



Canadian Construction
Association
Best Practices Services

WINTER 2026

Construction Quarterly Economic Insights



Key insights: Winter 2026

- **Economy steadies in Q3, improvement expected in Q4:** Real GDP rebounded in the third quarter of 2025, growing at an annualized rate of 2.6 per cent, surpassing \$2.5 trillion. The recovery was driven largely by fluctuations in imports, accounting for 2.9 percentage points (pp) of the total increase. Q3 imports plunged below \$0.8 trillion, narrowing the total trade deficit by 21 per cent to \$71 billion. Domestic demand remained soft, with final consumption declining by 0.2 per cent. Gross fixed capital formation increased by 0.6 per cent, driven by investment in weapon systems, while investment excluding weapon systems remained flat. Nevertheless, early Q4 indicators point to a stronger-than-expected rebound, improving the outlook for construction activity into 2026.
- **Bank of Canada moves to sidelines:** The Bank of Canada kept its overnight rate at 2.25 per cent in December, following a 25-basis-point cut in October. Both the core inflation and unemployment rate showed improvements in November. The central bank currently believes “underlying inflation” is close to the two per cent target, suggesting rates will remain on hold through much of 2026. The Canadian dollar remains weak against the weighted basket of major currencies, although it has strengthened against the U.S. dollar since November.
- **Construction outpaces other industries:** Construction GDP grew by 1.3 per cent in Q3 2025, outpacing the all-industry average of 0.5 per cent. Growth was led by engineering and other construction activities, reversing declines seen early in 2025. While the output of other subsectors remained close to their Q2 levels, construction’s output is 2.6 per cent higher compared to Q3 2024. Although building permits fell by 5.1 per cent in Q3, early October data suggests improving momentum in future project starts.
- **Vertical construction cost inflation rises:** The Building Construction Price Index (BCPI) increased 4.2 per cent year-over-year (YOY) in Q3, driven by higher costs in MasterFormat divisions for metal fabrications (+7 per cent), structural steel (+9 per cent), and plumbing (+10.2 per cent). Increases were most pronounced in London (+8.1 per cent) and Quebec City (+7.5 per cent). The cost of factory construction increased by 5.7 per cent, while the cost of office building construction increased by 3.2 per cent.
- **Federal Budget 2025 reinforces construction demand:** Budget 2025 introduced \$150 billion in net new spending over five years, pre-operational savings, with roughly one-fifth of that estimated spending tied to construction-related activity. The budget emphasized attracting private investment, prioritizing Buy Canadian procurement, and supporting unionized labour. While these measures signal sustained public-sector demand for construction, they also raise potential concerns for contractors related to costs, procurement processes, and workforce availability.

This quarterly focus takes a closer look at the 500-page budget, highlighting key details and what these measures mean for the construction industry.

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 recovered in the third quarter of 2025, with real GDP rising by 2.6 per cent (annualized) to \$2.5 trillion. Most of the gains came from declining imports, which accounted for 2.9 pp of the overall gain. Elevated imports in Q2, related to the inbound shipment of a large oil and gas platform module to Newfoundland, magnified the Q3 drop. Exports remained low compared to the pre-trade dispute era, but saw a 0.2 per cent boost over the previous quarter, supported by 6.7 per cent higher exports in crude oil and crude bitumen. As a result, the trade deficit narrowed by 21 per cent to \$71 billion.

Consumption fell by 0.2 per cent, but remains relatively resilient after a 1.1 per cent boost in Q2. Final domestic demand edged lower by 0.02 per cent, signaling continued caution among businesses and consumers. Gross fixed capital formation increased by 0.6 per cent, following an upward revision in Q2. Unfortunately, businesses are still holding back further investment in construction and equipment, only maintaining their Q2 levels. The increase in capital spending was driven largely by a near-doubling of investment in weapon systems.

Residential construction activity declined by 0.8 per cent in Q3, reversing a 2.4 per cent gain in the previous quarter. In contrast, resale activities recovered for the first time since the Q1 crash, up by 9.1 per cent. This recovery in resale markets is a positive indicator of future demand for new construction. Meanwhile, investment in inventories fell sharply, especially of manufacturers, down by 14 per cent.

Labour market and inflation conditions showed little improvement in Q3, with the unemployment rate averaging 7.1 per cent and core inflation holding at 3.1 per cent. However, more recent data suggests conditions are easing. As of November, core inflation declined to 2.8 per cent, Consumer Price Index (CPI) inflation to 2.2 per cent, and unemployment to 6.5 per cent. These figures are better-than-feared, though still short of a full recovery.

The Bank of Canada's October 2025 Monetary Policy Report indicates that Canada is now expected to reach its projected GDP level for Q2 2026 a full year later than the Bank's previous January projections. Even so, with inflation and unemployment gradually moderating, the central bank will be shifting to a more neutral stance. The policy rate was kept at 2.25 per cent in the December meeting and is not expected to change in 2026, providing a more stable financing environment for construction investment.



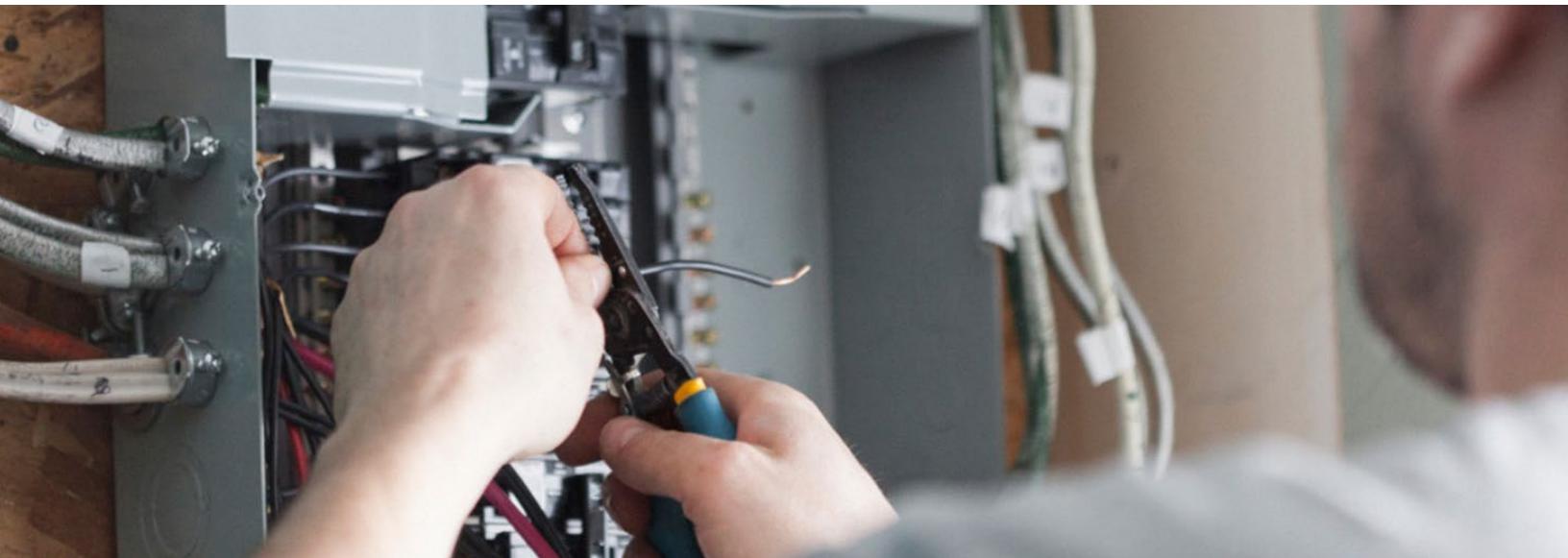
Quarterly focus: A deep dive into Federal Budget 2025

Nearly a year after Justin Trudeau's resignation, Prime Minister Mark Carney's government introduced its first federal budget in November (as of writing, neither budget implementation acts have fully cleared the two chambers of government). This budget places a strong emphasis on investment and construction, committing \$280 billion over five years in capital investments, including \$115 billion for infrastructure, \$30 billion for defence, and \$25 billion for housing. This renewed focus on building marks an important first step in growing the Canadian economy, strengthening national security, and building housing supply. For the construction industry, the budget means a steadier pipeline of work, new labour force measures targeted at skilled trades, and opportunities to grow and innovate.

The \$280 billion headline figure represents the total accrual cost of the federal capital investment plan over the next five years. This includes both previously announced and new measures. As a result, not all funding represents new spending. Many initiatives are continuations of previous initiatives or plans that have been repackaged, reannounced, or reworked.

In total, Budget 2025 introduces \$89.7 billion in net new measures over five years, \$32.5 billion of which are classified as capital investments. The government also aims to achieve nearly \$60 billion savings in federal operations, mostly through federal workforce reductions. This means new measures before planned operational savings amount to almost \$150 billion, with about 22 per cent of that classified as capital investment. This capital-intensive approach brings the capital investments share of total expenses from 5.4 per cent to 8.5 per cent, with capital investment (expenses plus forgone revenue) nearly doubling between 2024-2025 and 2029-2030.

The word "build" appears 457 times in the 493-page document, underscoring the government's emphasis on construction-related activity. This raises an important question: how much of the new spending is directly tied to construction? The remainder of this section explores the new policy actions relevant to the sector. A comprehensive list of government initiatives over the next five years is provided on the following page.



Budget measures

New policy actions and measures in Budget 2025							
(millions of dollars)							
	Dept.	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Generational Infrastructure Investments*	HICC	0	2,220	2,262	2,597	1,947	9,026
Launching Build Canada Homes*	BCH	803	1,815	1,695	1,401	982	6,696
Rebuilding, Rearming, and Reinvesting in the Canadian Armed Forces: Capital transfers*	DND	861	825	1,075	1,103	865	4,729
A New Trade Infrastructure Strategy*	TC	15	690	1,140	1,340	965	4,150
Eliminating the Goods and Services Tax (GST) for First-Time Home Buyers	FIN	145	735	950	1,025	1,055	3,910
Strengthening First Nations Infrastructure Financing and Access to Clean Water*	ISC	0	777	777	777	0	2,331
Supporting Critical Mineral Projects*	NRCan	4	86	209	143	143	585
Launching the Major Projects Office	MPO	27	71	49	47	50	244
Seizing the Full Potential of Artificial Intelligence*	ISED	0	0	0	63	63	126
Training the Next Generation of Canadian Builders	ESDC	0	25	25	25	0	75
Catalysing Investment in Airports and Ports*	TC	0	13	13	13	16	55
Improving Foreign Credential Recognition	ESDC	0	0	0	0	0	0
Investing in Canada Infrastructure Program*	HICC	0	0	-300	-1,200	1,500	0
Total		1,855	7,257	7,895	7,334	7,586	31,927

*Measure includes funding classified as a capital investment.

In total, approximately \$32 billion in new construction-related spending is identified over the next five years, averaging 7.5 billion annually from 2026-2030. Ranked by their net fiscal cost, the largest investment envelopes are outlined below.

