

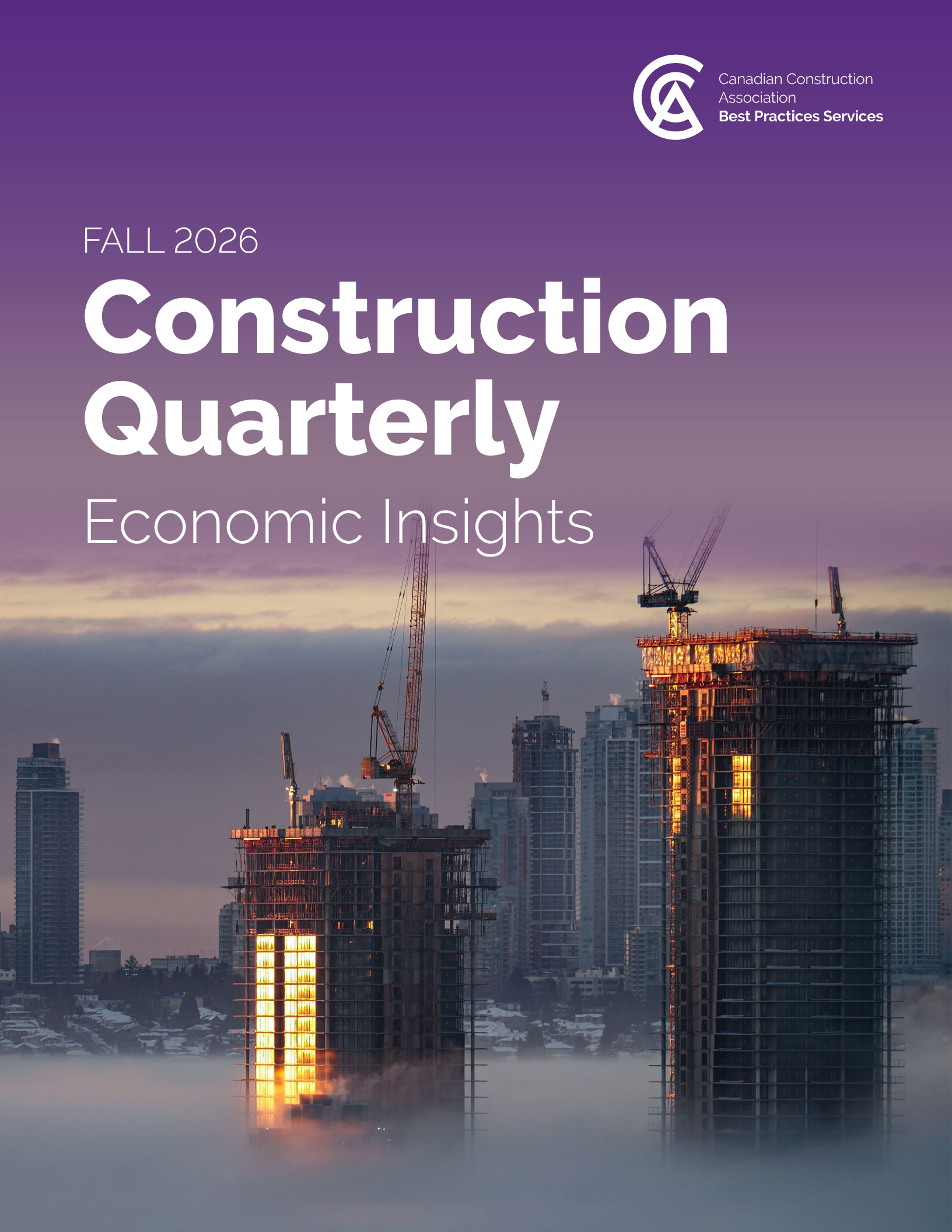


Canadian Construction
Association
Best Practices Services

FALL 2026

Construction Quarterly

Economic Insights



Key insights: **Fall 2026**

Economy rebounded in Q2

Real GDP rebounded at an annualized rate of 3.3 per cent in Q2, led by a surge in auto exports as production resumed after earlier disruptions. The rebound was broad-based across the economy, although government investment remained below its late-2025 peak as weapons-system spending eased. Nominal GDP rose 13.8 per cent on an annualized basis as higher oil prices boosted export prices and corporate income. However, these gains have yet to translate into a significant increase in domestic demand.

Construction activity rebounded after two quarters of decline

Construction sector GDP increased by one per cent in Q2, with gains in both engineering construction and residential building construction bringing overall activity back to approximately year-earlier levels. Building intentions improved only modestly and remained uneven: total permit values rose 2.1 per cent, largely driven by the Peter Gilgan Mississauga Hospital, while multi-residential permits fell 2.8 per cent and industrial intentions dropped 12.5 per cent. Commercial intentions recovered by 11 per cent.

Construction costs are still rising

Non-residential Building Consumer Price Index (BCPI) increased by 3.5 per cent year-over-year (YOY) in Q2. Steel-intensive divisions remained above eight per cent and rose by another two per cent quarter-over-quarter (QOQ). Higher fuel prices pushed conveying equipment and earthwork costs up while also feeding into other divisions through transportation and machinery expenses. The slower YOY increase partly reflects a base effect, as Q2 comparisons are being made against Q2 2025 when cost pressures had already emerged. Higher Canadian tariffs on U.S. imports, elevated energy prices, and new wood cabinet duties continue to exert upward pressure throughout the supply chain.

Building on moving ground

Construction is heading into 2027 with no shortage of signals, but they are increasingly difficult to reconcile. The current residential pipeline is soft in some of Canada's largest markets, while a new wave of infrastructure, energy and data-centre projects are advancing at very different speeds. New tax incentives will help encourage investment, while tariffs, diesel prices and borrowing costs are already raising project costs. This quarterly focus examines the developments most relevant to construction, their current status, and their potential implications for contractors.

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.



The Canadian economy

Canada's economy rebounded in the second quarter, with real GDP growing at an annualized rate of 3.3 per cent. First-quarter growth was also revised from a marginal contraction to a marginal increase. Exports provided the largest boost in Q2 (accounting for +4.7 pp), led by a 27 per cent rebound in exports of passenger cars and light trucks. Auto shipments unclogged after being unusually weak over the preceding two quarters.

Unwrought aluminum exports shot up by 15 per cent as exports to Europe nearly doubled. Energy product exports were also up about four per cent in real terms, meaning Canada shipped more energy products, particularly liquefied natural gas (LNG) and refined fuels. The large drag from inventories was partly explained by a reversal in gold inventories, which accumulated in Q1.

Final consumption strengthened, contributing 2.7 pp to annualized real GDP growth, driven largely by household spending in investment services. Fixed capital formation also rose broadly, contributing a further 1.2 pp. Gains were especially strong in machinery and equipment investment, with spending on computers and computer peripherals up 17 per cent, mainly reflecting higher imports of processing units used in data centres.

Residential investment rebounded 2.5 per cent as resale activity rose in Ontario and British Columbia, rather than new construction activity. New construction itself rose only 0.8 per cent. Investment in engineering structures partially recovered, rising 2.3 per cent after two consecutive quarterly declines, but still lagged its mid-2025 level. Government investment in weapon systems declined for a second consecutive quarter. Given the irregular nature of defence procurement and deals signed recently, investment is expected to rebound in the coming quarters.

Despite the strong quarterly rebound, real GDP was only 1.1 per cent higher than a year earlier. Growth has been very volatile as the economy adjusts to a multitude of factors: slower population growth, tariffs, and major swings in trade and inventories. Much of the aggregate GDP slowdown reflects slower population growth, while GDP per capita continued to increase and domestic demand remained resilient. Tariff impacts remained highly uneven. Industries directly exposed to U.S. trade measures have seen much sharper impacts, while spillovers to the rest of the economy have remained limited.



Quarterly focus

Building on moving ground: a contractor's memo for 2027

As 2027 approaches, contractors are facing a complex and evolving operating market. The headlines arrive first, but the consequences often take longer to be felt. Economic, policy, and market developments continue to shape project activity, investment decisions, costs, and labour demand. While some trends point to growing opportunities, others continue to create uncertainty for investors, owners, and contractors.

Many contractors saw the tariff announcements. Far fewer heard of new remissions that came quietly in their wake. Nation-building ambitions have expanded the long-term project pipeline, but the promise of tomorrow's megaprojects should not distract from the pressures the industry is currently facing. Geopolitical conflicts also continue to have economic consequences long after they fade from public attention. Their effects can persist across energy markets, trade flows, supply chains, project costs, and construction timelines.

Against this backdrop, distinguishing between near-term pressure and longer-term opportunities has become increasingly important. This section examines the developments most relevant to the construction industry, provides an assessment of current conditions, and outlines their potential implications for contractors heading into 2027.

