

# ICIC Economic Update

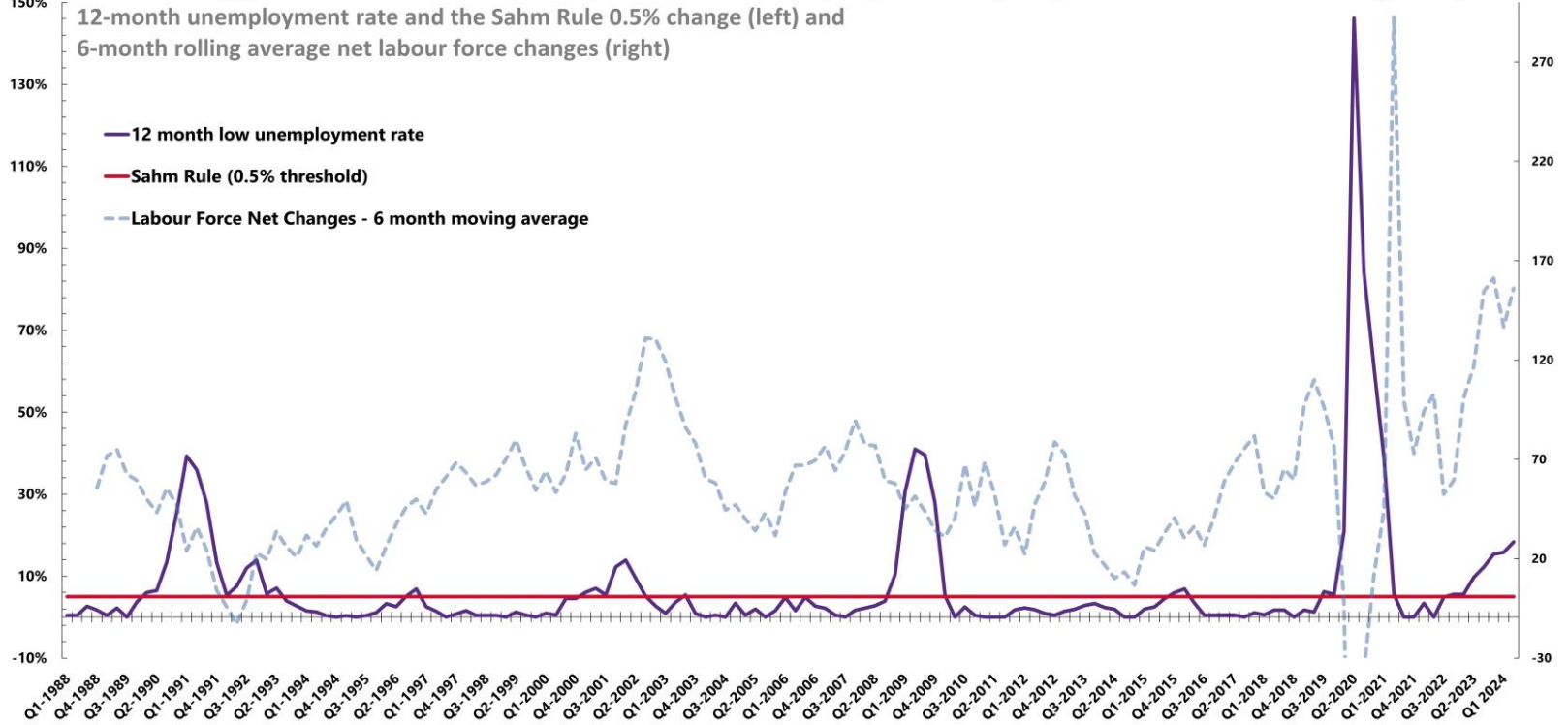
Q1 2024 Insights



Canadian Construction  
Association  
Association canadienne  
de la construction