Generational Infrastructure Investments: \$9 billion

This envelope includes the Build Communities Strong Fund (BCSF), which will allocate \$51 billion over 10 years. The program will be delivered by Housing, Infrastructure and Communities Canada (HICC) and carries a total fiscal cost of \$20 billion over five years, with \$11 billion reallocated from previously provisioned funds.

This fund is split into three streams:

- **Provincial and Territorial Stream:** \$17.2 billion, including \$5 billion over three years for a Health Infrastructure Fund.
- **Direct Delivery Stream:** \$6 billion, requiring private investment participation to be eligible.
- **Community Stream (rebranded from the existing Canada Community-Building Fund (CCBF):** \$27.8 billion, with \$3 billion per year ongoing.



The BCSF program proposes a new rule on labour, that “... federal project selection will consider factors such as use of unionized labour, and use of Community Employment Benefits (CEB) agreements.” Previously, the CCBF had no prevailing wage or CEB rule outside of BC. After being rebranded as BCSF’s community stream, this funding, more than half of BCSF’s total envelope, will be subject to additional red tape, increasing compliance and procurement complexity for contractors.

Launching Build Canada Homes: \$6.7 billion

This envelope includes the Build Canada Homes (BCH) program, the budget’s flagship affordable housing initiative. BCH will provide \$13 billion investment in cash-basis investments over five years. The program will be delivered by the Special Operating Agency under the same name, housed inside HICC. It will have a total fiscal cost of \$7.3 billion over five years, with \$0.6 billion reallocated from previously provisioned funds.

BCH will act as a developer to build 4,000 non-market homes on federal land, with an emphasis on, but not limited to, factory-built housing. Requests for Qualifications (RFQ) have concluded for the first five projects in Ottawa, Winnipeg, Edmonton, and Toronto, with Dartmouth and Longueuil to come.

Additional measures include the launch of a \$1.5 billion Canada Rental Protection Fund to acquire at-risk affordable rental apartment buildings, \$1 billion to collaborate with provincial, territorial, municipal, and Indigenous partners to build transitional and supportive housing for people “experiencing or at imminent risk of homelessness,” and building 700 public affordable housing units with the Nunavut Housing Corporation.

BCH will also use its funding to finance projects, attract investment, and support projects using modern methods of construction (MMC) that will directly increase the affordable housing stock, such as factory-built housing, standard designs, and building information modelling (BIM).

For further information, BCH published its [Investment Policy Framework](#) in November.



Rebuilding, rearming, and reinvesting in the Canadian Armed Forces: \$4.7 billion in capital transfer

This envelope represents the capital transfer component of a much larger defence package totalling \$55.9 billion over five years, one of the biggest contributors to the deficit increase. While most of the spending will go toward personnel, operations and training, and weapon purchases, \$4.7 billion is allocated to capital transfers for the purposes of investing in infrastructure and productive assets.

This funding is expected to support ammunition production facilities, training grounds and other core-defence infrastructure, with construction procured through Defence Construction Canada (DCC). While construction represents a relatively small share of total defence spending, it provides a stable pipeline of specialized projects, consistent with Canada's NATO-aligned defence investment targets. Out of the five per cent of GDP target (by 2035) Canada pledged at the Hague Summit, these investments will count towards the 3.5 per cent core-defence spending per NATO definitions and not the 1.5 per cent of GDP for off-base infrastructure like airports and ports.

A New Trade Infrastructure Strategy: \$4.2 billion

This envelope includes the Trade Diversification Corridors Fund (TDCF) and the Arctic Infrastructure Fund (AIF), both delivered by Transport Canada (TC) and do not reallocate funds from previously provisioned resources.

TDCF will provide \$5 billion over seven years, supporting "projects of all scales", such as ports, freight railways, inland terminals, digital projects, and related infrastructure, that help diversify trade away from the U.S.

AIF will invest \$1 billion over four years in transportation infrastructure with both military and civilian uses, creating long-term construction opportunities in the North, favouring firms with experience operating in the region and partnerships with local and Indigenous contractors.

Eliminating the GST for First-Time Home Buyers: \$3.9 billion

The new rebate removes the federal five per cent Goods and Services Tax (GST), i.e., the federal HST share, for first-time buyers, costing an estimated \$3.9 billion over five years. The program will apply to newly built homes worth less than \$1 million, with a maximum savings of \$50,000. For new homes worth between one and \$1.5 million, the maximum savings is reduced linearly as the price rises, reaching \$0 saving for \$1.5 million homes. It applies to builder sales, owner-built homes, and co-ops for agreements signed on or after May 27, 2025.

This measure is expected to support entry-level multi-unit construction (through condo presales and stacked/row townhomes), while still supporting single-detached uptake in lower-cost markets where new builds clear the price cap.

The initiative (FTHB) is currently sitting inside bill C-4 and moving through parliament. Over the next five years, the rebate is estimated to cost the federal government \$3.9 billion in forgone tax revenue.

Strengthening First Nations Infrastructure Financing and Access to Clean Water: \$2.3 billion

This budget renews the First Nations Water and Wastewater Enhanced Program (FNWWEP) for another three years from 2027-27 to 2028-29. FNWWEP is managed by Indigenous Services Canada (ISC).

Supporting Critical Mineral Projects: \$585 million

This envelope includes the Critical Minerals Sovereign Fund (CMSF) and the First and Last Mile Fund (FLMF). Both programs will be administered by Natural Resources Canada (NRCan) and will not reallocate funds from previously provisioned resources.

The CMSF will invest \$2 billion on a cash basis over five years to support critical mineral projects and companies through equity investments, loan guarantees, and offtake agreements.

The FLMF will provide \$371.8 million over four years to support the development of critical mineral projects and associated supply chains, including transportation infrastructure that accelerates near-term projects into production and minerals to markets. The FLMF will be combined with the existing Critical Minerals Infrastructure Fund (CMIF) to help ensure coordinated support for the sector.

Launching the Major Projects Office: \$244 million

The Major Projects Office (MPO), housed in the Privy Council Office (PCO), is responsible for streamlining reviews for projects designated under the Building Canada Act as being in the national interest, applying a “one project, one review” approach with a maximum two-year decision timeline.



The MPO functions as a coordinating office and does not manage a funding program of its own. Financing for projects is structured through existing instruments like the Canada Infrastructure Bank (CIB), which the MPO helps convene. Launching its operations in the next five years is estimated to cost \$213.8 million, with \$19.8 billion reallocated from previously provisioned funds. Additional allocations include \$10.1 million over three years for the Federal Initiative on Consultation and \$40 million over two years for the Strategic Partnerships Initiative.

Following the announcement of the [second tranche of projects](#), the MPO has a portfolio of 20 nation-building projects. Thirteen have been referred to the MPO for further review, while seven are designated as transformative strategies. The MPO claims the five projects (as opposed to strategies) from the first tranche represents more than \$60 billion in investments. Among the full portfolio, six projects are energy-related, five are in mining, four are tied to the electricity sector, and three are civil or industrial transportation projects.

Seizing the Full Potential of AI: \$126 million

This budget allocates \$925.6 million over five years to support large-scale sovereign public artificial intelligence (AI) infrastructure for research purposes. The program will be delivered by Innovation, Science and Economic Development (ISED), and will reallocate \$800 million from previously provisioned funds. While not a direct construction investment, the initiative will drive additional demand for data centre and AI-related infrastructure projects, creating opportunities for the construction sector.

Training the Next Generation of Canadian Builders: \$75 million

This envelope includes a top-up to the Union Training and Innovation Program (UTIP) to strengthen the pipeline of apprentices and workers in Red Seal trades for major infrastructure and housing projects. Delivered by Employment and Social Development Canada (ESDC), the program represents an additional fiscal cost of \$75 billion over three years. While the initiative targets growth in unionized trades, it is important to note that approximately 70 per cent of Canada's construction workers are non-unionized, which may limit the program's broader impact on overall apprenticeship recruitment.



Catalysing Investment in Airports and Ports: \$55 million

This envelope includes the Airports Capital Assistance Program (ACAP), which supports safety upgrades and prioritizes the runway extension of the Îles-de-la-Madeleine Airport. Administered by Transport Canada, the program carries a fiscal cost of \$55 billion over four years, with \$72.5 million in remaining amortization and \$15.7 million in ongoing funding thereafter. The initiative also seeks to attract private investment and explore amendments to ground leases, creating opportunities for both public and private sector participation in airport and port infrastructure projects.

Improving Foreign Credential Recognition: \$0

This envelope includes the Foreign Credential Recognition Action Fund (FCRAF), which will allocate \$97 million over five years. While Budget 2025 provides no new spending for the fund, credentials in health-care and construction sectors will be prioritized. Delivered by ESDC, the program will replace the existing Foreign Credential Recognition Program (FCRP) using existing funding.

Investing in Canada Infrastructure Program: \$0

This HICC community infrastructure funding program will see allocations reprofiled across fiscal years. While the total envelope remains unchanged and the net effect will be zero, the \$300 million from 2027-28 and \$1.2 billion from 2028-29 will be delayed and spent in 2029-30 instead.

Emerging Budget themes

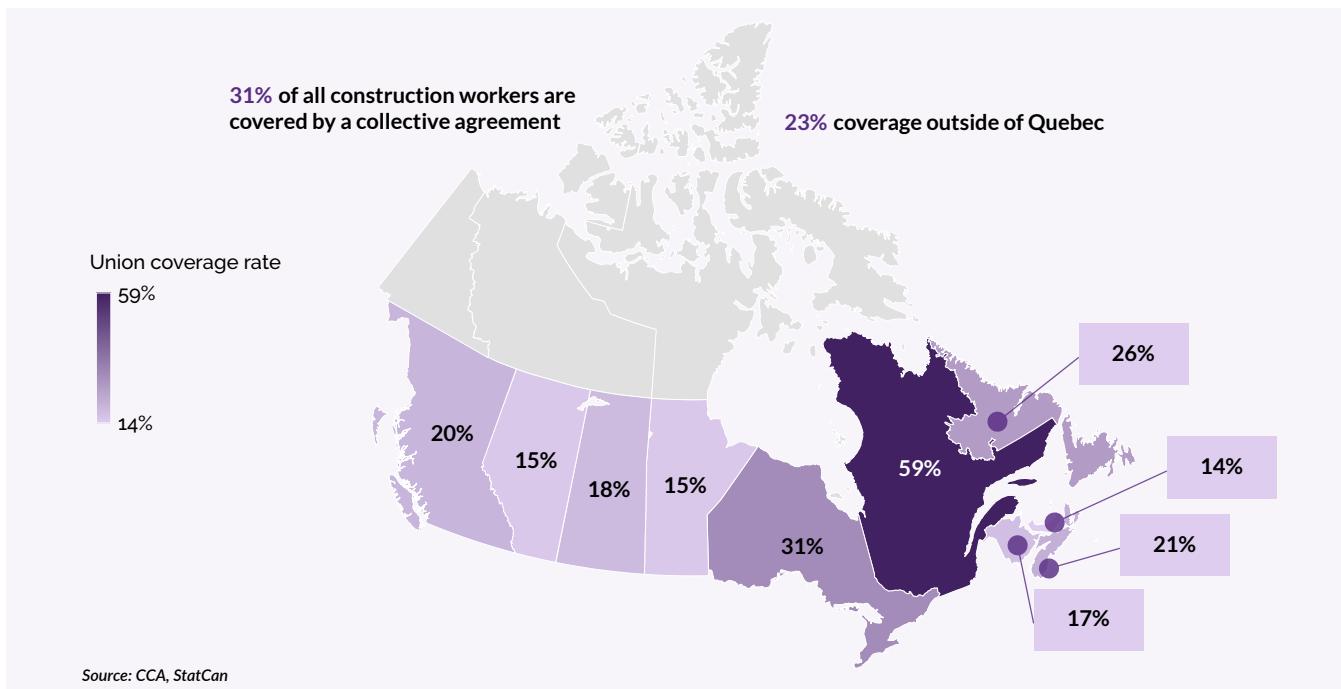
Beyond being more capital and construction-intensive than previous years, Budget 2025 is notable for three recurring themes.