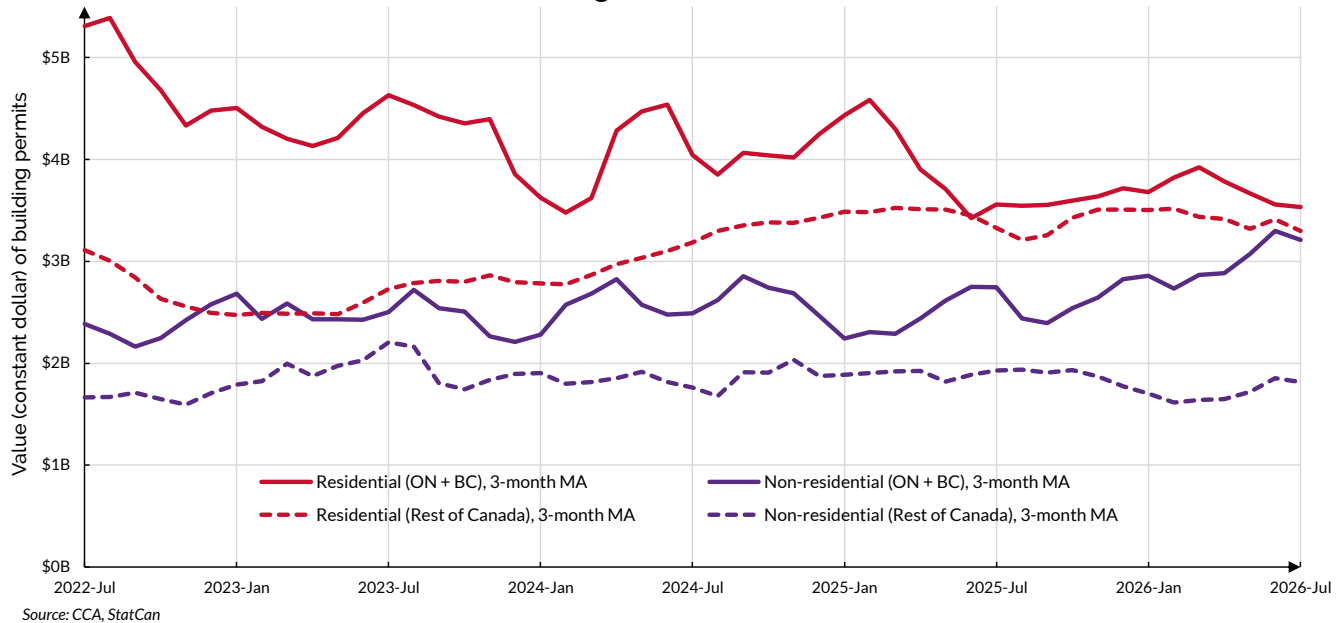
Untangling current headwinds from future opportunity

Today, contractors are facing a lack of growth in the existing project pipeline, particularly high-rise residential. Population growth has slowed to a crawl, and Canada's largest housing market remains subdued, with new condo projects in the Greater Toronto and Hamilton Area (GTHA) moving forward at nowhere near the pace experienced in previous years.

Headline construction intentions are still holding up. However, Canada's project mix is shifting increasingly toward publicly funded schools and hospitals, alongside major public infrastructure projects. As a result, construction in these provinces is becoming more reliant on non-market capital spending.

Two-speed permits

Non-residential gains as residential softens



Geographically, the outlook is uneven. In provinces like Alberta and Saskatchewan, contractors can already see another wave approaching, particularly data centres and the energy infrastructure needed to support them. These are new proposals, but more shovel-ready than many of the nation-building projects featured so prominently in the national conversation.

Alto, Gull Island, the West Coast Oil Pipeline, and the broader portfolio being advanced through the Major Projects Office represent generational potential, but their timelines also show why future opportunity should not be mistaken for near-term workload. Alto construction is targeted to begin in 2029, Gull Island is expected to come online in 2036-37, and the West Coast pipeline is still in early development. Canada's long-term ambition is real, but many businesses are still watching cautiously.

September's Canada Investment Summit highlighted the scale of Canada's long-term investment ambitions. The Summit showcased 167 projects associated with nearly C\$500 billion in new investment and financing commitments, the majority of which originate from domestic sources such as Canadian banks and pension funds. In addition, the federal government has set a further goal of catalysing C\$1 trillion of total investment over five years using C\$280 billion of federal capital spending and incentives, consistent with commitments in Budget 2025.

While these headline numbers are substantial, they should not be interpreted entirely as incremental investment. Some commitments may formalize, accelerate or redirect investment that would have occurred anyway, and the published figures do not provide a counterfactual showing how much is genuinely additional.

Labour strategy and investment planning must go hand in hand

If all proposed plans proceed, the resulting opportunity will create its own constraint: whether the industry can secure the workers and resources to deliver them. Current labour market signals are mixed because they reflect different time horizons, including challenges today, emerging pockets of growth tomorrow, and potentially substantial demand in the future.

The labour gap has eased considerably since 2024. Hiring remains subdued, and there are now almost three job seekers for every vacancy across the economy. BuildForce's latest outlook tells a similar story. Over the next decade, BuildForce now estimates that Canada could face a shortfall of 34,300 construction workers beyond expected new entrants, down sharply from 108,300 in last year's forecast. The reduction largely reflects much weaker residential demand.

Near-term conditions are considerably looser. BuildForce expects labour pressures to ease as residential activity contracts through 2028. These pressures are expected to intensify later in the decade as residential construction recovers and major non-residential projects approach peak activity around 2029. Although labour scarcity may be less acute in 2027, this period of relative flexibility reinforces the need for early workforce planning. If Canada is serious about building these mega projects, labour strategy and investment planning need to move in tandem, not one crisis at a time.

One component of this longer-term strategy is now taking shape. Team Canada Strong's (TCS) first youth placements are expected to begin in early 2027. TCS is intended to attract more young people into the skilled trades through expanded financial incentives. Its impact on labour supply will take time to materialize. For contractors with less than 499 employees, the new Build Canada Apprenticeship Service will provide up to \$10,000 for each eligible first-year apprentice hired, double the previous standard \$5,000 incentive. Organizations interested in delivering the program have until October 23 to submit an Expression of Interest.





On mega deduction

Ottawa plans to expand the range of private assets eligible for immediate expensing from categories accounting for roughly 15 per cent of business capital investment to more than 65 per cent. This enhanced deduction, or mega deduction, overhauls the near-term cash flow for investment in a wide range of capital-intensive assets, particularly in energy, minerals, transportation and digital infrastructure. This measure is proposed to apply to most eligible depreciable assets acquired on or after September 15, 2026.

Although the mega deduction does not increase the nominal amount a firm can deduct over the life of the asset, it allows businesses to claim a substantially larger share of the deduction upfront. As a result, the present value of the tax benefit is greater than claiming it gradually through capital cost allowance (CCA). Finance Canada estimates this measure will carry \$36 billion in fiscal cost over the next five years. This represents \$36 billion in additional cash retained by businesses to support additional projects in the near term, although how much translates into new projects still hinges on policy and economic certainty. Higher federal revenues are creating more fiscal room over the next few years to make front-loading compelling.

The amount claimed under immediate expensing is discretionary. A corporation can claim the full amount even if it exceeds its current-year income, with the resulting tax loss carried back up to three years or carried forward up to 20 years. Alternatively, it can claim less and leave the remaining balance deductible at the asset's normal CCA rate.

The benefit is generally most valuable for established, currently profitable firms that can use deductions from a new investment against earnings from existing operations. By contrast, the measure provides minimal benefit to new investors or new entrants that spend years investing before generating taxable income. Project ownership, corporate structure, and the timing of income and deductions can materially affect how much value is captured.

To contractors, the impact comes in two folds. First, contractors can immediately expense their own purchases of machineries. The expansion includes Class 8 general machinery and equipment, Class 16 heavy freight trucks and Class 38 earth-moving and other qualifying heavy construction equipment.

Second, the measure can improve the near-term cash flow of private owners. In some cases, the qualifying asset is directly part of the owner's investment in engineering construction, including mining structures, pipelines, rail, bridges and roads. Deductions from non-construction capital, including qualified intellectual property and equipment like fibre-optic cable, software, computer equipment, aircraft and vehicles, can also improve overall cash flow for businesses. Both channels can incentivize more investment.

Recent developments in trade barriers

There has been another wave of trade barriers. Canada's latest counter-tariffs apply to \$27.6 billion of U.S. imports, which represents about 7.6 per cent of Canada's merchandise imports from the U.S. Many of the affected goods have little direct relevance to construction, including dairy products, honey, and cosmetics. However, counter-tariffs on most U.S. steel and aluminum products increased from 25 per cent to 50 per cent. Beyond metals, construction exposure is more scattered across individual tariff lines rather than broad product categories.

