleration reflects ongoing challenges in the labour market and increases in the prices of certain essential materials.

### BCPI by CMA



Regionally, Saskatoon experienced the largest quarterly increase in the BCPI, with construction costs rising 2.1 per cent. Other cities, including Winnipeg, Moncton, and Toronto, also recorded quarterly increases, each recording a 1.30 per cent rise in their respective indices. In contrast, cities such as Halifax, Montreal, and Calgary saw slight slowdowns in their BCPI, suggesting that cost pressures in these regions have eased somewhat compared to the previous quarter. Despite these regional variations, the overall trend points to a general upward trajectory in building construction costs, driven by both material price volatility and tight labour conditions seen in the second quarter of the year.



## What's ahead for the industry

### Shifting business conditions and economic outlook

Businesses across Canada have gradually changed how and what they view as the key issues affecting their operations. While inflation and capacity pressures—such as supply chain challenges and cost increases—have been dominant issues, attention is now turning toward tax policies and regulations. The transition is captured in the Bank of Canada's Business Outlook Survey and Business Leaders' Pulse, showing evolving priorities as economic conditions change.

Wage growth expectations continue to decline, and businesses continue to anticipate a slowdown in price increases. With lower expectations for both wages and prices, short-term inflation expectations are slowing. These trends align with surveys showing that Canadian businesses are adjusting their obstacle expectations accordingly.



### Positive expectations in the construction industry

Third quarter results from the [Canadian Survey on Business Conditions](#) reveal a more optimistic outlook within the construction industry compared to the all-industry average. Industries across Canada have reduced their expectations for the number of employees needed, job vacancies, and sales of goods or services by 1.7, 0.3, and 3.2 percentage points, respectively. In contrast, the construction industry anticipates increases of 3.4, 1.8, and 3.7 percentage points in these areas. This suggests that industry leaders foresee a strong demand for construction services and labour.





## Obstacles

Geography	Canada	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick
Difficulty acquiring inputs, products or supplies from within Canada	7.4%	22.9%	10.5%	9%	11.8%
Difficulty acquiring inputs, products or supplies from abroad	2.7%	1%	0%	6.6%	9.1%
Rising cost of inputs	43.2%	53.3%	35.9%	53.2%	47.1%
Rising inflation	52.2%	62.4%	50.6%	81.3%	57.2%
Transportation costs	36.2%	53.9%	38.3%	72.8%	34.7%
Fluctuations in consumer demand	19.6%	31.9%	7.4%	10.9%	14.6%
Insufficient demand for goods or services offered	12.1%	8.1%	0%	15.7%	1.4%
Obtaining financing	16.1%	3.2%	18.6%	24.8%	10.4%
Cost of insurance	33.7%	29%	23.2%	61.8%	35.9%
Rising interest rates and debt costs	40.7%	34.4%	28.4%	66.8%	52.4%
Recruiting skilled employees	37.7%	35.5%	39.5%	56.5%	38.9%
Retaining skilled employees	28.2%	40.3%	24.1%	36.4%	39%
Shortage of labour force	37.8%	41.2%	43%	54.5%	39.1%

Geography	Quebec	Ontario	Manitoba	Saskatchewan	Alberta
Difficulty acquiring inputs, products or supplies from within Canada	5%	7.1%	6.6%	15.3%	13.8%
Difficulty acquiring inputs, products or supplies from abroad	2.3%	3.7%	8%	1.2%	5%
Rising cost of inputs	27.6%	38.6%	38%	58.7%	55.1%
Rising inflation	42.9%	46.8%	56.5%	56.5%	64.3%
Transportation costs	28%	32.8%	29.6%	32.5%	58.5%
Fluctuations in consumer demand	12.5%	24.2%	32.5%	19.9%	17.5%
Insufficient demand for goods or services offered	21.3%	15%	15.4%	12.2%	1.8%
Obtaining financing	31.3%	6.5%	1.8%	18.7%	32.5%
Cost of insurance	25.5%	28%	29.7%	31.1%	61.1%
Rising interest rates and debt costs	36.5%	30.4%	36.2%	39.9%	58.9%
Recruiting skilled employees	32.7%	33.6%	28.6%	36.6%	39.8%
Retaining skilled employees	17.2%	27%	14.5%	12.6%	30.3%
Shortage of labour force	49.2%	22.9%	22.4%	34.3%	48.5%