First, the word “catalyze” was used 35 times, signalling a clear strategic intent to prioritize policies that attract private investment through partnerships rather than relying solely on public spending. This approach aims to limit the size of the fiscal deficit while using public-private partnerships (PPPs) to enhance the economic viability and sustainability of infrastructure projects.

Second, it strengthens Buy Canadian requirements for steel, aluminum, and lumber in not just federal procurement, but also for crown corporations and future federally-funded projects.

Third, the budget places a strong emphasis on the use of unionized labour for program eligibility. While labour policies focus heavily on the construction industry, they are very limited in scope. The word “union” appears 34 times in UTIP-related text and is referenced in many funding requirements. This approach creates a structural bias that may disproportionately affect different geographic and demographic groups. For instance, Quebec construction workers are generally required to join one of five recognized unions, resulting in a 59 per cent unionization rate, compared with just 23 per cent in the rest of Canada. Such policy could skew access to funding and opportunities, reinforcing existing regional and sectoral disparities in the construction workforce.

Unionization rate



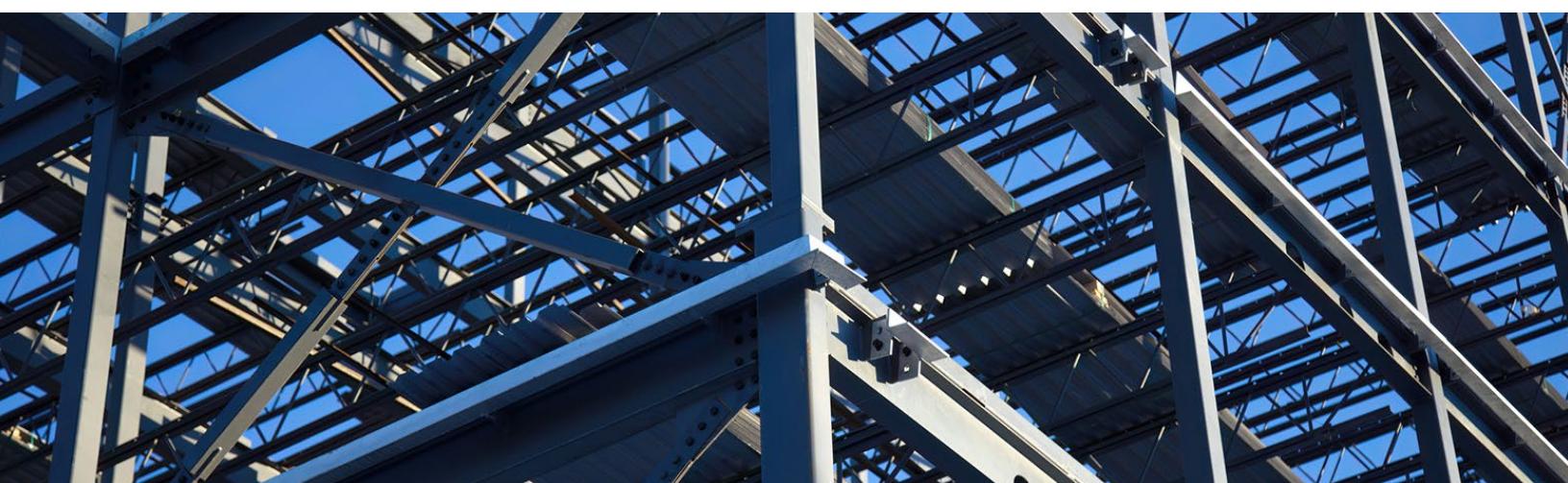
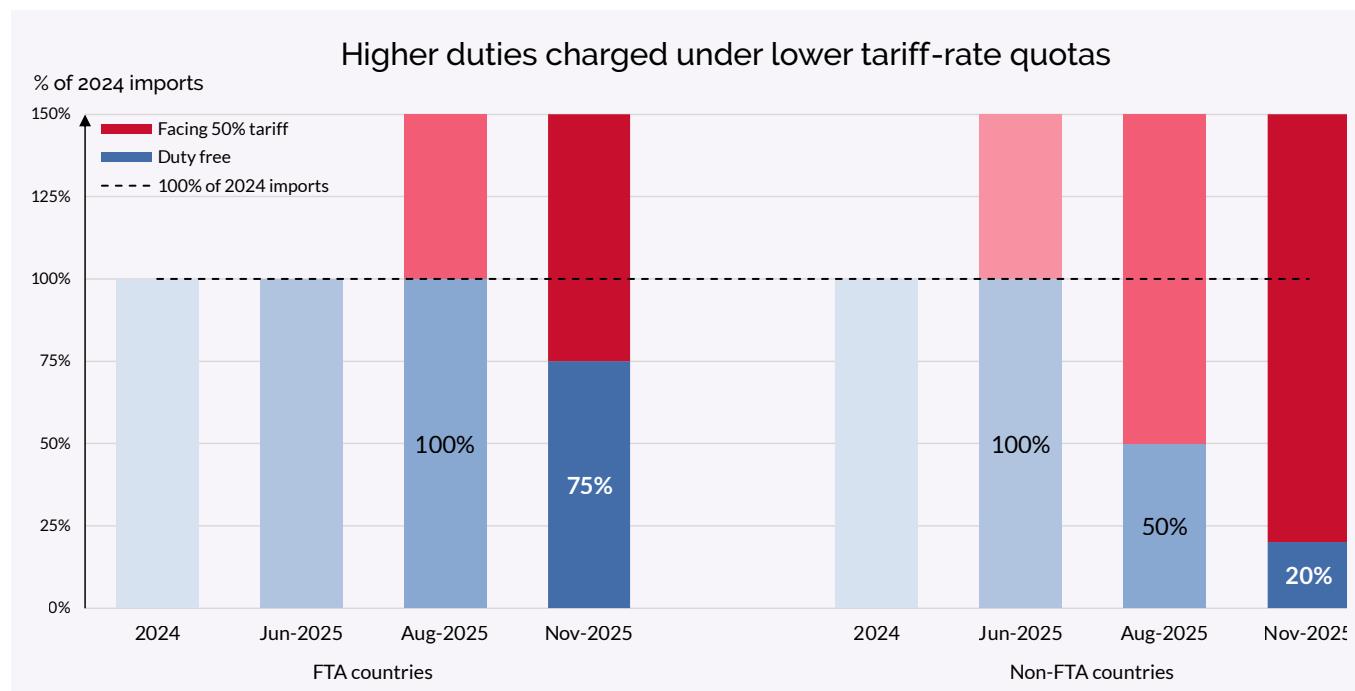
Other relevant measures

- Restricting non-compete agreements:** The budget proposes amendments to the Canada Labour Code to promote labour mobility and competition by restricting the use of non-compete clauses in employment contracts for federally regulated businesses. For the construction industry, this change could ease the movement of senior and specialized staff working on federal projects, improving access to experienced talent, particularly for small and mid-sized contractors.
- Large Enterprise Tariff Loan (LETL):** This loan facility will provide \$10 billion in financing to large Canadian businesses impacted by U.S. tariffs and related countermeasures. The Canada Enterprise Emergency Funding Corporation (CEEFC) will provide this special lending to qualified businesses with at least \$300 million in annual revenue, who commit to maintaining their operations in Canada and to minimizing job losses.
- Productivity super-deduction:** Budget 2025 reinstates the Accelerated Investment Incentive (AII), which allows immediate expensing for many capital assets, such as zero-emission vehicles, while providing accelerated depreciation for other eligible machineries. It also introduces immediate expensing for new manufacturing and processing buildings, which is a positive outcome for manufacturers planning new industrial plants and should translate into stronger demand for industrial construction.
- Buy Canadian Policy and trade measures:** The [Buy Canadian Policy](#) came into effect on December 16, initially applying to federal solicitations valued at \$25 million or more through Public Services and Procurement Canada (PSPC). The government has signaled its intent to extend the policy to crown corporations and federally funded projects. The policy requires the use of Canadian-produced steel, aluminum, and wood products when the estimated value of that specific material is at least \$250,000.

At the same time, tariff rate quotas were tightened on November 26, lowering thresholds to 75 per cent for free-trade-agreement (FTA) countries and 20 per cent for non-FTA countries. As a result, almost all steel imports from major global producers like China or Turkey now face an additional 50 per cent tariff on top of existing SIMA duties. A new 25 per cent global tariff has also been applied to steel derivative products, including wind towers, prefabricated buildings, fasteners, and wires.

These measures support domestic steel producers and help protect strategic capacity at home. They will, however, also increase material costs and introduce additional administrative steps that can slow delivery. It is crucial to be candid about the immediate impacts. Since the pandemic, building construction inflation has grown at roughly twice the pace of CPI, with steel-intensive divisions driving the increase. Higher input costs will ultimately reduce the number of projects that can be delivered within existing budgets and place additional pressure on the fiscal deficit. Tariffs, whether imposed by Canada or the U.S., raise costs for domestic businesses and consumers while increasing the risk of retaliatory trade measures.