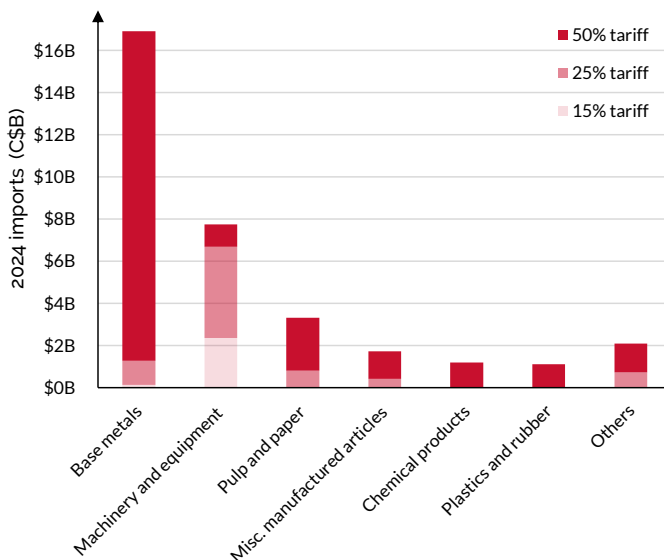
Those counter-tariffs drew the most attention, but they were not the only new barrier. Canada has also introduced a separate 25 per cent surtax on certain wood cabinets and vanities, on imports from most countries outside North America. The aggregate exposure is therefore relatively small, but where it applies the tariff wall can be prohibitive. At 50 per cent, the tariff effectively forces importers to switch suppliers.

The construction import-exposure analysis has been updated using Statistics Canada's latest national input-output tables, released in 2026 and covering 2024, replacing the 2023 dataset used previously. The updated data offers a snapshot of industry conditions immediately before the current trade disputes.

About 40 per cent of the inputs used by Canada's construction industry are imported, with the U.S. accounting for 25 pp of that share. Exposure is particularly high in engineering construction. In communications and oil and gas engineering, roughly 40 per cent of inputs are sourced from the U.S., exceeding the Canadian share. Residential construction is less exposed, but U.S. imports still account for about 21 per cent of its inputs.

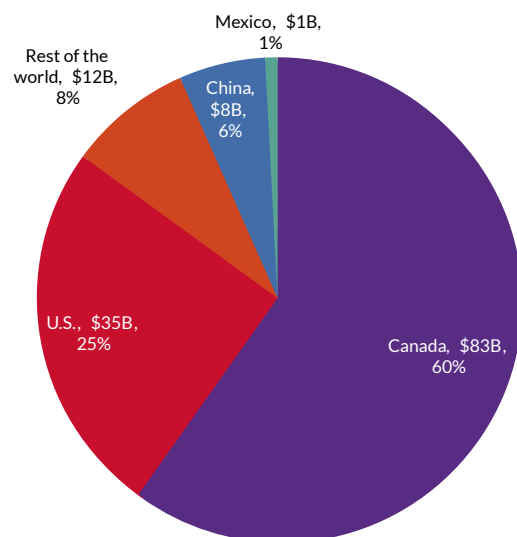
Exposure to U.S. inputs

Current tariffs on U.S. goods (excl. autos)



Source: CCA, StatCan

Manufactured input used in construction (2024)



Source: CCA, StatCan



Tariff exposure depends on a product's classification and origin. In practice, contractors, especially those purchasing through distributors, may not know how much surtax they need to pay until it reaches customs.

Canada has made meaningful progress by expanding general product-specific remissions that do not require case-by-case approvals across four frameworks covering U.S. counter-tariffs, Chinese surtaxes, steel products subject to tariff-rate quotas, and the global steel-derivative surtax. Much of this relief addresses steel products for which no Canadian alternatives exist or supply is constrained.

Once a product is covered, importers can generally claim the remission when accounting for the goods, meaning the surtax does not need to be paid if eligibility is identified beforehand. If surtax has already been paid, the importer can submit an adjustment to recover the amount, generally reimbursed within 90 days.

Available data separate intermediate inputs by source only by industry, not at the product-by-industry level. Thus, calculating industry-specific effective tariff rates is not feasible, particularly since remissions are defined at a highly granular product level. Moreover, the costs associated with tariffs do not stop at the border. Where new tariffs, together with sourcing changes, trigger component substitutions, additional approvals, or longer lead times, projects can incur costs beyond the tariff itself. These indirect effects are even harder to quantify but nevertheless real.

The four frameworks maintain separate schedules and eligibility rules, despite overlapping assessments of whether domestic supply is available. The fragmentation problem is also present under Buy Canadian policies, where no-capacity or availability exceptions are assessed on a case-by-case basis for individual procurements. Consolidating the remission frameworks around one automatically pre-cleared list of products with insufficient domestic supply would reduce duplication and remove unnecessary administrative friction for businesses accessing relief.

Sourcing rules matter more as institutional and publicly backed projects have become an important source of construction growth. This has important implications for public owners. More restrictive sourcing rules can increase costs and limit the pool of qualified suppliers and bidders, resulting in higher bid prices and less competition. For some municipalities, these challenges are already being experienced in practice. Ultimately, higher procurement costs reduce the amount of public infrastructure that can be delivered within a fixed budget. When costs rise, governments may either need to scale back, defer investments, or complete fewer projects. Achieving faster project delivery and higher construction productivity will be more challenging if the industry faces both higher material costs and tighter sourcing rules.

Lastly, transportation remains one of the biggest natural barriers to sourcing Canadian materials domestically. Transporting steel beams from Ontario to Western Canada can cost three to 10 times more than sourcing them from the U.S., largely due to proximity. In August, the federal government launched its \$100 million program reimbursing 50 per cent of eligible interprovincial rail and marine freight costs for Canadian steel. This is meaningful support, even though it does not eliminate Canada's underlying east-west transportation disadvantage.



Oil is back, diesel is worse

Although the breakdown in Canada-U.S. trade talks and discussions around closer Canadian association with the European Union have commanded much attention recently, the energy shock has not gone away. The oil market appeared to be stabilizing earlier in the summer, but that recovery reversed as the June U.S.-Iran Memorandum of Understanding fell apart, and the Strait of Hormuz traffic remains a fraction of normal levels. Brent crude is again almost US\$100 per barrel, roughly 40 per cent above its pre-war level.

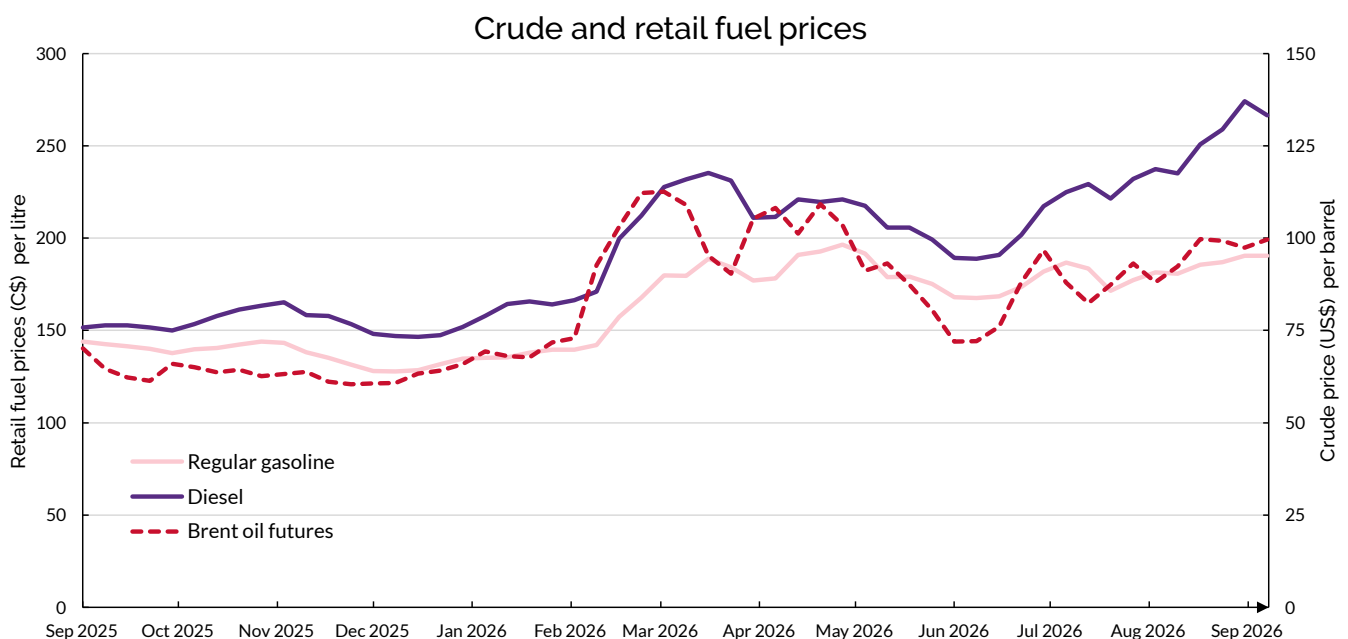
Several major central banks, including the Federal Reserve, European Central Bank and Bank of Japan, have raised their policy rates by a modest 25 basis points as the disruption in the Strait of Hormuz persists. The Bank of Canada faces growing pressure as well, but as Governor Tiff Macklem has emphasized, "Monetary policy cannot offset the effects of tariffs or influence global energy prices. What it can do is ensure that global developments do not jeopardize price stability in Canada."

So far, the inflation impact in Canada remains relatively concentrated. Headline Consumer Price Index (CPI) was three per cent in August, with cost of gasoline up 23 per cent and cost of transportation up 7.5 per cent. Excluding energy, CPI was up only 2.3 per cent. For contractors, however, the more relevant fuel is diesel, and the increase has been much larger than for crude. Canadian diesel prices exceeded \$2.75 per litre, an approximately 80 per cent increase from last year. Ottawa extended the federal fuel excise tax relief on gasoline, diesel, and aviation fuels until January 31, 2027.