# The Sahm Rule

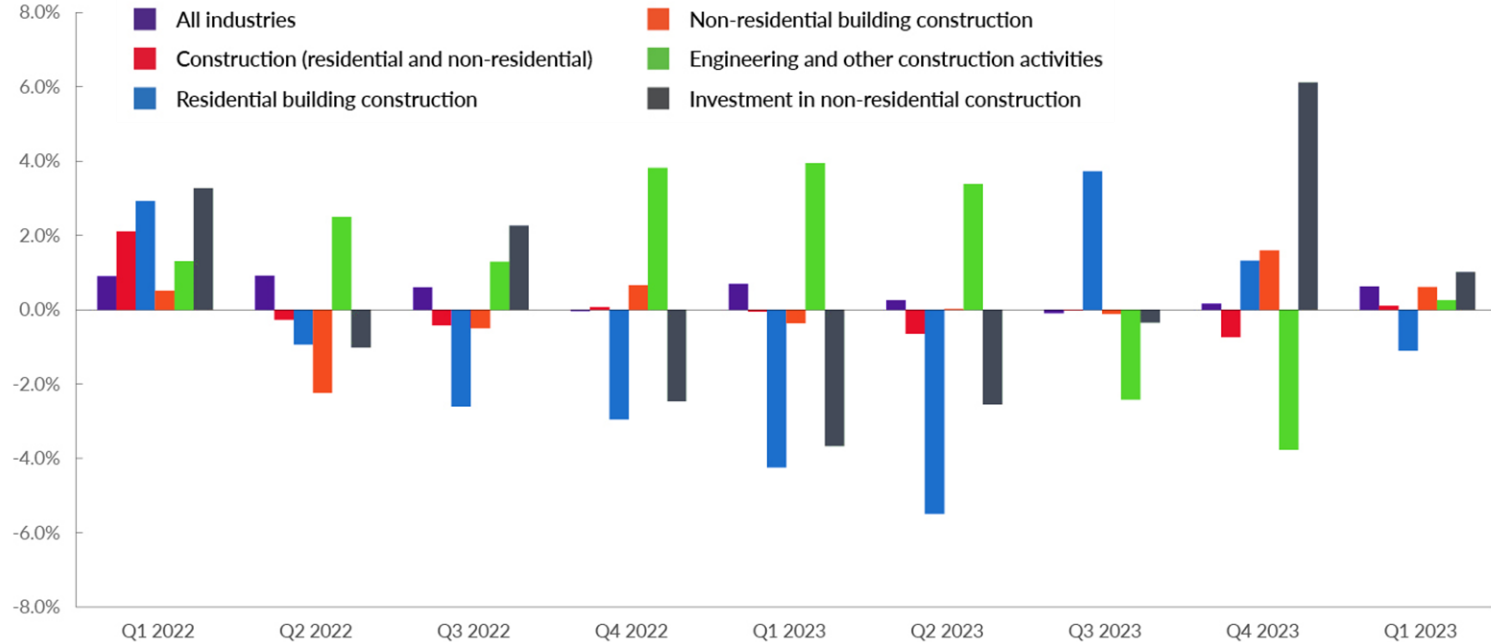
Sahm rule triggered: the increase in unemployment reflects more people entering the job market rather than a surge in layoffs