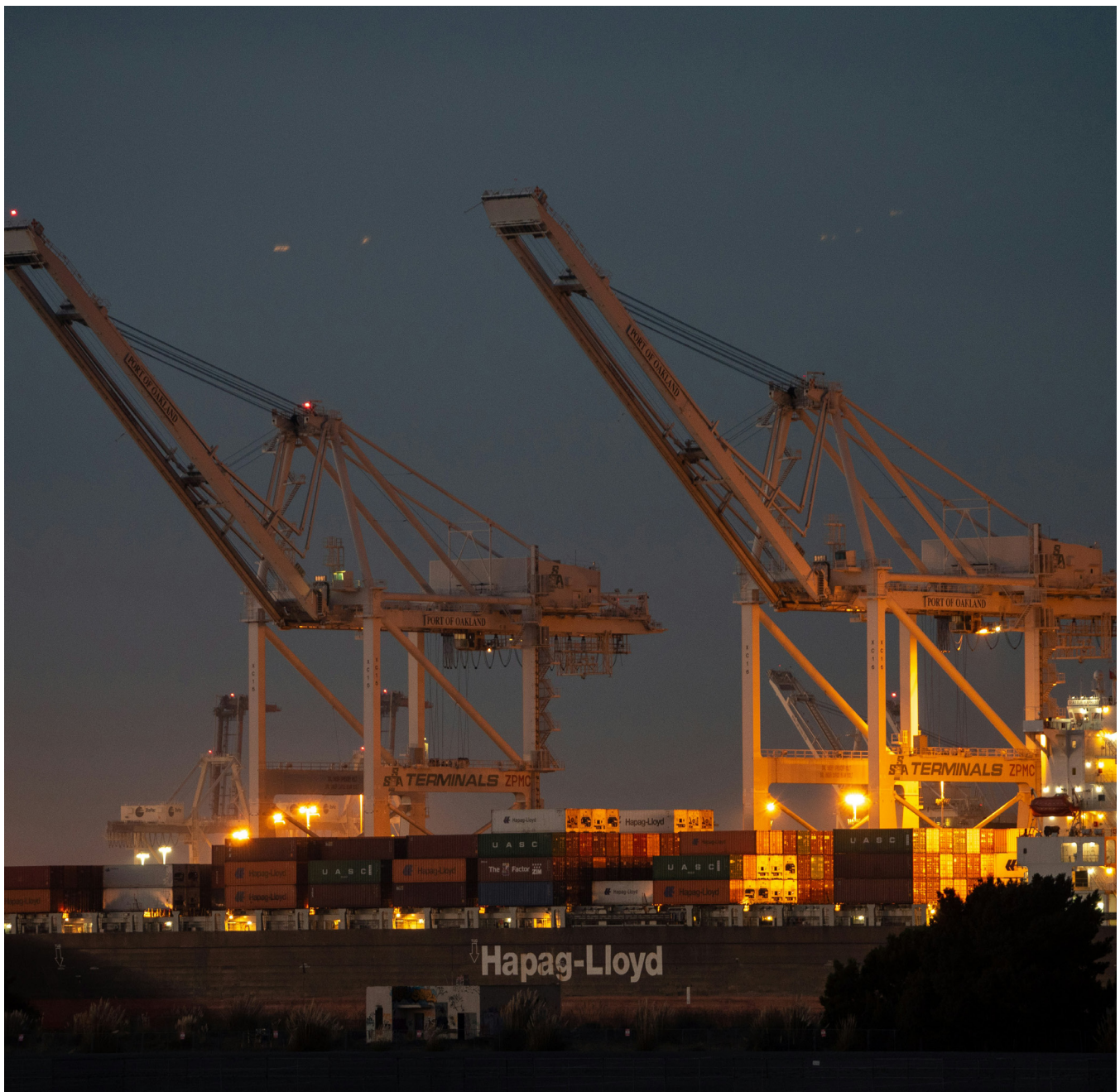
Geography	British Columbia	Yukon	Northwest Territories	Nunavut
Difficulty acquiring inputs, products or supplies from within Canada	7.5%	4.8%	30.1%	17.1%
Difficulty acquiring inputs, products or supplies from abroad	2.3%	0%	0%	0%
Rising cost of inputs	55.5%	91.7%	-	-
Rising inflation	55.7%	83.8%	-	-
Transportation costs	27.7%	-	21.4%	14.5%
Fluctuations in consumer demand	20.4%	5%	15.8%	12.3%
Insufficient demand for goods or services offered	5.2%	0%	20%	3.9%
Obtaining financing	5.5%	0%	0%	12.3%
Cost of insurance	27.5%	-	29.8%	21.5%
Rising interest rates and debt costs	46.1%	-	-	-
Recruiting skilled employees	48.1%	-	-	-
Retaining skilled employees	42.8%	6.9%	34.9%	-
Shortage of labour force	45.1%	14.6%	-	-