Two seemingly separate conflicts have converged on the same commodity. Gulf producers and Russia were disproportionately important exporters of diesel. In 2025, they accounted for 20 per cent and 12 per cent of global seaborne diesel exports. Since then, continuing attacks on Gulf energy infrastructure and repeated Ukrainian strikes on Russian refineries have severely constrained supply. By August, combined Middle Eastern and Russian diesel exports had fallen by about 75 per cent below last year's level, to 520,000 barrels per day. Higher exports from the United States were not enough to fill that gap.

The facilities themselves have not been razed. The good news is that much of the damage is repairable. According to the International Energy Agency (IEA), minor damage to a crude-distillation unit (CDU) can often be repaired within one or two weeks, while serious damage to complex secondary units can take six to eight months. The bad news is that the strikes are ongoing. With winter approaching, the refined-product shortage could tighten further. Overall, the oil shock is significant but narrow compared to broad demand shocks or COVID-like economy-wide disruptions.

Crude and diesel



Yield to quantity

On September 15, U.S. 10-year Treasury yields rose above five per cent, their highest level since 2007. While the increase reflects uncertainty stemming from recent political developments, it points more to repricing of duration than market panic. The term premium on 10-year Treasuries, over short-term Treasury bills, reached almost one per cent, its highest level since around 2010.

Large U.S. government deficits are adding to Treasury issuance, while companies are also borrowing heavily to finance data centres. With more long-term debt to absorb and competition for investment, investors are demanding a higher return to hold it. At the same time, hiking Japanese interest rates and a stronger yen reduces a major source of liquidity for global bonds.

Canadian yields have followed the U.S. higher, but less sharply. U.S. Treasuries are the benchmark for global bond markets, so when their yields rise, Canadian bonds generally have to offer more as well to remain competitive. Canada's stronger fiscal position has helped keep Canadian yields below U.S. yields, but it has not prevented them from rising.

For contractors, the bottom line is simple: even if the Bank of Canada does not raise its policy rate, the cost of financing long-lived projects can still rise because the long-term market cost of borrowing has increased. For public funding, the connection is direct. Federal, provincial and municipal governments finance spending partly by issuing bonds. When government bond yields rise, the cost of new borrowing and refinancing rises with them, increasing the financing cost of infrastructure and other capital programs.

For private funding, the effect shows up through the project's capital structure. Financing may come from mortgages, loans, project bonds, corporate borrowing, or equity investment. These forms of financing are ultimately influenced by the same underlying risk-free interest-rate environment, with additional premiums for credit, term and project risk. That means higher bond yields can raise mortgage and project-financing costs, while also raising the return that investors require before committing capital.

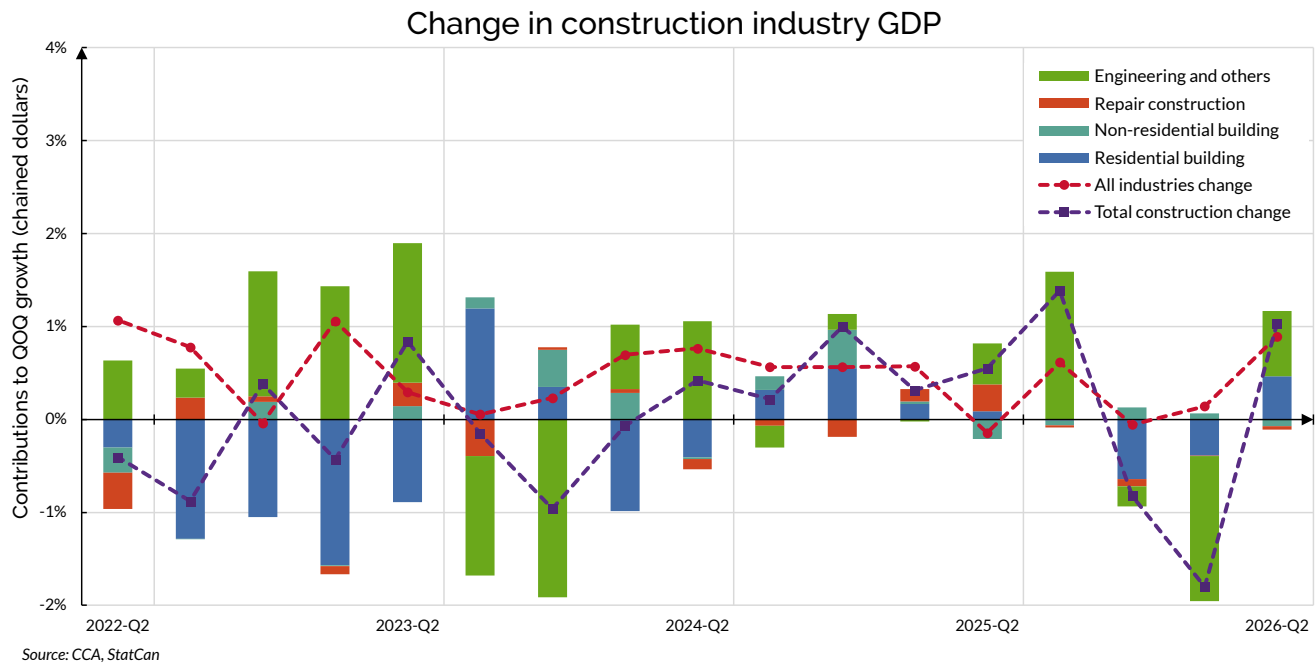
ICIC construction sector: Performance and sectoral trends

Sectoral GDP

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

Construction rebounded in the second quarter of 2026 after two quarters of decline. Sector GDP increased by one per cent QOQ, on par with the all-industry average (+0.9 per cent). Engineering and other construction activities recovered by two per cent, while residential building construction increased by 1.5 per cent, driven by alterations and improvements and apartment construction.

Construction GDP



The largest contributor to the rebound was engineering and other construction activities. Partially reversed by recovery in oil and gas capital expenditures, it rebounded by 7.2 per cent following the sharp Q1 pull-back. However, at \$11 billion, oil and gas capital spending remained slightly below its level a year earlier.

After two consecutive quarters of decline, construction activity has recovered to approximately the level recorded a year earlier. However, the recovery remains uneven across segments of the industry. Year-over-year, engineering construction is up 1.4 per cent, while non-residential building construction remained largely unchanged. Residential construction and repair construction declined by 1.8 per cent and 0.8 per cent, respectively.

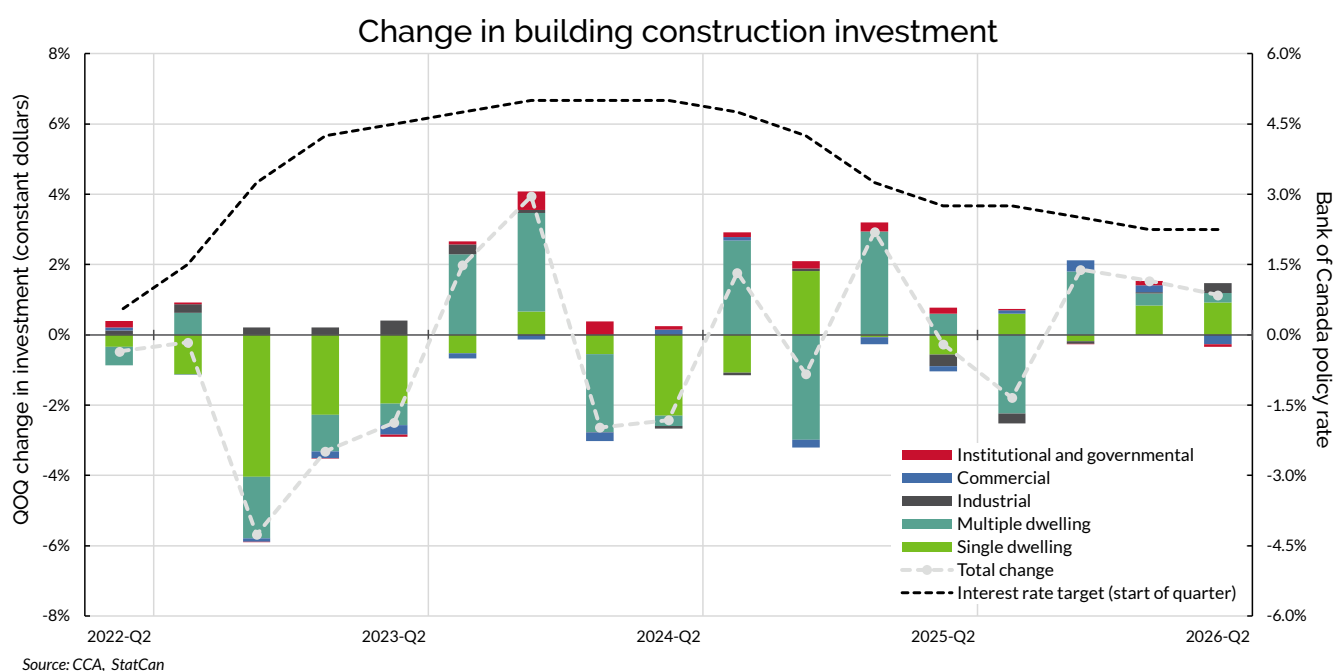
Investments in building construction

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

In the second quarter of 2026, Canada recorded \$63.3 billion in estimated real building construction investment, up 1.1 per cent from the previous quarter. The growth was driven almost exclusively by single-family residential construction, which increased by 2.9 per cent, while multi-family construction edged up 0.7 per cent.