# Current macroeconomic environment

Real GDP growth of construction and non-residential investment growth

Quarterly percentage change

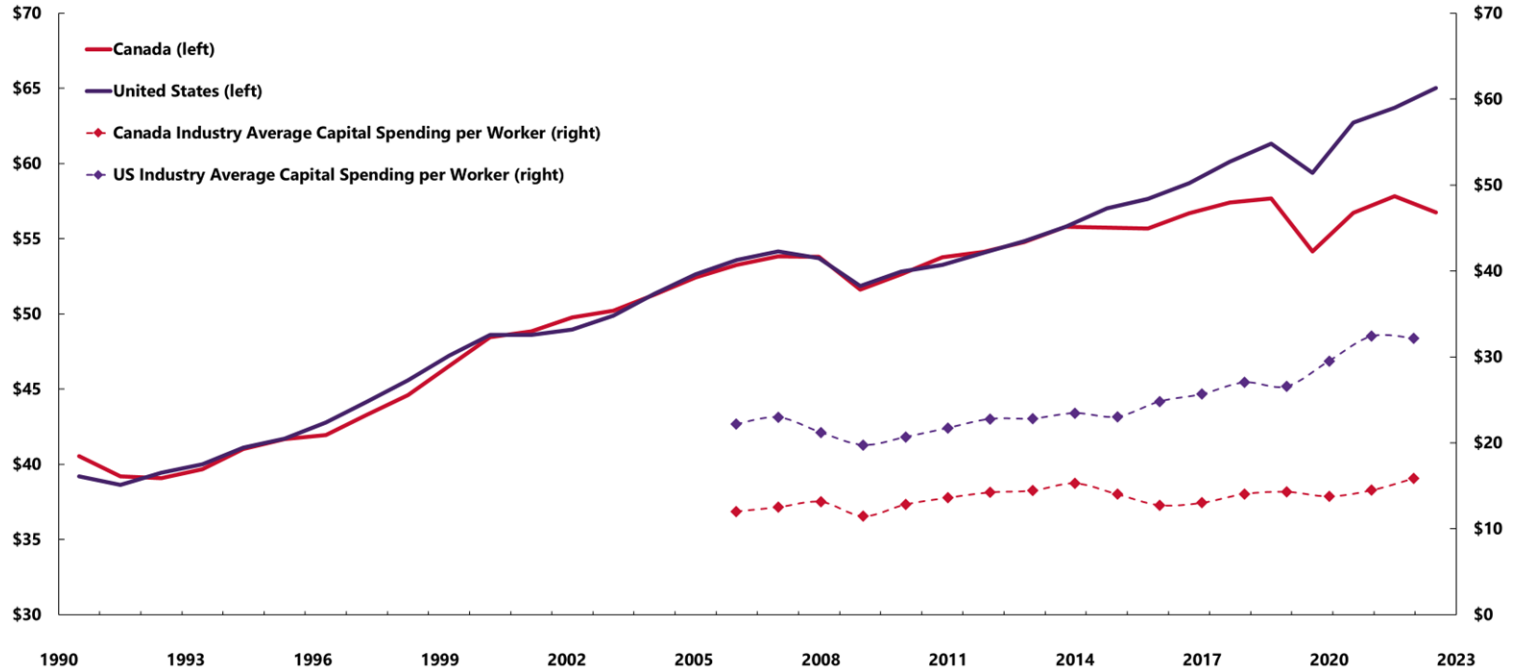


# Current macroeconomic environment

GDP  
Thousands  
\$CAD

Between 2015 and 2023 real GDP per capita in Canada rose 1.8%, the United States rose 14%  
Yearly real GDP per capita growth and yearly capital spending per worker 2006 - 2023