TRQ explained



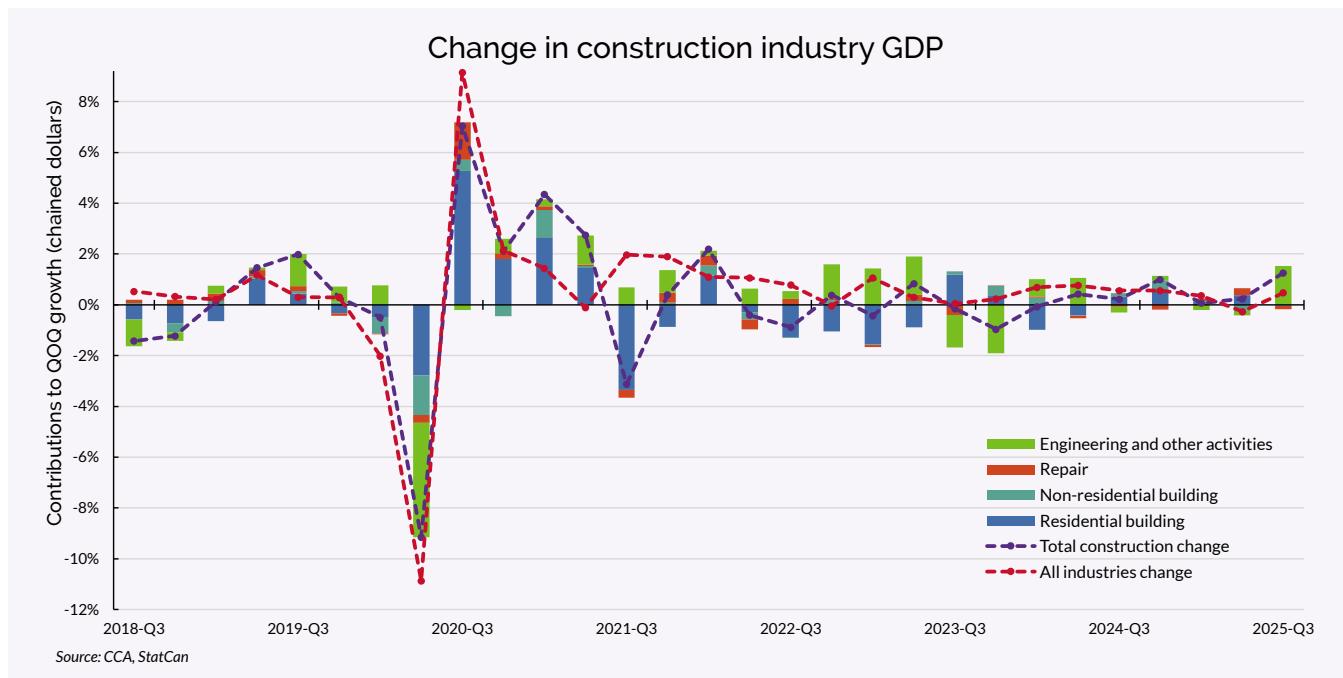
ICIC construction sector: Performance and sectoral trends

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.

Variation in real GDP is typically less volatile than many other economic indicators. However, Q3 2025 saw a 1.3 per cent increase—the largest quarter-over-quarter (QOQ) growth in the last three and a half years—and marked the sixth consecutive quarterly increase. In real terms, construction GDP increased from \$168 billion in Q2 to \$170 billion in Q3. Construction's share of total industry GDP reached above 7.3 per cent, as the sector outpaced overall industry growth (0.5 per cent) for a second consecutive quarter. Year-over-year (YOY), construction grew by 2.6 per cent while all-industries average grew by 1.1 per cent.

Construction GDP





By subsector, growth was driven primarily by engineering and other construction activities while most other subsectors remained near their previous quarter's levels. Engineering and other construction activities increased 4.4 per cent from its own value in Q2 and contributed 1.5 pp to total construction GDP growth. This represents a 3.7 per cent increase YOY, ending the decline experienced since the start of 2025, returning to its Q2 2023 peak reached during the height of the LNG Canada Phase 1's construction.

Residential building construction rose modestly by 0.1 per cent, while non-residential building construction declined slightly by 0.3 per cent, translating to a 3.3 per cent and 1.1 per cent increase YOY. Repair construction saw a quarterly decline of 0.7 per cent, but is still positive YOY (0.3 per cent), contributing -0.1 pp to the total change in construction.

Investments in building construction

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

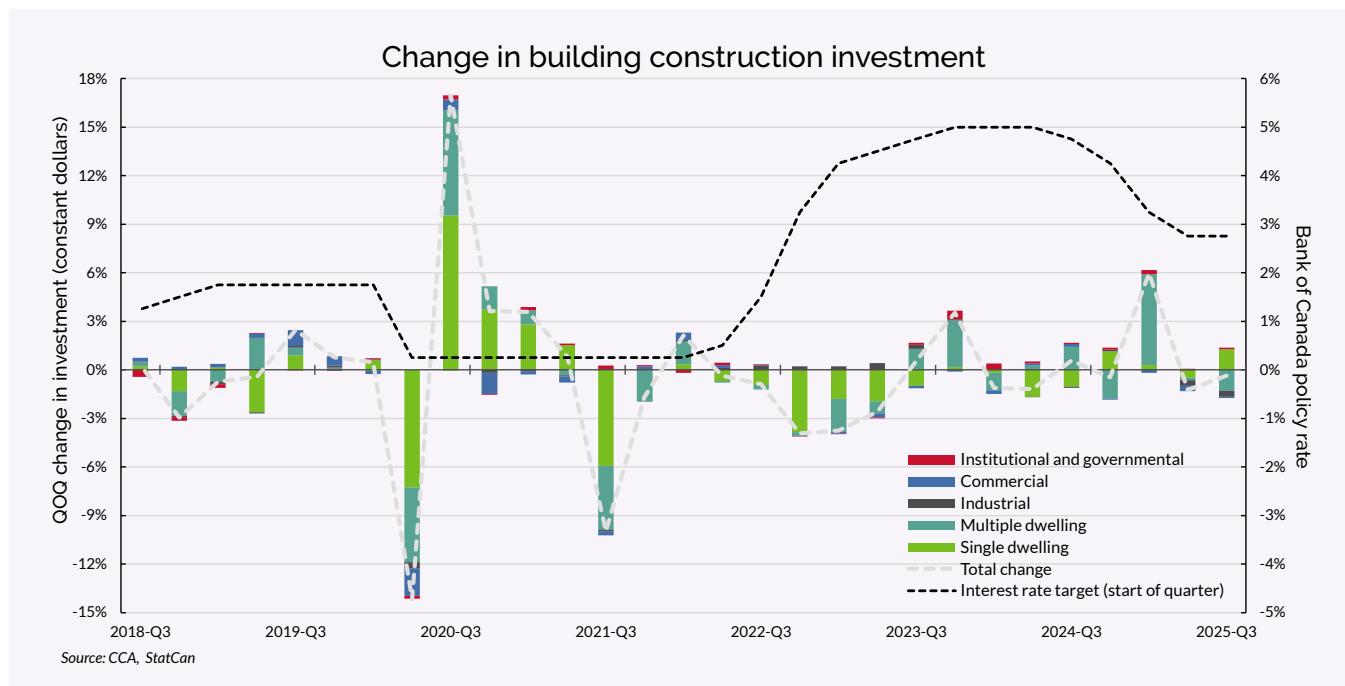
Investment in Q3 contracted by 0.4 per cent following a 1.3 per cent (revised from 1.1 per cent) contraction in Q2. Investment remains 3.8 per cent higher YOY, but as the current pipeline of new condos gradually completes, and the lowering permits since Q2 start to materialize, multiple dwelling construction could drive total building construction down.

The largest driver of the Q3 decline was multiple dwelling building construction, accounting for 1.3 pp of the 0.4 per cent decrease. This is a 3.3 per cent decrease over its own value in the second quarter, but 6.3 per cent higher than a year ago. This decline is exactly offset by the increase in single dwelling construction, which is up by 4.2 per cent over the first quarter and 7.3 per cent YOY. Industrial construction was down by six per cent, following a 5.5 per cent decline in the second quarter. Investment in industrial building construction declined for eight consecutive months. The Q3 value is almost 10 per cent lower than a year ago, reflecting the trade dispute's negative impact on industrial investment. Commercial construction is down by 0.6 per cent over Q2 (-4.3 per cent YOY), and institutional and governmental construction is up by one per cent (+5.9 per cent YOY).

As shown in the chart below, investment in construction, particularly residential construction, is very sensitive to changes in the Bank of Canada's target rate. When rates were on the rise from Q3 2022 to Q2 2023, investment in single and multiple dwelling buildings had an almost immediate reaction. When rates started to lower in Q4 2024, investment in multiple dwelling construction began to rise. With the Bank of Canada holding its policy rate steady and monetary easing ending, this upside risk is unlikely to materially affect conditions in the coming months.

Provincially, five out of 13 provinces and territories recorded increases in investment compared to the first quarter. Building investment in Manitoba is up for a second quarter, by 10.2 per cent, after a 14.6 per cent in Q2 (revised). This is 22.1 per cent higher compared to a year ago. New Brunswick saw a dip of 8.1 per cent following a 6.8 per cent increase in Q2, but is still up 14.2 per cent YOY. Ontario declined for a second quarter in a row, down by three per cent (-5.4 per cent in Q2). The province accounts for -1.2 pp of the 0.4 per cent total decrease, and it is down 1.3 per cent YOY. Newfoundland and Labrador declined by another -1.7 per cent (-13.4 per cent in Q2), bringing it to 15.9 per cent lower YOY.

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.

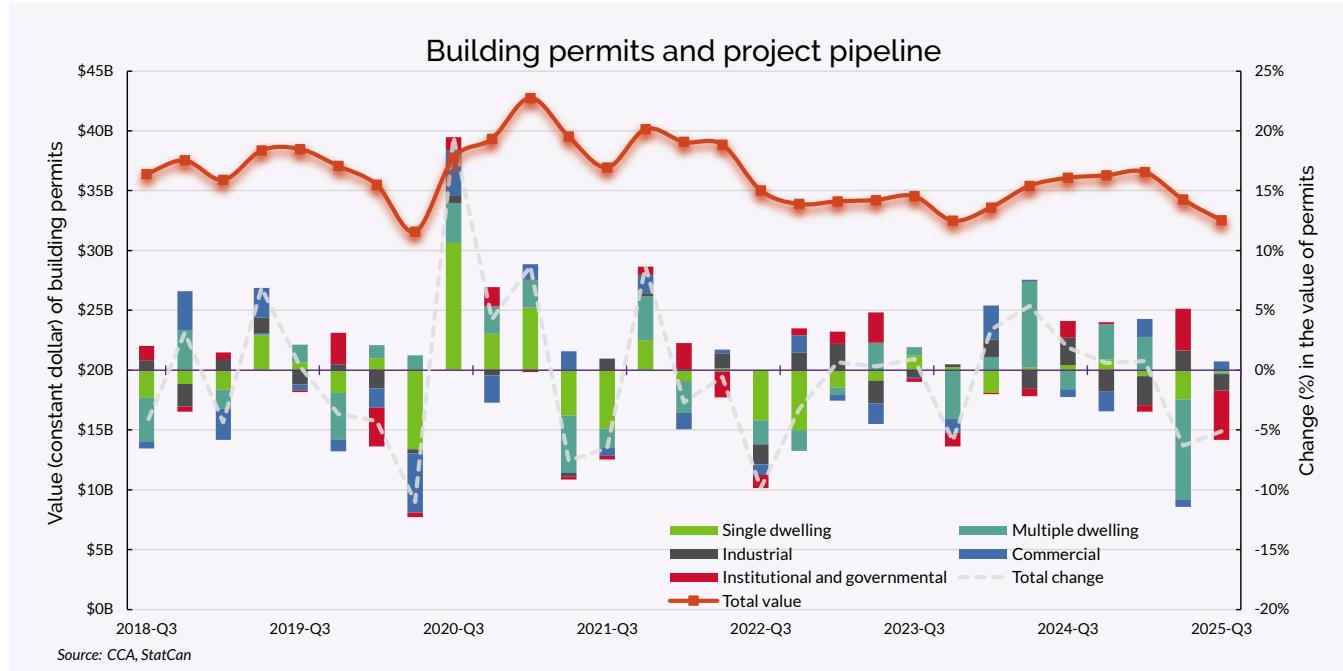
The value of building permits declined further in Q3 2025, falling 5.1 per cent QOQ to \$32.5 billion, which represents a 9.9 per cent decline YOY. October values show a rebound in Q4 that could make up for the slacks in Q2 and Q3, lifting the annual sum to positive territory over the last year. Compared to Q2, most subsectors saw marginal decreases while the single time jump in institutional and governmental buildings was reversed. Its values jumped in Q2 due to a mega permit issued to the South Niagara Hospital. Multiple dwelling building permits remained low, accounting for -0.1 pp of the total quarterly decrease. Compared to its own value YOY, the category is -7.4 per cent lower (-0.3 per cent QOQ). Similarly for single dwelling construction, values declined by 10.3 per cent YOY and one per cent QOQ. Industrial builds are down by 17.2 per cent (-38.2 per cent YOY), accounting for 1.4 pp of the total quarterly decline. Commercial building is the only subsector in the green, contributing 4.3 pp to the total, which is still down 0.4 per cent YOY (4 per cent QOQ) compared to its own value.