Regionally, performance remained uneven, particularly in residential construction. Alberta saw an overall decline of about 10 per cent, led by multi-family residential construction, while growth in the industrial, commercial and institutional (ICI) sector was not enough to offset the decline. The Atlantic region also saw a decline of similar magnitude, but the weakness was broad-based across residential and ICI sectors. On the flip side, British Columbia and Quebec grew by 6.4 and 6.9 per cent, respectively, while Manitoba grew by almost 16 per cent QOQ. Growth in all three provinces was supported by increases in multi-residential construction.

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.

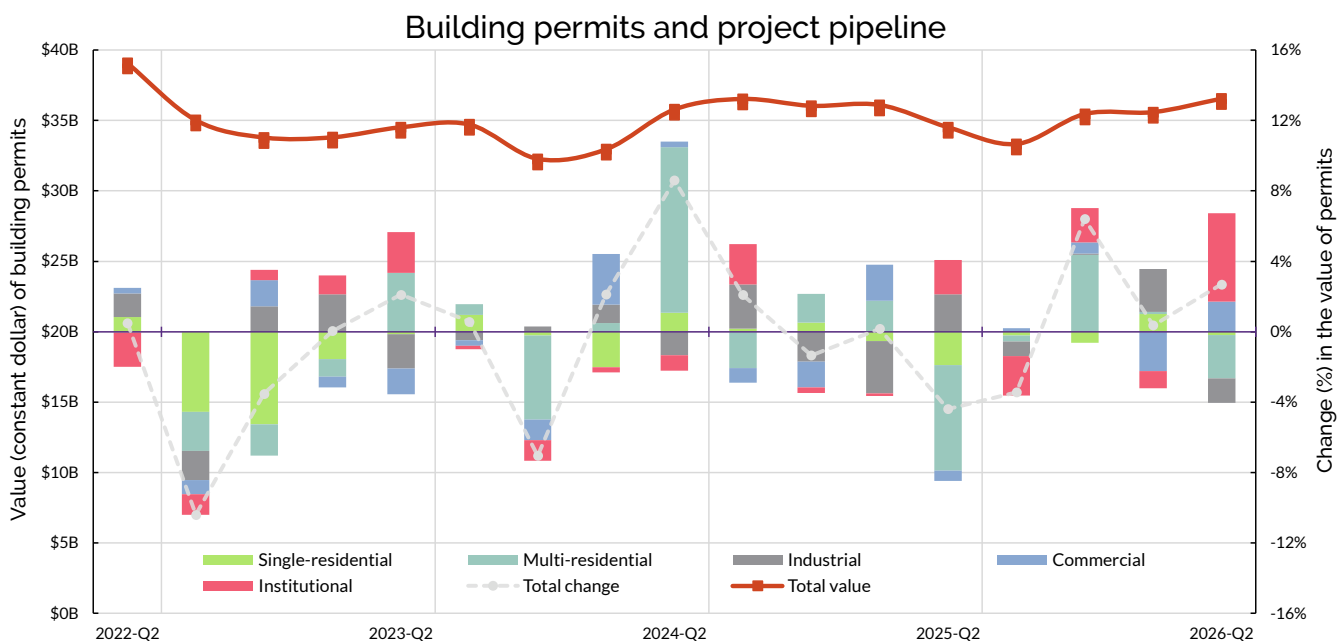
Building permit values have climbed out of their mid-2025 trough, but the improvement has been driven disproportionately by large institutional projects. Total permit values increased by 2.1 per cent in Q2, while institutional permits reached a record \$6.1 billion in real terms, driven almost exclusively by the \$3.8 billion mega permit issued for the Peter Gilgan Mississauga Hospital in June.

At the same time, the residential pipeline continued to soften. Multi-residential permit values fell by 2.8 per cent, with Ontario and British Columbia accounting for almost all of the decline. Manitoba also fell by almost 30 per cent, its lowest level in the last five quarters. Across Canada, municipalities authorized about 80,000 new residential units during Q2, roughly 2,200 fewer than in the same quarter last year.

Industrial construction intentions slipped by 12.5 per cent, losing part of their Q1 recovery. Much of the growth was concentrated entirely in Saskatchewan, likely reflecting permitting associated with BHP's Jansen potash project. The pipeline could weaken further if renewed tariff uncertainty translates into softer manufacturing investment. Commercial intentions recovered from their Q1 decline, rising by about 11 per cent, with the largest gains in Ontario and Manitoba.

Provincially, British Columbia slowed after three consecutive quarters of growth, with total permit values down about 13 per cent in Q2. The pullback was broad-based across both residential and ICI construction. Alberta and Nova Scotia also remain below 2025 levels. A key area of focus in the near-term will be the extent to which recently announced data centre and supporting electricity infrastructure investments materialize in building permit values over the coming months.

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 34,300 workers by 2034. For contractors, labour availability directly affects project timelines, bid pricing, and competitiveness. This section examines current employment levels, job vacancies, and labour market tightness. Unless otherwise stated, calculations are based on seasonally adjusted values.

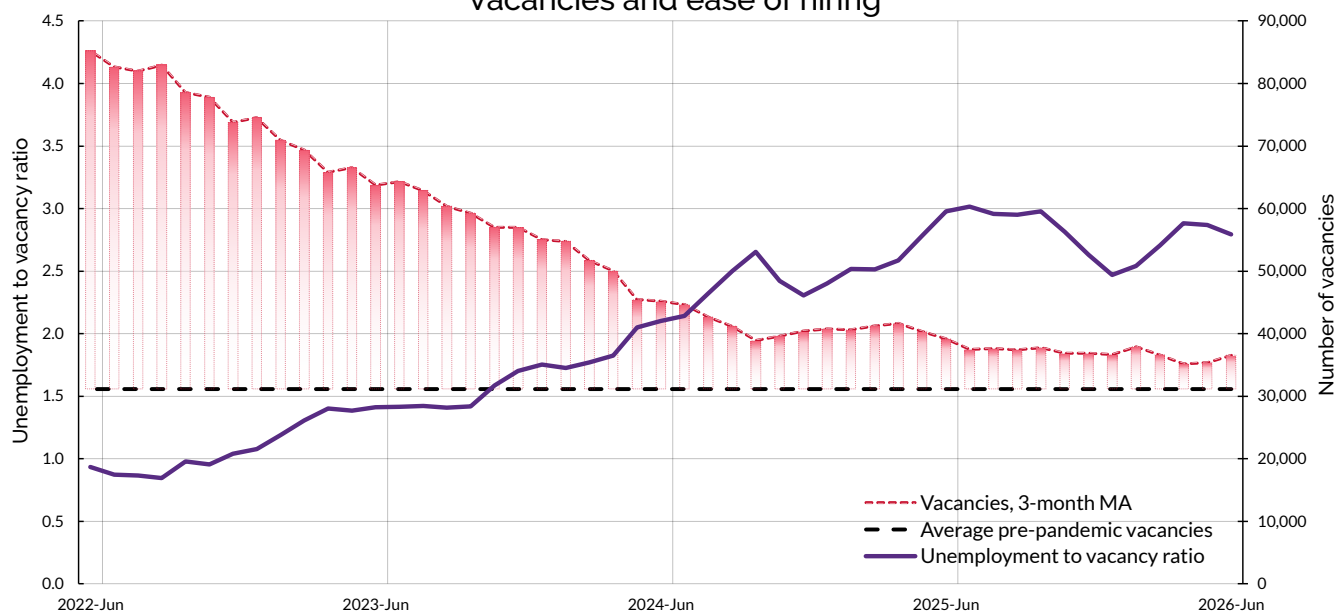
Vacancies

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

Construction job vacancies were broadly unchanged in Q2 at around 36,000 but fluctuated dramatically within the quarter. Vacancies fell to 32,300 in April, their lowest level since 2019, before rebounding in May and rising further to 39,100 in June, a six-month high.

Vacancies

Vacancies and ease of hiring



Source: CCA, StatCan

Unemployment and labour market tightness

The national unemployment rate fell from 6.6 per cent in May to 6.4 per cent in August. Construction followed the opposite pattern through the same period, rising from 5.8 per cent to 6.3 per cent, its highest level since last October. The increase primarily reflected growth in the construction labour force outpacing relatively flat employment, suggesting that more workers are entering the industry without landing a job.

In Q2 2026, construction averaged approximately 104,000 job seekers per month, representing about 6.9 per cent of total unemployment. Construction's share of total unemployment has steadily recovered since late 2025, rising from 5.6 per cent in November to 7.5 per cent in August.