Capital Spending  
Thousands  
\$CAD

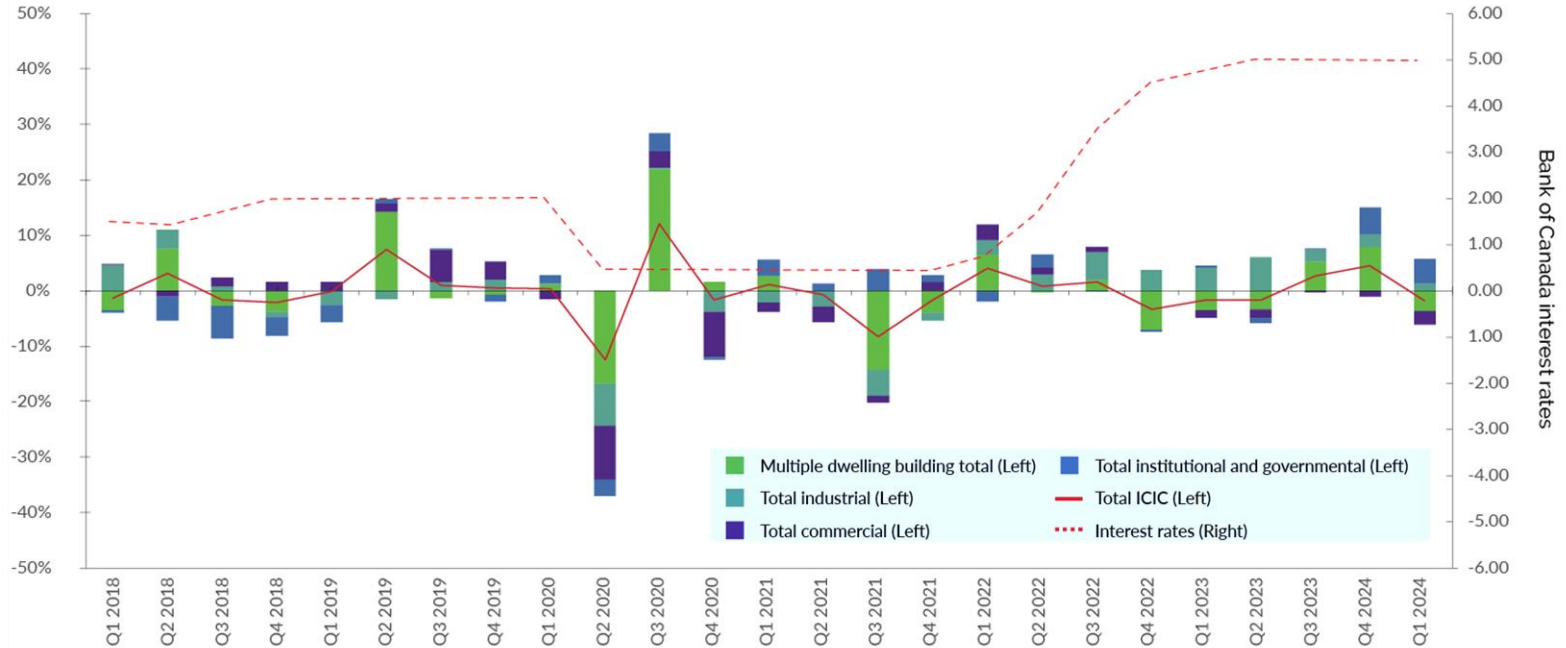


Source: OECD, Statistics Canada, US BEA, US BLS, CCA Calculations

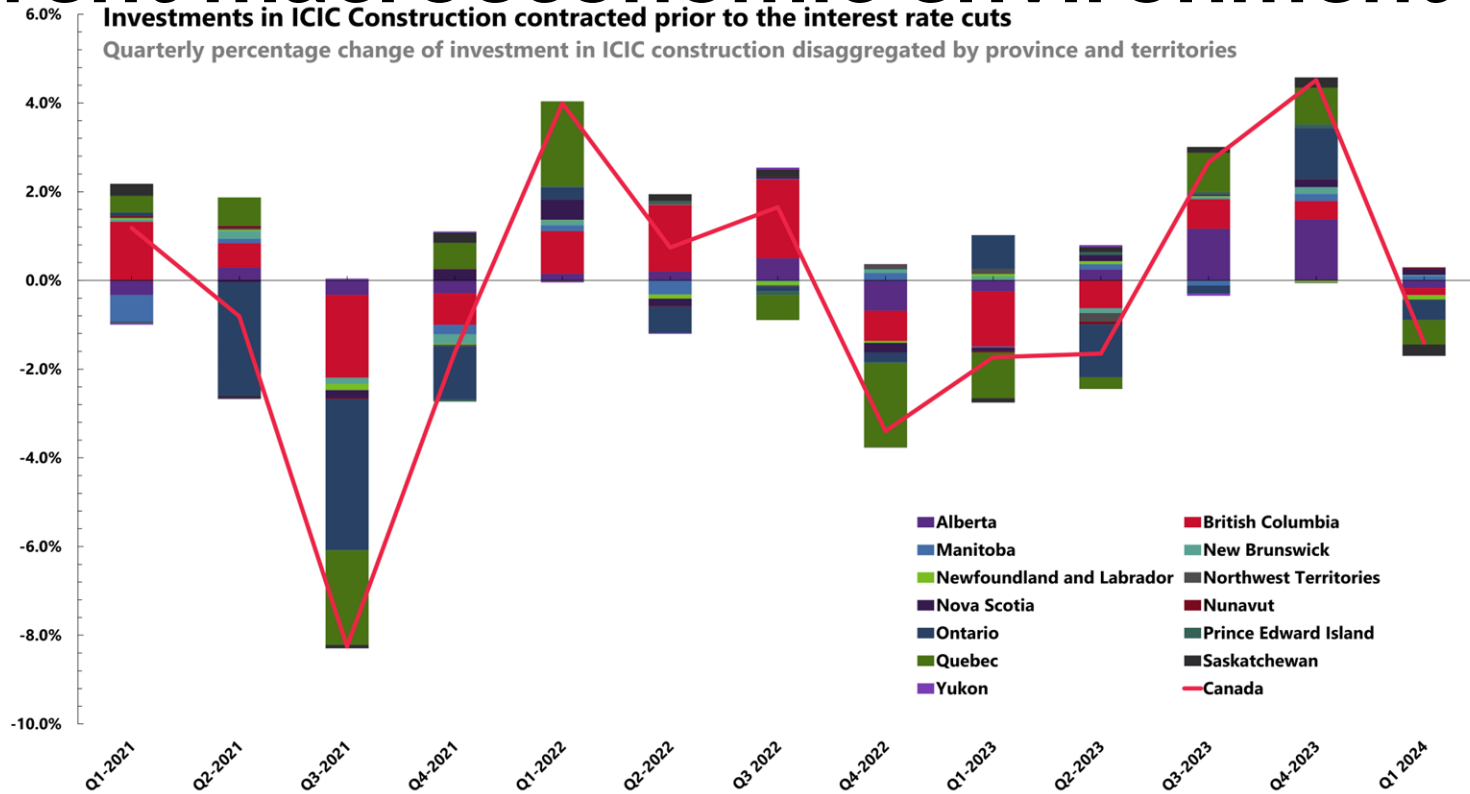
# Current macroeconomic environment

Real GDP growth of construction and non-residential investment growth