## Pressing challenges and obstacles

Despite the positive outlook, rising inflation remains the biggest concern for 56 per cent of businesses who see it as a hurdle for the next quarter. Specific inflation-related obstacles, like supply chain issues and difficulties in obtaining goods and supplies within Canada, have increased by 8.6 and 8.2 percentage points, respectively. Additionally, increasing competition within the sector has grown by 9.1 percentage points compared to the last quarter's survey.

Labour-related challenges are the second-highest concern, with 47.6 per cent of surveyed businesses reporting issues in this area. Although this percentage is high, there has been a general decrease since the last quarter, with businesses facing labour challenges decreasing by 9 percentage points and those dealing with rising transportation costs declining by 5.7 percentage points. Labour-related issues are particularly pronounced in regions such as Yukon (71 per cent), Quebec (58.1 per cent), and New Brunswick (59.4 per cent).



## What's ahead for the industry?

Looking ahead to the remainder of 2024, the construction industry has a cautiously optimistic outlook. While the industry is expected to maintain strong demand for labour and services, several external factors may impact future business conditions. International events, such as the ongoing conflict in Europe and the Middle East, as well as the upcoming U.S. elections, add uncertainty to global markets. The close race between Vice President Kamala Harris and former President Donald Trump has increased social divides and political tensions, which could influence trade and economic policies. Canada's alignment with U.S. anti-dumping measures targeting Chinese imports and the ongoing discussions around the CUSMA trade agreement revision in 2026 are likely to affect cross-border trade dynamics. Additionally, geopolitical risks in Europe and the Middle East continue to fuel uncertainty in energy prices, given their significant roles in the production of natural gas and oil.

Domestically, political uncertainty is rising after the Liberal-NDP Supply and Confidence Agreement broke down at the end of September. NDP leader Jagmeet Singh ended the deal, and Conservative leader Pierre Poilievre plans to maintain pressure on the government with frequent non-confidence votes in the hopes of dissolving parliament. The political instability could lead to a snap election, further complicating the legislative agenda and potentially delaying important economic decisions, including the upcoming Fall Economic Statement and various bills under debate. However, a 2025 election remains the most likely scenario as both the NDP and Bloc Québécois continue to support the government while preparing their own election campaigns.

Despite these uncertainties, there are positive signs in the Canadian economy and the construction sector. Demand for construction services remains robust, with employment levels reaching all-time highs and

unemployment rates staying below historical averages. Furthermore, inflation has aligned with the Bank of Canada's two per cent target in August—the lowest rate since February 2021—indicating a more stable macroeconomic environment. With inflation appearing to be under control, there is growing support for additional interest rate cuts, and some analysts predict a potential 50 basis point reduction at the Bank of Canada's meeting on October 23. Governor Tiff Macklem has signalled that any further cuts will be gradual and data driven. Such monetary easing could lead to more favourable borrowing conditions for the construction industry, supporting continued growth and investment in the sector.