Labour market tightness is tracked by measuring the ratio of unemployed workers to vacant positions. A lower ratio indicates a tighter market, meaning businesses face greater difficulty filling open roles. Hiring conditions eased sharply in April when construction vacancies fell to 31,500. In May and June, the influx of workers kept pace with the rebound in vacancies, leaving the tightness ratio close to three unemployed workers for every vacant position.

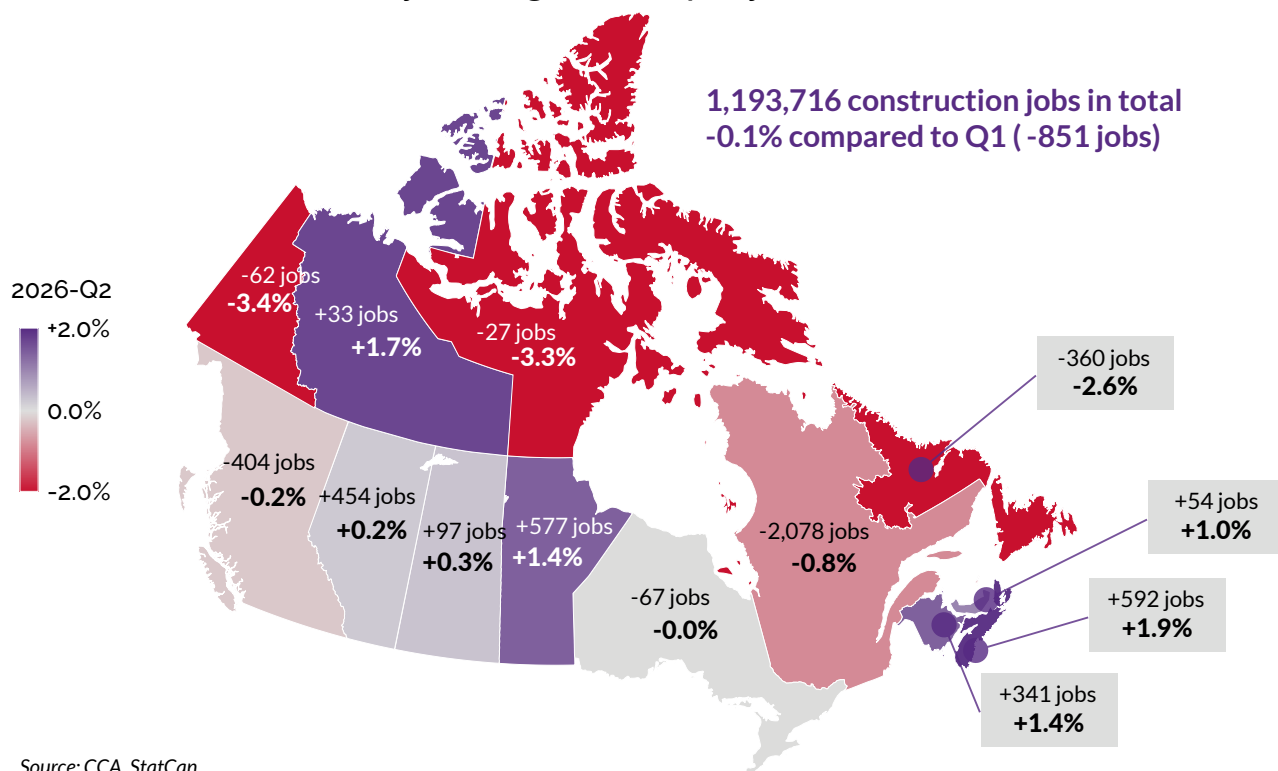


Payroll employment: SEPH

The Survey of Employment, Payrolls and Hours (SEPH) tracks the number of jobs from payroll records, both salaried and paid-by-hour, providing a more stable indicator of sectoral employment trends. The SEPH provides a more granular view of subsector composition and hours worked, with geographic definition based on location of the job. According to SEPH, construction accounted for almost 1.3 million payroll jobs in 2025, representing seven per cent of total employment across all industries. This series exhibits low variations, typically less than two per cent in most provinces.

SEPH change

Quarterly change in employment (SEPH)



The total number of payroll employees in construction was essentially unchanged in Q2 from the first quarter of 2026, following four consecutive quarterly increases. Payroll employment weakened through April before recovering in May and June, adding 5,600 payroll employees, or 0.5 per cent, from April to June. By June, employment stood 1.5 per cent above its level a year earlier.

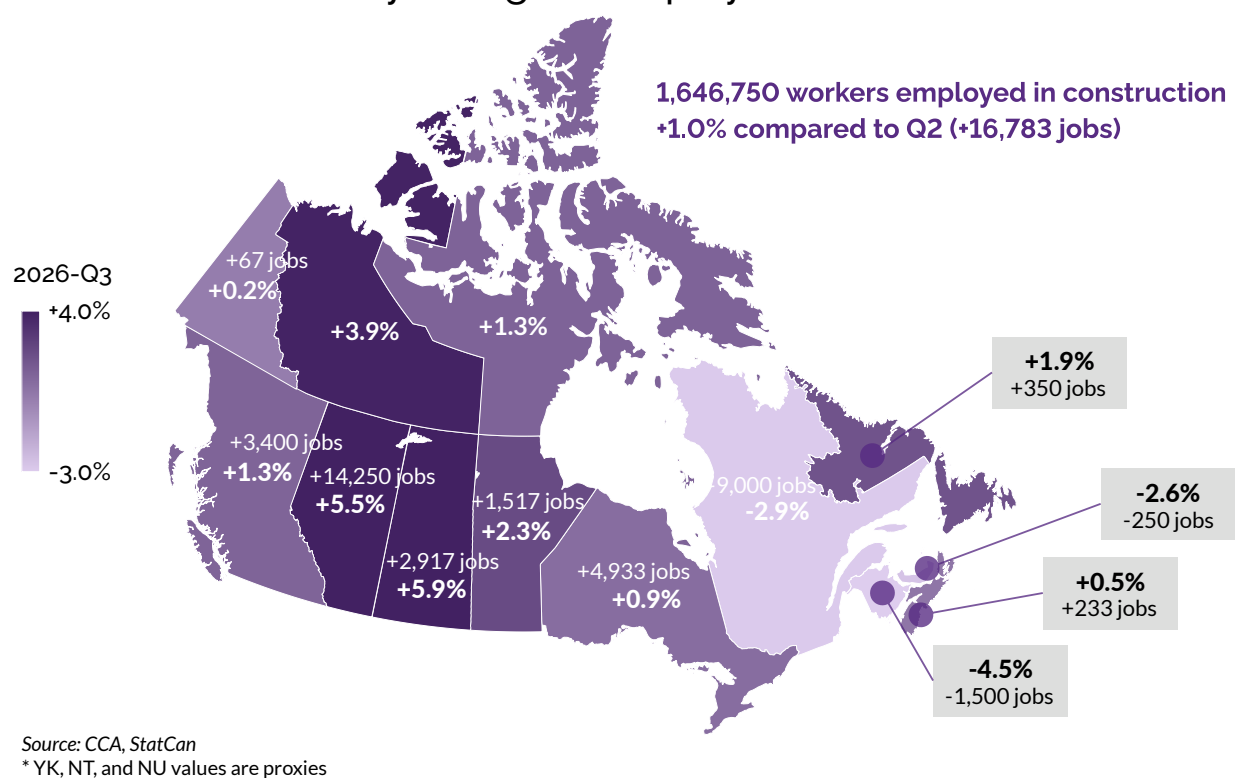
Provincial performance was mixed. Quebec accounted for the largest absolute decline, falling almost one per cent, its first quarterly decline in payroll employment since Q2 2024. By contrast, Manitoba, New Brunswick and Nova Scotia continued to trend higher, extending the broader gains seen over the past quarters, while changes across most other provinces were modest. Ontario remained essentially unchanged and subdued since the sharp decline in early 2025.

LFS

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

LFS Change

Quarterly change in employment (LFS)



In July and August, construction employment increased by one per cent from the second-quarter average, representing a gain of roughly 17,000 workers. Most of the increase occurred in July. On average, construction employment in July and August was 1.2 per cent higher than in the same period a year earlier. These changes are broadly in line with employment developments observed across the wider economy.

Seven of 10 provinces recorded expansion in construction employment. Alberta posted the strongest gains, up 5.5 per cent, or about 14,000 workers. Quebec fell by 2.9 per cent (-9,000 workers). Total construction employment in Quebec has been trending lower and is now about 10 per cent below its level at the start of 2025. As noted previously, this weakness contrasts with payroll employment and other indicators, which continue to show historically high levels of construction activity in the province. New Brunswick also declined by 4.5 per cent.