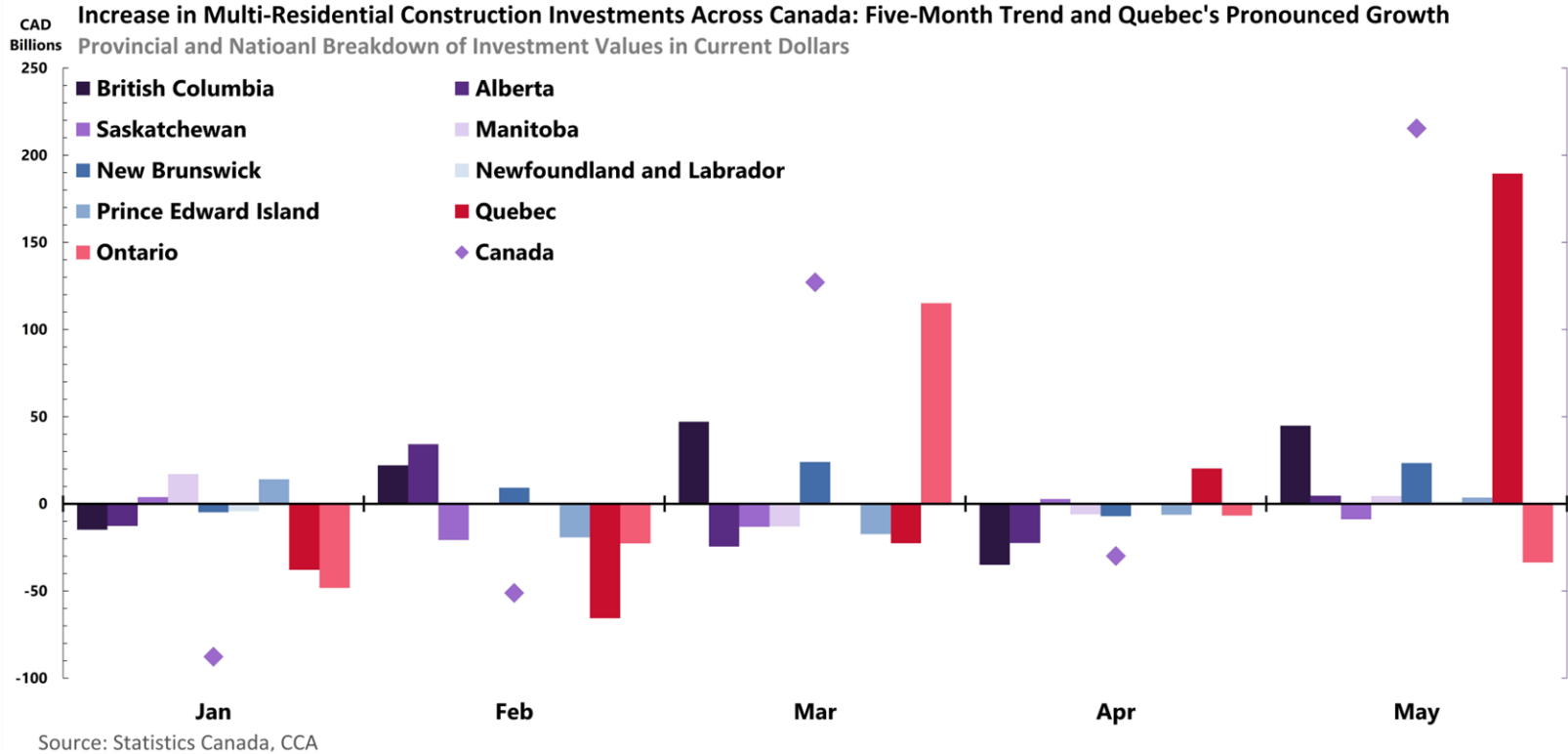
Quarterly percentage change



# Current macroeconomic environment



# Current macroeconomic environment



# Industry Dynamics

Distribution of construction businesses

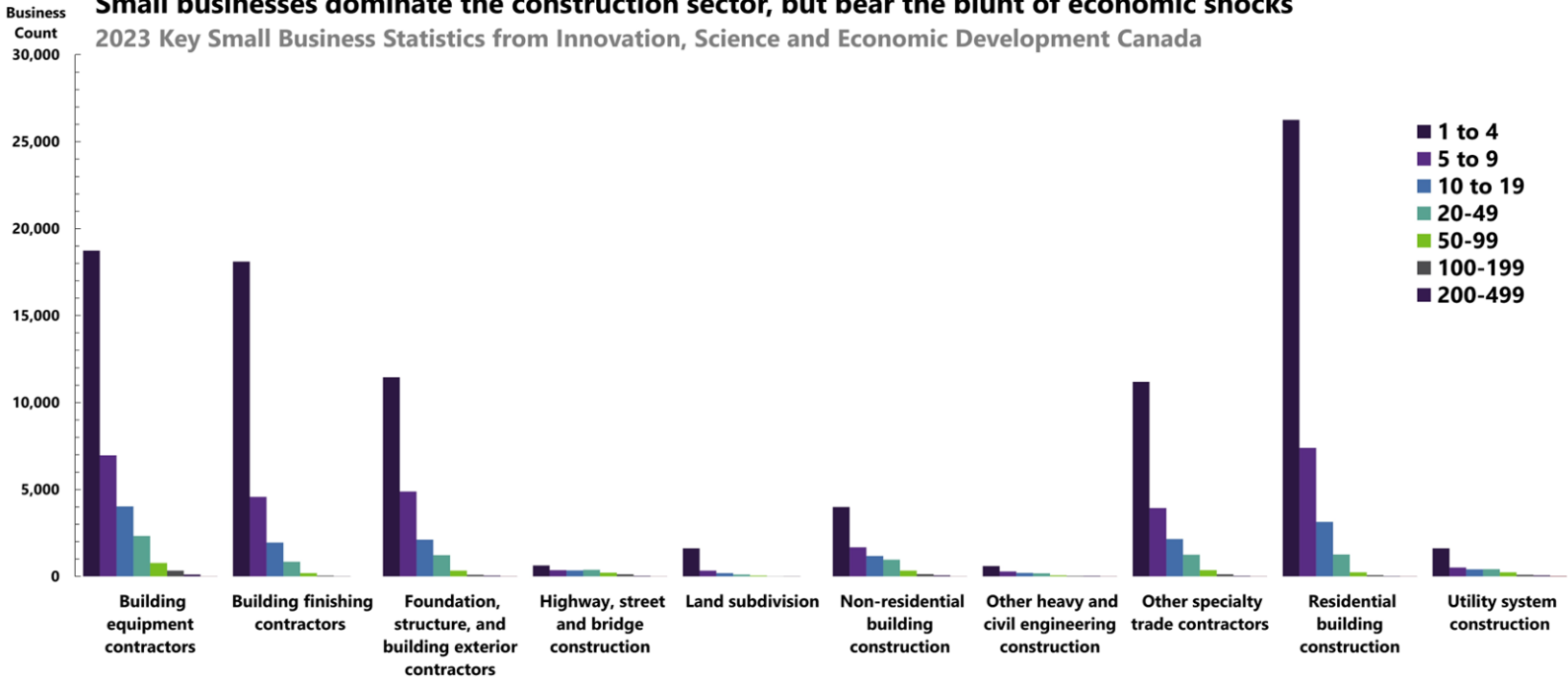
2023		Micro (1-4)	Small (5-99)	Medium (100-499)	Large (500+)
Construction	Total	96,126	58,360	1,629	104
	% Distribution	61.5%	37.4%	1.0%	0.1%
Residential	Total	27,314	12,107	104	5
	% Distribution	69.1%	30.6%	0.3%	<0%
Non-residential	Total	3,923	4,194	187	21
	% Distribution	47.1%	50.4%	2.2%	0.2%
Heavy and civil engineering construction	Total	4,313	4,083	454	47
	% Distribution	48.50%	45.90%	5.10%	0.50%
Specialty trade contractors	Total	60,576	37,976	884	31
	% Distribution	60.9%	38.2%	0.9%	<0%
2015 - 2023		Micro (1-4)	Small (5-99)	Medium (100-499)	Large (500+)
Construction	Total	79,264	37,182	902	102
	% Distribution	67.5%	31.6%	0.8%	0.1%