Provincially, Ontario recorded the largest decline, with permit values down -15 per cent QOQ and -22 per cent YOY. While the slowdown in multi-dwelling residential buildings was already evident in Q2, the reversal of institutional permits (-4.7 pp of national decline) and a sharp pullback in industrial permits were the primary drivers of the decline, with industrial permits alone accounting for -1.7 pp of the national decline. Ontario's multi-dwelling building permits decreased by two per cent in Q3 from Q2, however rebounded strongly in October, surpassing \$2 billion for the first time in eight months and increasing 30 per cent YOY. British Columbia contributed +2.1 per cent to the national quarterly change (+15 per cent QOQ and +5 per cent YOY).

The lower interest rates are creating a more conductive environment for new construction, and the First-Time Home Buyers' GST Rebate in Bill C-4 is expected to boost demand for new apartment builds.



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.

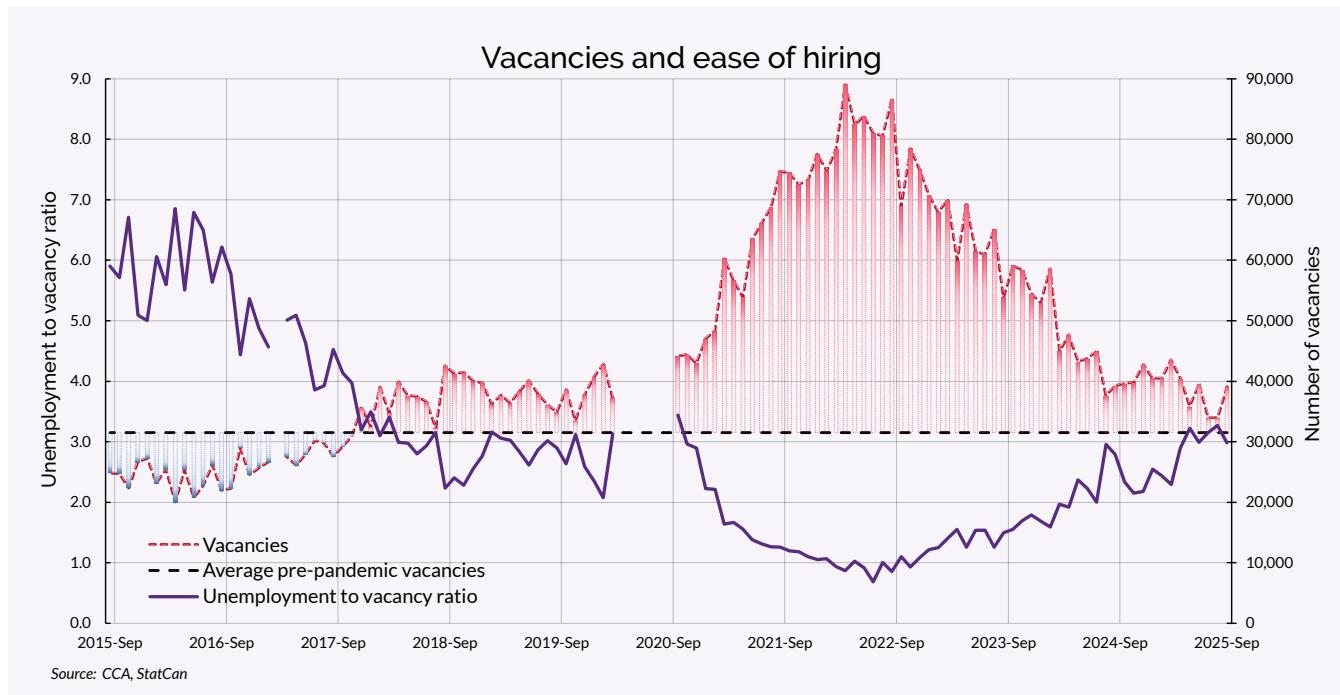
Vacancies

Understanding current labour market conditions requires examining both the supply and demand sides of the labour market. Job vacancies indicate employers' hiring needs and, when considered together with unemployment, help assess how difficult it is to fill positions or find work.

In Q3, the construction job vacancy rate declined by 0.2 pp to three per cent after a +0.1 pp revision to the Q2 value. This is 0.4 pp less than a year ago. Within the quarter, vacancies were lower in July and August, both recorded at 2.8 per cent, before rebounding in September to 3.2 per cent. Since the second half of 2024, vacancy rates have remained relatively low and stable, sitting around 3.3 per cent.

In absolute terms, 36,445 vacancies were posted in Q3, down by 2,915 positions from Q2 (-7.4 per cent) and -4,675 YOY (-11.4 per cent). The overall slowdown is tied to a combination of factors: previously unfilled positions being filled, lower capacity utilization, and a slowdown in building permits which reduces labour demand. That said, vacancy levels are expected to rise again as apartment permits recover and major infrastructure projects break ground.

Vacancies



Unemployment and labour market tightness

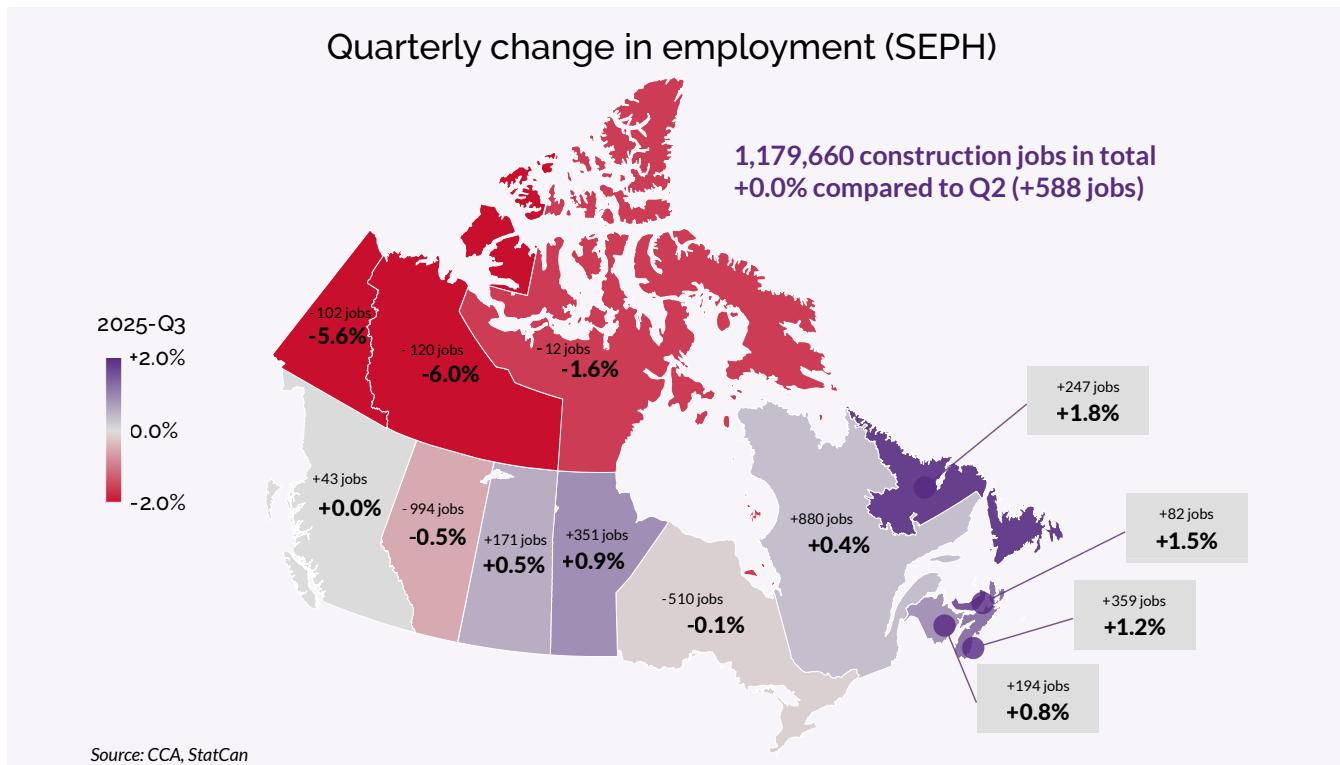
Canada's overall unemployment rate eased to 6.5 per cent in November, down from 7.1 per cent three months ago. Construction saw an even sharper improvement, where unemployment decreased by 1.8 pp in a single month to 4.9 per cent, the lowest level recorded in the last two years. The unemployment rate in the construction industry is well below the national average. Looking back to Q3, there were an average of 111,667 job seekers in construction, a 5,267 decrease from Q2. This represents a 4.5 per cent quarterly decrease, or 7.6 per cent increase YOY (+7,933 job seekers).

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. In Q3 2025, there were about 3.1 applicants for every vacant position, up from three in Q2 and 2.5 in Q3 2024. Although hiring eased in Q3, it will likely tighten again in Q4 coinciding with the sector's lower unemployment rate in November. Recent survey results also indicate that firms are expecting greater labour-related challenges ahead.