Cost of building construction

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

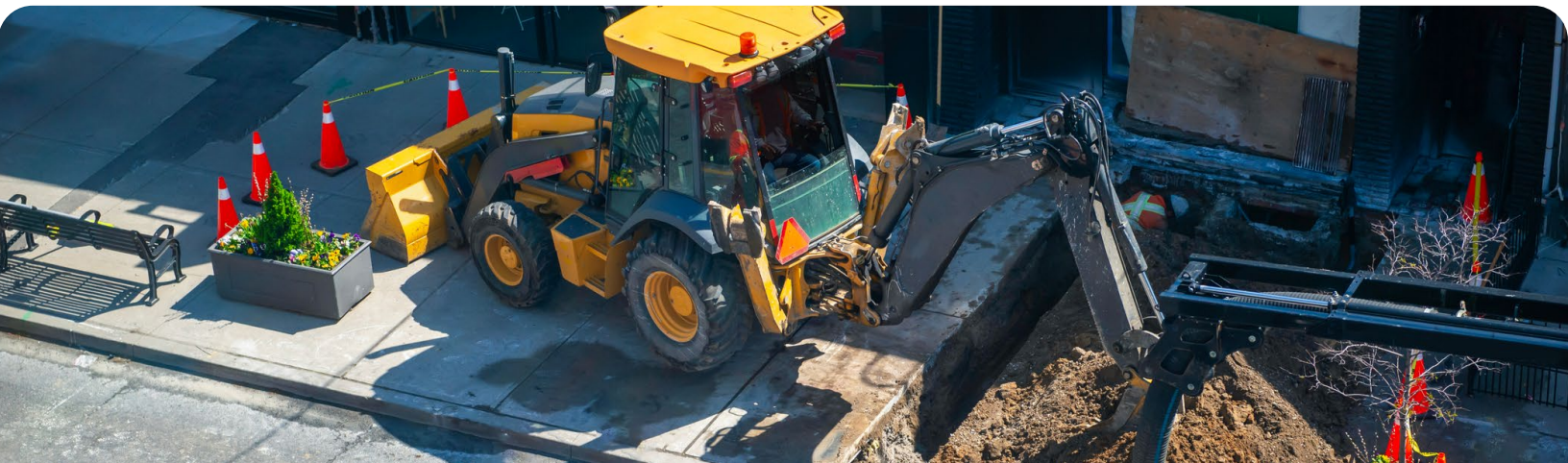
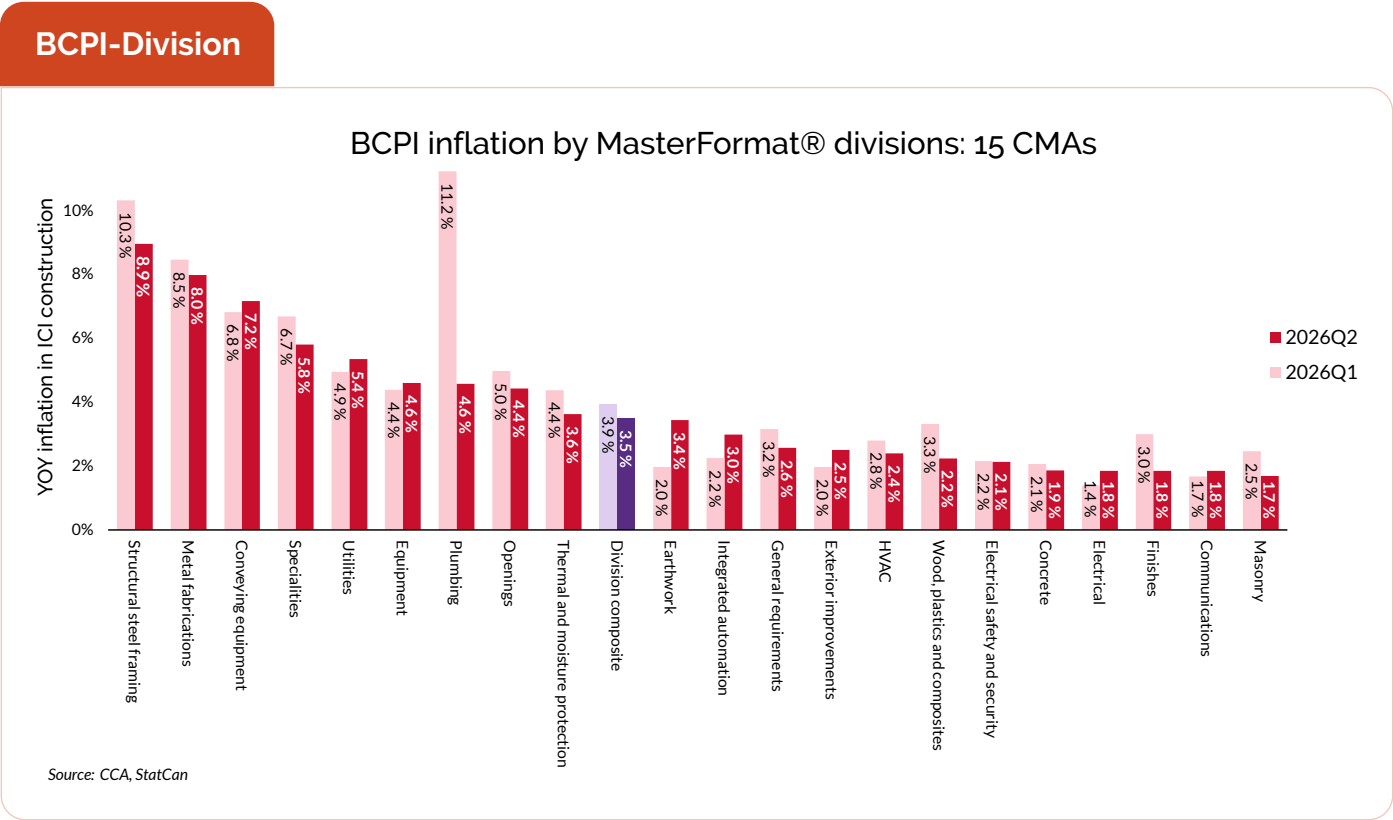
By division

Overall non-residential costs were up 3.5 per cent from a year ago, down from 3.9 per cent in Q1 after revision. Steel tariffs continue to blunt the broader slowdown in construction inflation. Structural steel framing and metal fabrications continued to trend upwards, with prices more than eight per cent higher than a year ago. Steel is a clear case for identifying tariff-related cost pressure. Tariff rates on many steel products are substantial, reaching as high as 50 per cent, while roughly 40 per cent of the relevant input base is imported. The continued increase in steel-intensive BCPI divisions also stands out from the underlying global oversupply, which would otherwise put downward pressure on prices.

Domestic producer prices like the Industrial Product Price Index (IPPI) are not a complete benchmark. Steel produced by Canadian mills and steel ultimately used on Canadian construction sites are different products. Construction draws on imported steel as well as domestic production and downstream fabricated products. Steel-heavy divisions remain far above the headline rate. The apparent slowdown in their YOY inflation is partly a base effect. Comparisons are now being made against Q2 2025, when the first Canadian counter-tariffs on U.S. steel had already taken effect. On a quarterly basis, these divisions recorded a further increase of approximately two per cent.

On a QOQ basis, the largest increases were conveying equipment (+2.9 per cent) and earthwork (+2.2 per cent), partly reflecting higher fuel costs through machinery use and transportation. This could become more significant with the arrival of winter, when broader heating demand puts upward pressure on energy prices and construction consumes additional fuel for on-site heating.

Looking ahead, the cost environment is becoming more complicated, not less. Canada has added a 25 per cent tariff on certain wood cabinets and vanities, while the latest round of counter-tariffs raised tariffs on some U.S. steel and aluminum products from 25 per cent to 50 per cent and added other construction-relevant goods. Buy Canadian requirements are also expanding across federal procurement and federally funded projects. Headline inflation remains relatively contained, but underlying pressure remains. Project-specific exposure matters significantly; steel-heavy and equipment-intensive projects face hiring escalations.





By census metropolitan area and building type

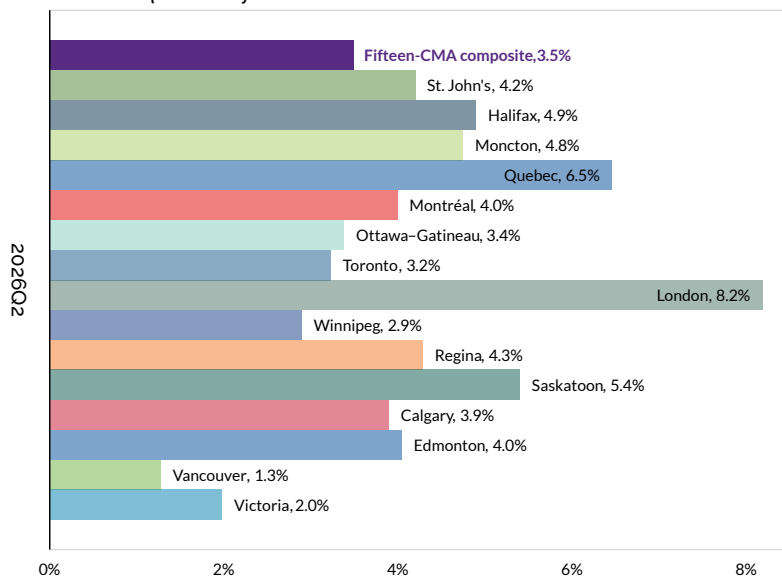
Although growth in London and Quebec City slowed from the pace recorded a year earlier, both continued to post the strongest increases among major markets, at 8.2 per cent and 6.5 per cent, respectively. Quarterly growth was also strongest in these markets, followed by Saskatoon, Montreal and Regina. Vancouver now has the lowest inflation at 1.3 per cent, followed by Victoria at two per cent. In Quebec, a five per cent union wage increase took effect on April 26 across ICI, and civil engineering construction, adding directly to Q2 cost pressures.