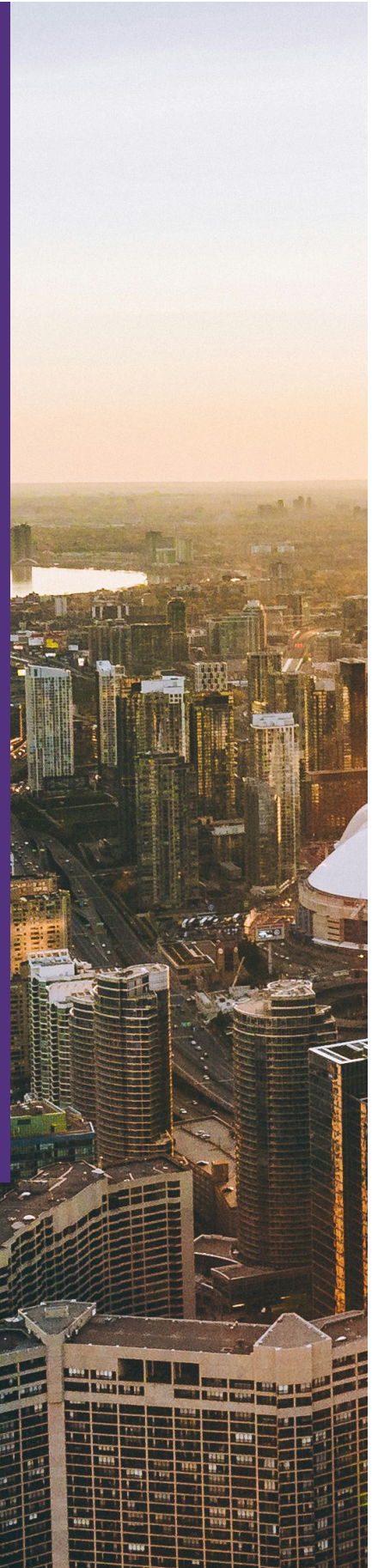
CCA will continue closely monitoring the macroeconomic environment during this uncertain political period and will keep the industry updated on any significant economic and political developments that may impact the construction sector.





## Looking ahead: Key economic and policy considerations

- **Soft landing optimism:** With inflation stabilizing and projections of more interest rate cuts on the horizon, the Canadian economy and construction sector are showing signs of achieving a soft landing by late 2024 or early 2025. However, the timing will depend on global economic conditions and the effectiveness of monetary policy in balancing growth with inflation control.
- **Interest rate cuts to stimulate growth:** Further reductions in interest rates are expected in 2024, which could lower borrowing costs, stimulate investment, and boost activity in multi-residential and non-residential construction projects.
- **Labour market challenges persist:** While the construction sector remains resilient with relatively low unemployment, labour shortages and competition for skilled workers continue to be significant challenges.
- **Exchange rate fluctuations and material costs:** With the U.S. Federal Reserve surprising markets by initiating a 50 basis point rate cut, the interest rate disparity between Canada and the U.S. may not be as wide as anticipated, depending on the pace of future Federal Reserve cuts. A smaller interest rate gap could stabilize the Canadian dollar, potentially reducing the impact on imported construction material costs, though some inflationary pressure may persist in the sector.
- **Political and trade uncertainties:** Ongoing political instability domestically and internationally—such as the U.S. elections, CUSMA revisions, and geopolitical risks in the Middle East—may affect trade policies and material costs, impacting the construction industry's supply chains.







For more information on this report or the work CCA is currently focused on to address these issues, please email CCA Senior Analyst of Economics and Policy, Mario Baker, at [mbaker@cca-acc.com](mailto:mbaker@cca-acc.com).



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