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. The SEPH provides a more granular view in the composition of sub-sectors 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



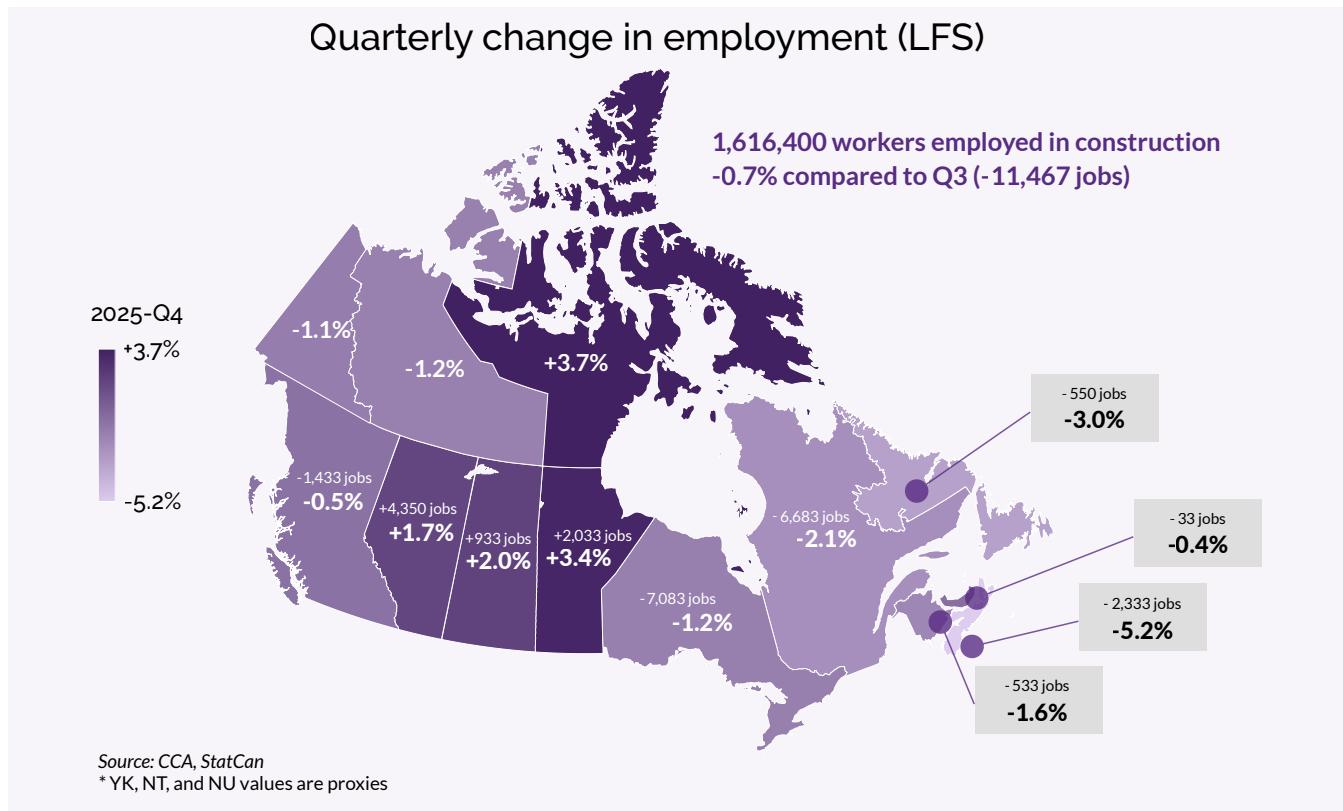
Payroll employment of the industry stayed at the same level in Q3 compared to the previous quarter (+588 jobs) and the same quarter last year (+1,437 jobs). Most provinces recorded changes of less than one per cent. Notable exceptions include Newfoundland and Labrador, where employment rose by 1.8 per cent (+247 jobs), and Alberta, which saw employment contracting by 0.5 per cent (-994 jobs). Yukon saw a larger percentage decline of 5.6 per cent, but this amounted to only 102 jobs in absolute terms.

Among subsectors, land subdivision employment fell by 1.7 per cent (-218 jobs) over the previous quarter, continuing a slow downward trend since the pandemic. Employment in residential building construction decreased by 0.6 per cent (-1,043 jobs). These levels remain elevated but have been sliding in all three quarters this year. On the flip side, other heavy and civil engineering construction—such as parks, ports, power plant and light rail construction—was up by 2.4 per cent, contributing 821 jobs. Building equipment contractors expanded by 0.4 per cent (+ 1,210 jobs), continuing a long-term trend outside of some brief COVID-related disruptions.

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



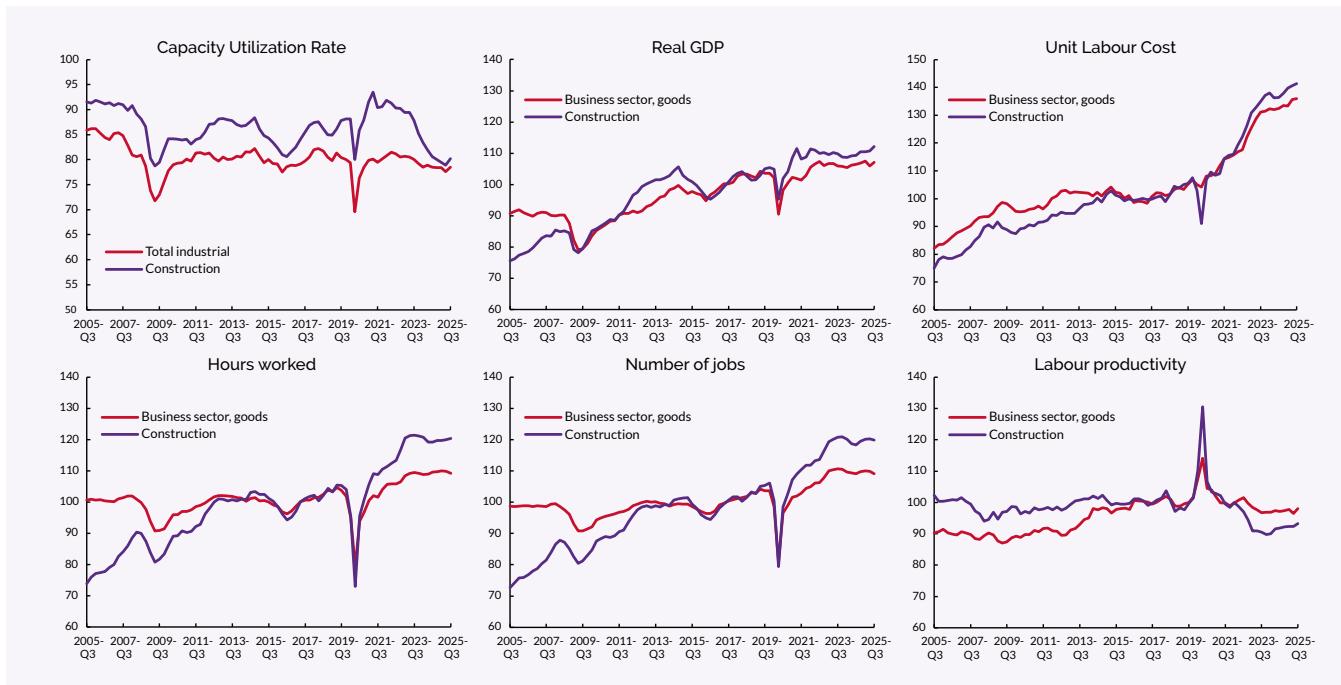
In the first two months of Q4, the total number of people employed in construction decreased by 0.7 per cent, 11,467 people fewer in absolute terms. YOY, self-employed and salaried employees combined is still 0.4 per cent higher (+7,000 workers) than Q4 last year. The largest regional contributors to the decline are Quebec, Ontario, and Nova Scotia. Job numbers in Quebec were down by 2.1 per cent (-6,683 workers) and fell 5.5 per cent YOY. Nova Scotia was down by 5.2 per cent (-2,333 workers) and fell 6.7 per cent YOY. Ontario dropped by 1.2 per cent (-7,083 workers) but sits very close to the level from a year ago.

In contrast, all three Prairie provinces posted gains this quarter. Job numbers in Alberta recovered by 1.7 per cent (+4,350 workers), close to last year's level during the same quarter. Manitoba rose by 3.4 per cent (+2,033 workers) and is up nine per cent YOY. Saskatchewan saw a two per cent increase (+933 jobs), which translates to a 7.1 per cent gain YOY. Overall, the number of workers climbed rapidly during the second half of 2024, reaching a peak in January 2025, but has been slowly sliding downward since.

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



There has been a change in the series referenced. The goods-producing business sector is now used as the benchmark instead of the total economy. This change reflects the fact that Statistics Canada no longer publishes GDP and related measures for the total economy and the non-business sector. Using the goods-producing business sector also makes the scope of Unit Labour Cost and labour productivity benchmarks closer to the scope of the “total industrial” definition used in the Capacity Utilization Rate.

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 Q3 2025, construction's CUR grew 1.3 pp from Q2 to 80.2 per cent. This is the first quarter in 2025 in which the CUR rose above 80 per cent, representing a YOY decrease of -0.4 pp. Construction remains higher than the all-industrial average, up 0.9 pp (no change YOY). However, capacity utilization remains historically low and the gap relative to the all-industrial benchmark has narrowed significantly. This suggests that conditions may have bottomed out in Q2.

Measures of productivity

Productivity, defined as value added per hour worked, has remained largely flat since a large drop in 2022. In Q3, construction industry productivity saw a 0.9 per cent (+1.5 per cent YOY) increase, bringing it to the highest level since 2022. Productivity of the broader goods-producing business sector also edged up, by 1.6 per cent (+0.9 per cent YOY).

Unit Labour Cost (ULC) measures the ratio of labour compensation to real output. Lower productivity drives down ULC by its mathematical definition, which has been the trend over the last four years. Higher ULC in recent years is not indicative of rising wages, but rather lower value added as it typically indicates higher costs to projects, reducing investment viability. Construction's ULC rose by 0.5 per cent in Q3 2025 and 3.6 per cent YOY. This is again faster than the broader economy, which grew by only 0.2 per cent (2.7 per cent YOY).