Year-over-year inflation moderated across building types, but construction cost growth remained highest for industrial buildings. Factories, bus depots and warehouses continued to experience above-average cost growth, reflecting their greater exposure to structural steel and metal fabrication.

BCPI-CMA

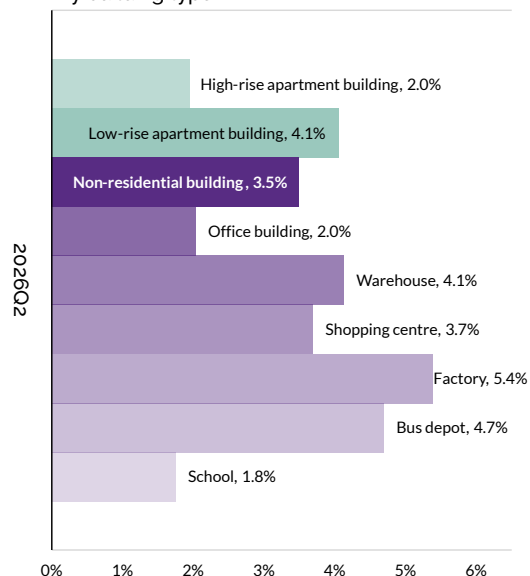
YOY inflation in ICI BCPI

Last two quarters by CMA



Source: CCA, StatCan

By building type





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.

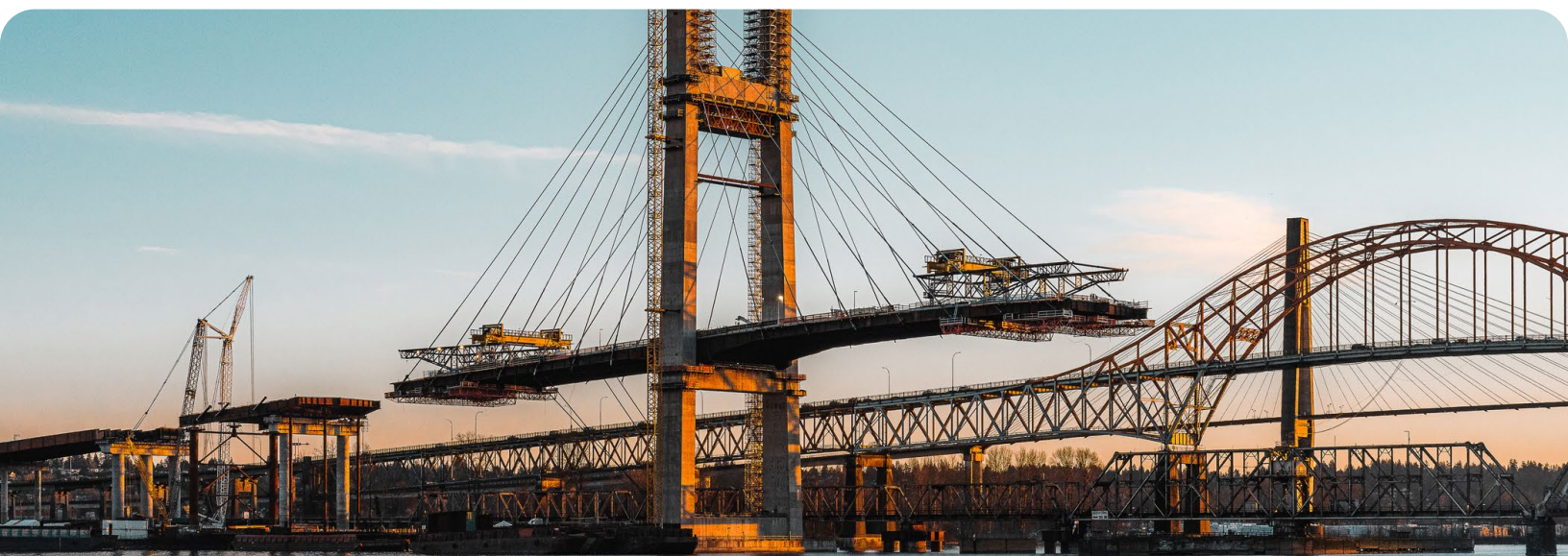
Construction sentiment was roughly in the middle of the pack among the 16 industries identified in the CSBC. It is important to note that the survey was conducted in July, before the latest escalation in energy prices and the breakdown of Canada-U.S. trade negotiations. About 73 per cent of firms were very or somewhat optimistic about the near-term outlook, compared with 15 per cent that were somewhat or very pessimistic. While 18 per cent of firms foresaw no obstacles in the next three months, 70 per cent expected cost-related obstacles and 39 per cent expected labour-related obstacles.

Reported obstacles eased broadly from Q2, with some of the largest improvements in transportation costs and the cost of insurance. With hindsight, that relief appears to have been premature. Diesel prices continued to rise after the survey closed, while the breakdown in Canada-U.S. trade negotiations introduced another source of uncertainty. More firms were concerned about recruiting skilled employees (30 per cent) than an outright shortage of labour (22 per cent), suggesting that skills matching remains a larger issue than the overall availability of workers. At least one in five firms expected each of the major demand-related obstacles, including difficulty attracting new or returning customers.

Regionally, construction firms in Quebec, Nova Scotia, and Newfoundland and Labrador were the most optimistic, while those in British Columbia and Saskatchewan were the most pessimistic. Firms were most concerned with cost increases in British Columbia, Alberta and Nova Scotia, where more than 80 per cent reported at least one cost-related obstacle. Meanwhile, roughly half of construction firms in British Columbia, Saskatchewan, New Brunswick, and Newfoundland and Labrador expected labour-related obstacles.

CSBC 2026-Q3

Rank	Obstacles	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	YK	NT	NU	CAN
1	Inflation	48%	32%	42%	65%	32%	50%	44%	50%	64%	68%		26%		52% -1 pp
2	Transportation costs	29%	18%	38%	33%	17%	28%	20%	29%	48%	48%			3%	33% -7 pp
3	Cost of inputs	16%	15%	40%	29%	25%	25%	29%	29%	37%	45%	9%		0%	31% -2 pp
4	Cost of insurance	23%	13%	38%	20%	22%	23%	19%	37%	44%	45%			3%	31% -10 pp
5	Recruiting skilled employees	34%	17%	42%	37%	29%	26%	32%	48%	37%	30%	8%	23%		30% 0 pp
6	Interest rates and debt costs	44%	15%	24%	33%	19%	25%	17%	20%	25%	50%	0%		0%	29% +3 pp
7	Attracting new or returning customers	14%	11%	6%	8%	18%	26%	8%	13%	20%	29%	6%	9%	0%	22% +3 pp
8	Increasing competition	23%	1%	14%	15%	9%	22%	9%	21%	36%	29%	0%	12%	0%	22% -9 pp
9	Shortage of labour force	36%	17%	42%	38%	20%	11%	14%	35%	25%	33%	1%	18%		22% -1 pp
10	Fluctuations in consumer demand	9%	16%	29%	12%	11%	25%	7%	18%	20%	28%	0%	3%	0%	21% -2 pp



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

Budget 2026

The fall Federal Budget is expected to be tabled in November. It will include recently announced measures such as the Productivity Mega Deduction, which would greatly expand immediate expensing, at an estimated fiscal cost of \$36 billion over the next five years. The Budget should provide a clearer picture of this and any additional investment measures, alongside a federal fiscal update after six months of major changes and shifting economic conditions.

Build Communities Strong Fund

The \$51 billion fund is beginning to move from announcement to agreements. Its \$17.2 billion provincial and territorial stream requires bilateral agreements before funding can flow, and agreements have been signed with an increasing number of provinces through 2026. These agreements are expected to be finalized in the coming months, and for contractors, these deals bring the national funding envelope closer to actual projects.

Local procurement complicates

Contractors are already engaging public owners to work through Buy Canadian and Buy Ontario policies. The challenges can look very different from one project to the next: some owners are pushing domestic sourcing further, while others are focused on what can realistically be delivered, leaving contractors to adapt accordingly. Meanwhile, the provincial patchwork widened. Manitoba rolled out its own Buy Manitoban Buy Canadian policy in September, while Quebec has announced its 2026-2030 Government Public Procurement Strategy. Ultimately, implementation matters just as much as the rules themselves.

Which major projects are moving?

After a year dominated by project lists and announcements, the key question heading into 2027 is which projects will convert into committed construction. Meta's Sturgeon County data centre reached final investment decision in July, while the associated Greenlight Electricity Centre is scheduled to begin construction this fall. GO Expansion work is ramping up, while LNG Canada Phase 2 is working toward a possible final investment decision by year-end.

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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