Building Construction Price Index

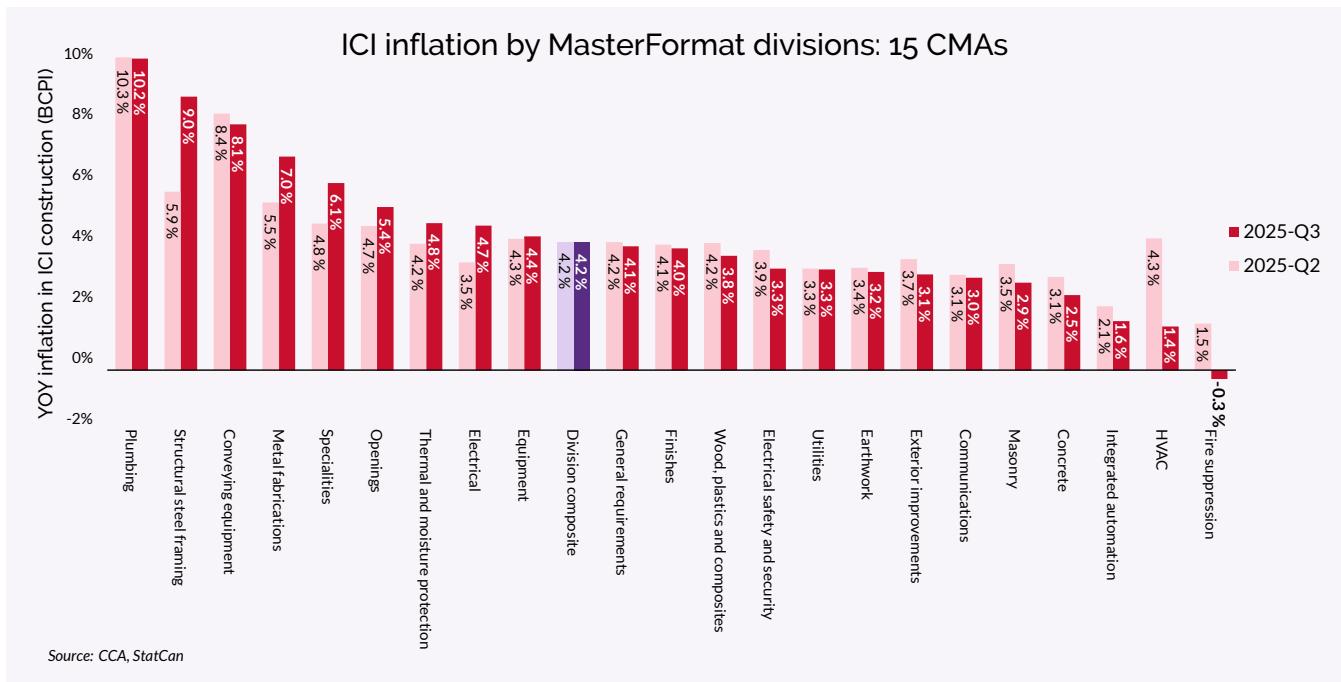
The Building Construction Price Index (BCPI) tracks the total cost of constructing a typical building in 15 of Canada's biggest census metropolitan areas (CMAs). It is based on the full bid price submitted by general contractors, and provides insight into which MasterFormat divisions, regions, or types of building are experiencing higher inflationary pressures. Over the past eight 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

The biggest contributors to the composite change are metal fabrications, structural steel framing, and concrete. Metal fabrications increased by seven per cent (5.5 per cent in Q2) while structural steel framing is up by nine per cent (5.9 per cent in Q2). By MasterFormat definitions, the concrete division includes rebar trades, thus also reflecting the increasing cost of steel products. Plumbing also rose significantly by 10.2 per cent (10.3 per cent in Q2), although it has a relatively low weight in the aggregate index.

Steel tariff cost pressures are intensifying and their impact on building cost is now visible in the data. The latest readings show accelerated cost growth, concentrated primarily in steel-intensive MasterFormat divisions. Nevertheless, this is unlikely to mark the end of the trend, given the additional protectionist measures announced on November 26 that took effect on December 26, Buy Canadian procurement requirements implemented on December 16, and the scheduled expiration of tariff remissions on January 31, 2026.

BCPI-Division

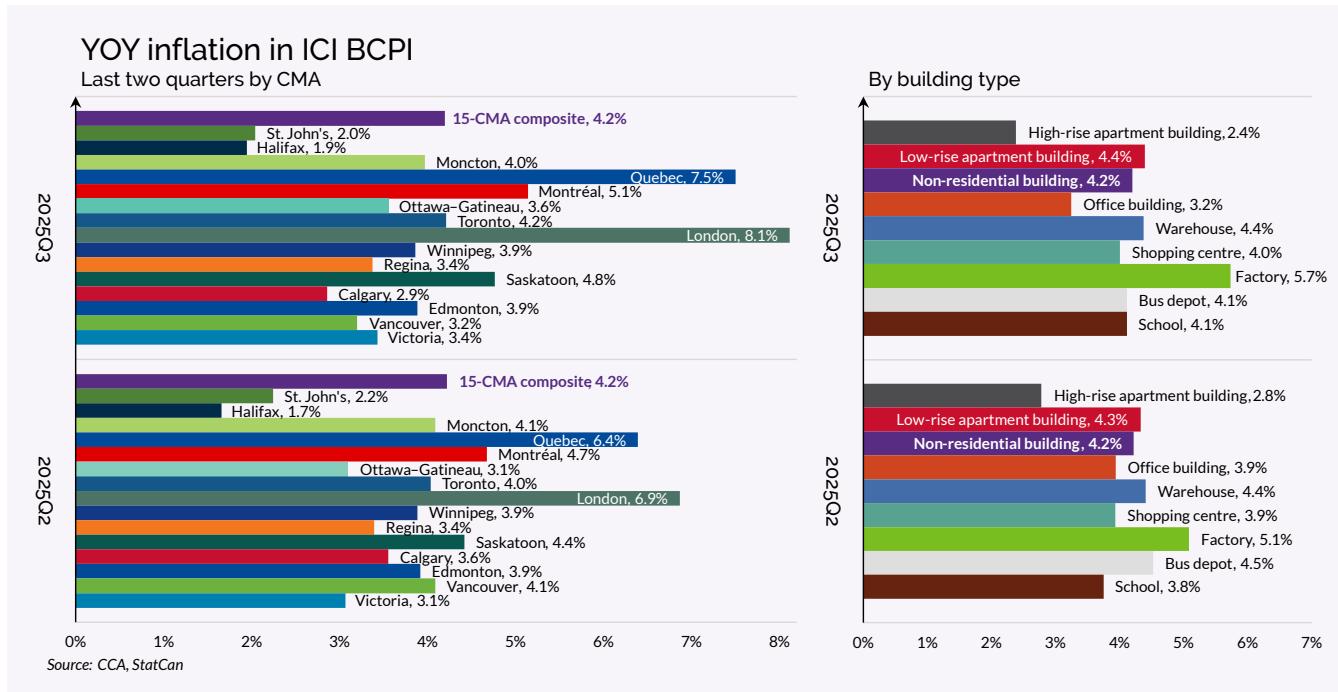


By census metropolitan area

Regionally, 12 of the 15 CMAs posted growth above three per cent. London had the highest growth once again, with an 8.1 per cent increase (up from 6.9 per cent in Q2), followed by Quebec City, which rose 7.5 per cent from 6.4 per cent in Q2. In both regions, growth was driven primarily by more than 15 per cent increases in steel-intensive divisions. At the other end of the spectrum, the two lowest rising CMAs continue to be Halifax (+1.9 per cent) and St. Johns (+2.0 per cent).

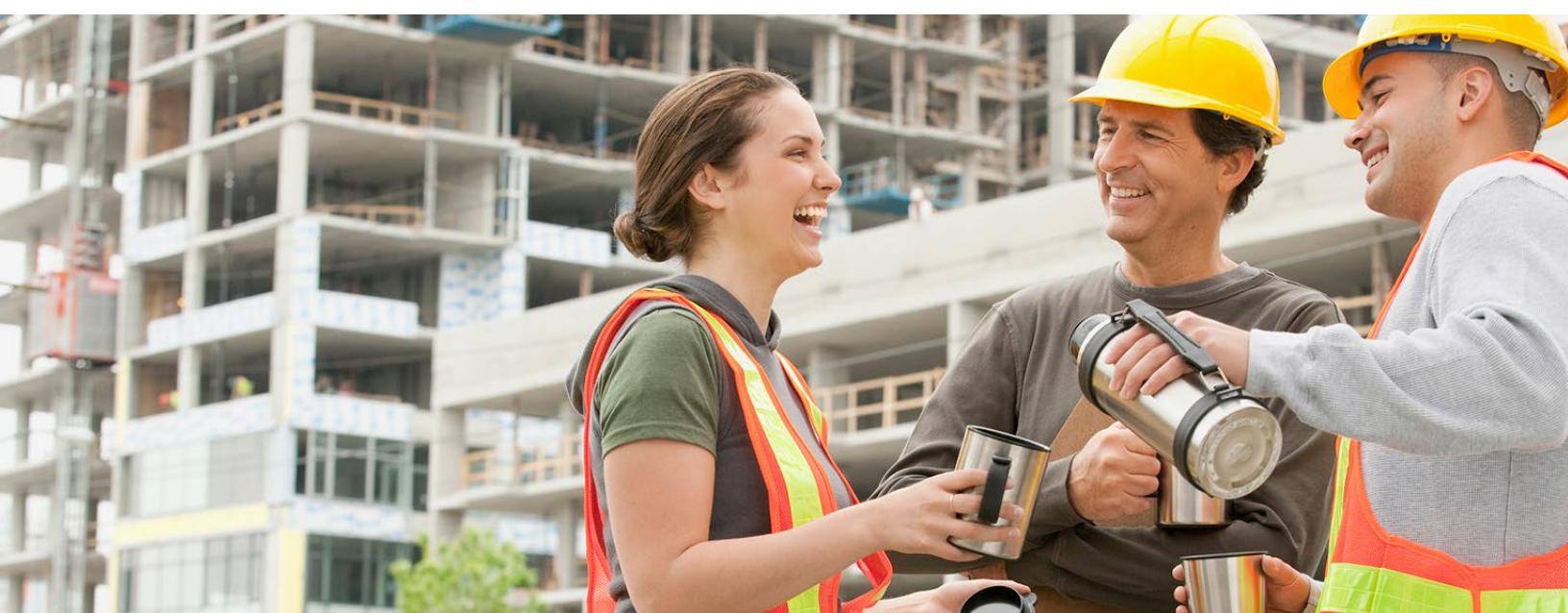


BCPI-CMA



By building type

The BCPI for industrial, commercial, and institutional (ICI) construction rose by 4.2 per cent YOY in Q3, the same magnitude as the YOY change in Q2 (revised from four per cent). High-rise apartments on the other hand, saw slowing growth, up by only 2.4 per cent in Q3, down from +2.8 per cent in Q2. Low-rise apartments were up 4.4 per cent YOY, largely the same rate of growth in Q2. Within the non-residential category, factory buildings again recorded the highest YOY increase at 5.7 per cent (up from 5.1 per cent in Q2). Office buildings were up by 3.2 per cent YOY, down from 3.9 per cent in Q2. Cost increases for other building types remained close to the overall four per cent average.



Business conditions and what's ahead for the industry

Expectations and pressing obstacles

Results from the Q3 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.

In Q3, 16.4 per cent of construction businesses reported a major negative impact from Canadian tariffs on goods purchased from U.S. suppliers, while 13.6 per cent reported major negative impacts from U.S. tariffs on goods sold by businesses in Canada. These findings highlight the industry's exposure to cross-border supply chains, especially for materials that are difficult to produce domestically from scratch. In contrast, only 6.5 per cent of firms reported major positive impacts from the elimination of interprovincial trade barriers, and 9.6 per cent of construction companies were forced to change their suppliers as a result of trade disruptions.

Business expectations at the start of Q4 2025 have remained stable, especially when compared to the first half of the year. 17.9 per cent of firms reported they do not expect significant obstacles in Q4, which is only 2.5 pp less than the share reported in Q3. Among the 10 most commonly cited obstacles, half were cost-related (-3.8 pp) and two were labour-related (+8.3 pp), underscoring the ongoing pressures contractors face in managing input prices and workforce availability. Inflation remained the most cited concern, although it has eased significantly over the last two quarters, down by 5.2 pp in Q4 to less than 50 per cent. At the same time, insurance costs resurfaced as a major concern, increasing by 7.1 pp to return to its Q2 level and ranking second overall. Concerns about recruiting skilled employees and labour shortages also increased, up by 3.5 pp and 5.4 pp, respectively. The share of firms concerned with transportation costs rose significantly, up by 6.8 pp, reflecting challenges rerouting supply chains due to Canadian tariffs and procurement restrictions. Despite a 50-basis-point interest rate cut in the second half of 2025, the share of businesses reporting difficulty maintaining sufficient cash flow or managing debt increased by 6.8 pp to 22.7 per cent, placing it in the top 10 obstacles.

Provincially, Alberta was the province most affected by cost-related obstacles, with 87 per cent of all firms expecting such challenges. The share of firms citing higher insurance costs and higher input costs both increased by more than 30 pp. Nova Scotia and New Brunswick also experienced significant increases in this category, with roughly 65 per cent of firms reporting cost pressures. For labour-related obstacles, Saskatchewan and New Brunswick were most affected, with labour-related obstacles rising by about 23 pp in both provinces, to 71 and 65 per cent respectively. Overall sentiment is most pessimistic in Alberta, New Brunswick, Saskatchewan, and Nova Scotia, while firms in Newfoundland and Labrador, Manitoba, British Columbia, and Prince Edward Island are more optimistic.

CSBC 2025-Q4

Rank	Obstacles	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT	NU	CAN
1	Inflation	-24 pp	+1 pp	+6 pp	+11 pp	-4 pp	-17 pp	+0 pp	-8 pp	+2 pp	+8 pp	+21 pp		+2 pp	-5.2 pp
2	Cost of insurance	+5 pp	+1 pp	+10 pp	+3 pp	-13 pp	+15 pp	-18 pp	-11 pp	+34 pp	+2 pp	-3 pp	-33 pp	-26 pp	+7.1 pp
3	Recruiting skilled employees	-10 pp	-2 pp	-14 pp	+16 pp	+18 pp	+6 pp	-9 pp	+23 pp	+22 pp	-29 pp	+33 pp		-13 pp	+3.5 pp
4	Shortage of labour force	+4 pp	-8 pp	-15 pp	+32 pp	+17 pp	+15 pp	-28 pp	+12 pp	-8 pp	-14 pp	+40 pp		-36 pp	+5.4 pp
5	Cost of inputs	-12 pp	+3 pp	+20 pp	+14 pp	-0 pp	-13 pp	-28 pp	-28 pp	+31 pp	+18 pp	+5 pp		-8 pp	+1.1 pp
6	Interest rates and debt costs	-5 pp	-15 pp	+17 pp	+12 pp	-1 pp	+2 pp	-27 pp	+7 pp	+4 pp	-8 pp	-1 pp			+0.2 pp
7	Transportation costs	-13 pp	+7 pp	+11 pp	+18 pp	-2 pp	+6 pp	-20 pp	+10 pp	+25 pp	+5 pp	+5 pp	-9 pp	-26 pp	+6.8 pp
8	Increasing competition	-6 pp	-16 pp	-3 pp	+1 pp	+9 pp	+2 pp	-19 pp	-13 pp	+14 pp	-17 pp	-27 pp		+10 pp	+0.4 pp
9	Maintaining sufficient cash flow or managing debt	+7 pp	-7 pp	+14 pp	+6 pp	-4 pp	+12 pp	-5 pp	-4 pp	+3 pp	+12 pp	-10 pp		+10 pp	+6.8 pp
10	Fluctuations in consumer demand	+14 pp	+2 pp	+11 pp	+8 pp	+5 pp	-2 pp	+20 pp	+29 pp	+5 pp	-15 pp	+31 pp		+10 pp	+0.4 pp

What's ahead for the industry?

At the start of 2026, construction capacity has not yet returned to its historical norms. Still, the sector continues to outperform the all-industry average and recent data points are all better-than-expected. Permits and vacancy indicators have improved compared to where they were in the middle of 2025. That said, these improvements are based largely on October data. Lower interest rates have created a more conducive financial environment, but as the easing cycle stops, momentum from increased liquidity will fade within the next three months.

Building construction costs remain elevated and represent a major ongoing risk. The initially reported increase is almost always later revised to be even higher. Based on the latest data published in 2025 (for 2023), 32 per cent of goods used in construction are imported, meaning one-third of the total amount paid to manufacturers, retailers, and wholesalers are exposed to exchange rates, tariffs, and trade policies. Unlike lumber, which is mostly sourced domestically, many of the industry's top imports are steel products. Products such as metal hand tools (68 per cent imported, \$4.6 billion), architectural and structural metals (17 per cent imported, \$3.2 billion), HVAC and commercial refrigeration equipment (71 per cent imported, \$3.8 billion) and other general-purpose machinery (86 per cent imported, \$2.2 billion) all rely heavily on steel in their casings, frames, and components.

The expansion of the steel tariff rate quota (TRQ), which took effect on Boxing Day, is expected to push the cost of steel products higher and disrupt procurement, increasing the risk of project delays. Developing domestic capacity to replace these imports does not happen overnight. The Buy Canadian Policy is now in effect, although it has yet to reach its full planned scope. The initial rollout applies to new federal procurement contracts, typically through PSPC or DCC, valued at \$25 million or above. Contractors must use Canadian-produced steel, aluminum, and wood products when the project requires at least \$250,000 worth of these materials. With the tariff remissions set to expire on January 31 and further policy expansions anticipated in the coming quarter, contractors face continued uncertainty around sourcing, compliance, and pricing.

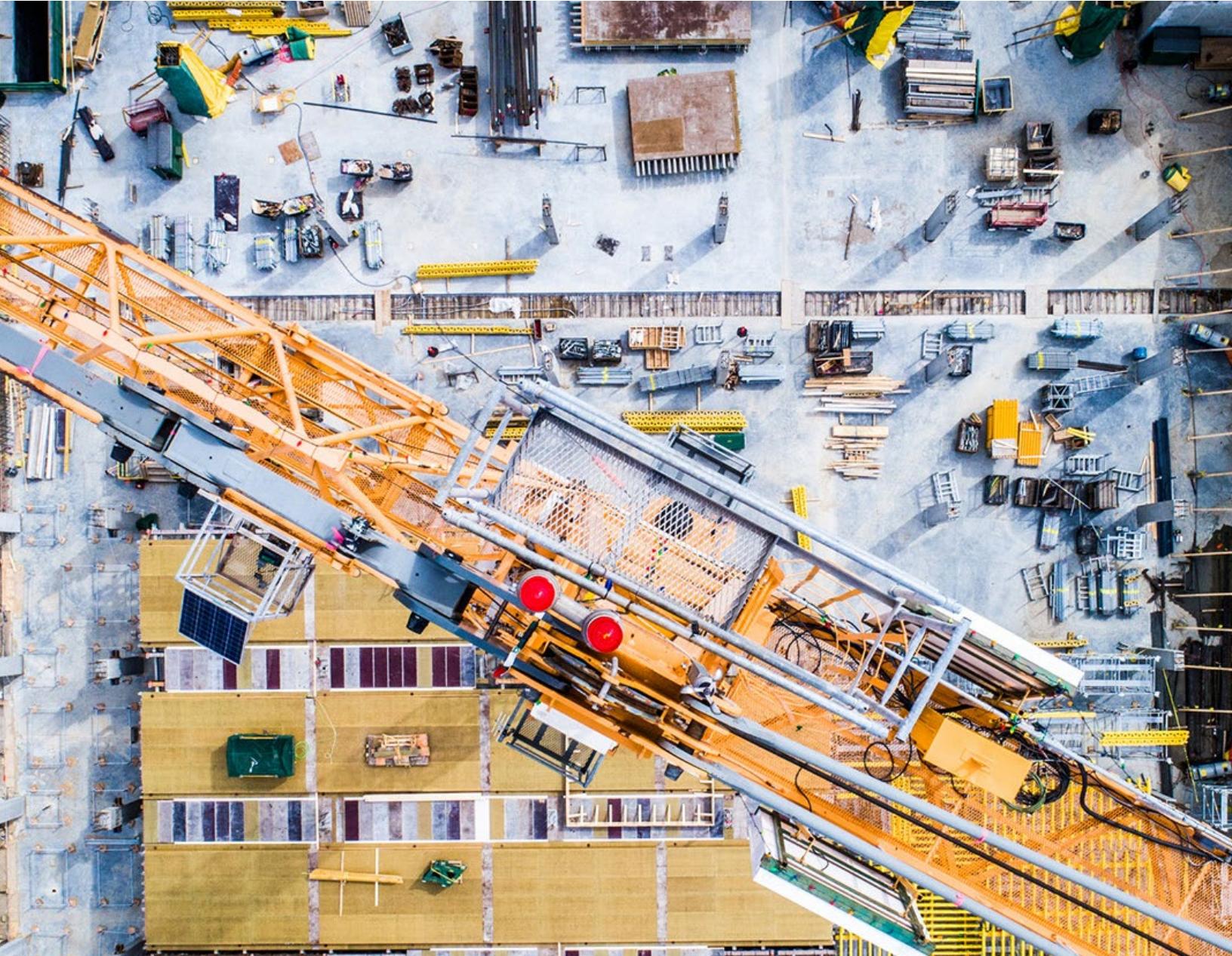
Improving vacancy rates and lower unemployment are positive for workers and sectoral activity, but they also bring labour shortages back into focus. As project pipelines develop, competition for skilled workers is likely to intensify. 2026 will be a key test of whether programs like UTIP and FCRP can meaningfully improve labour shortages.



Looking ahead: Key economic and policy considerations

- **Apartment pre-sales:** Ownership transfer costs rebounded 9.1 per cent in Q3, after falling 16.2 per cent in Q1. Resale activity has improved, but pre-sale volumes remain weak. Pre-sales are a critical financing channel for new multi-residential construction, and project launches are difficult to begin without an active pre-sale market. Developments in this area will be closely monitored.
- **Buy Canadian and further tariffs:** Ottawa discussions around Buy Canadian policies and tariffs have been ongoing since March 2025. While both the TRQs and Buy Canadian requirements have been rolled out, their scope will continue to expand with the full impact unknown as they are still working through economic channels. Contractors should expect continued uncertainty around material sourcing, compliance requirements, and input costs, particularly as the CUSMA review date approaches in July.
- **Budget Implementation Acts:** The federal budget has been tabled, but important details may still change through the Budget Implementation Acts. Moving into 2026, fiscal policy has turned strongly expansionary and construction-intensive. However, operational cuts and procurement restrictions could slow approvals, especially for projects not prioritized by the MPO. Changes that could affect project timing and eligibility will be closely monitored.
- **Potentially worse labour bottleneck:** Labour demand is expected to rise as the national push to build materializes into a pipeline of new construction projects. At the same time, immigration policy is now targeting lower inflows and a smaller share of temporary residents over the next few years. This may create a short-term labour supply vacuum, pushing unit labour cost higher if it becomes binding.





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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