# Industry Dynamics

## Small businesses dominate the construction sector, but bear the blunt of economic shocks

2023 Key Small Business Statistics from Innovation, Science and Economic Development Canada



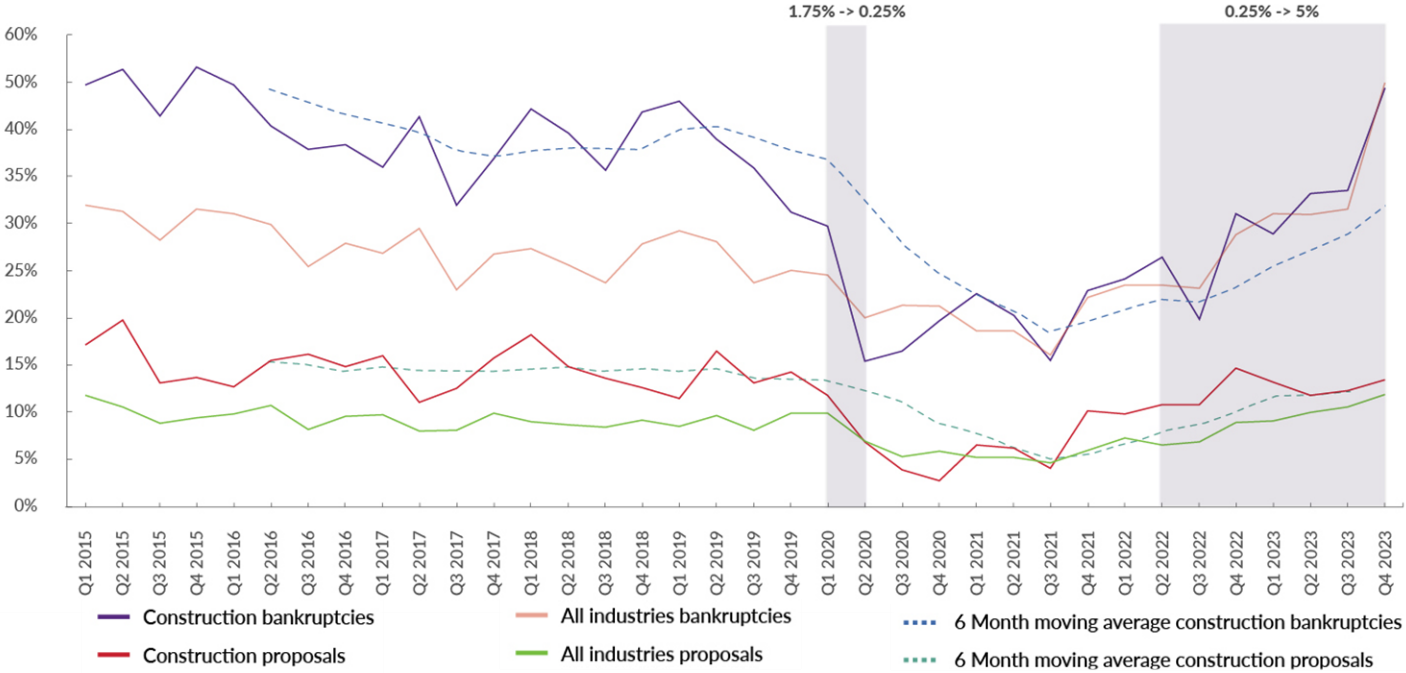
Source: Canadian Business Counts, CCA

Canada  
2023

# Industry Dynamics

Bankruptcies picked up in 2022 and 2023

Bankruptcy and proposal ratio for construction and all industry average

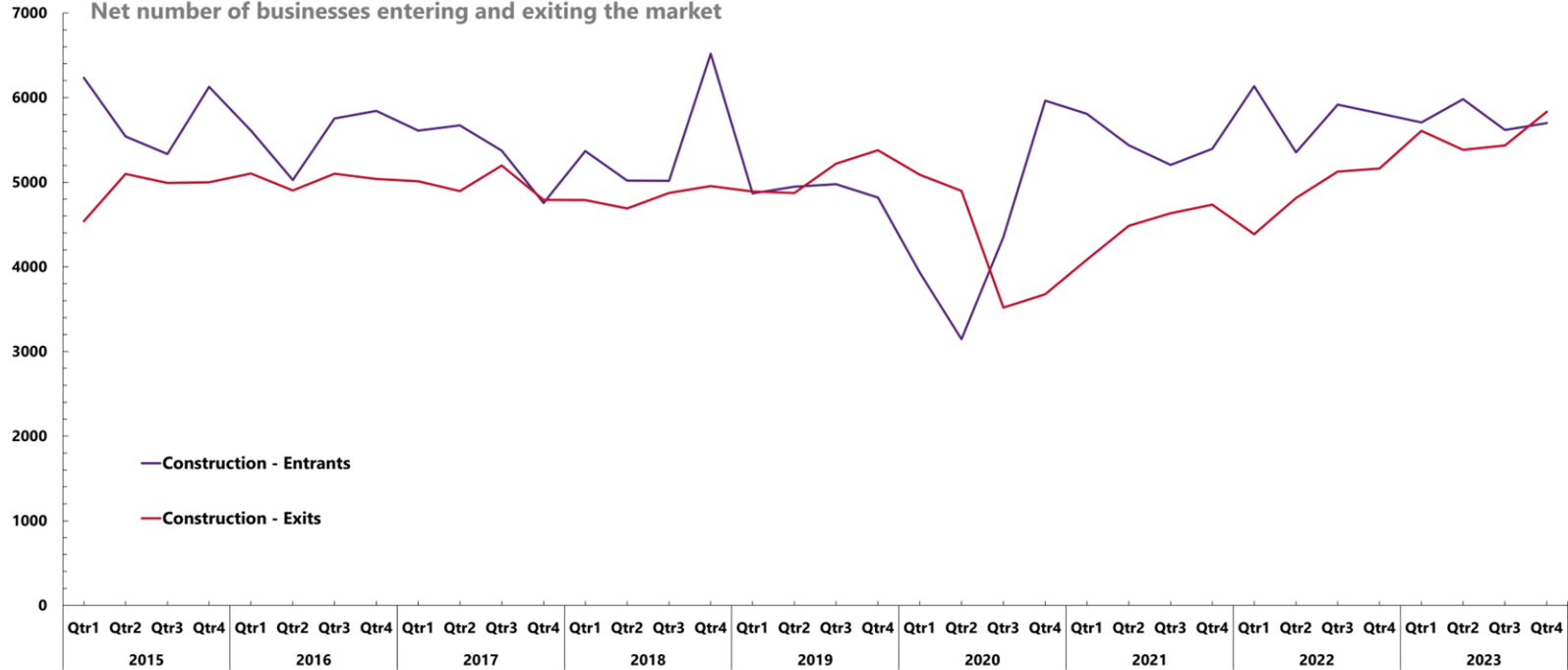


# Industry Dynamics

Number of businesses

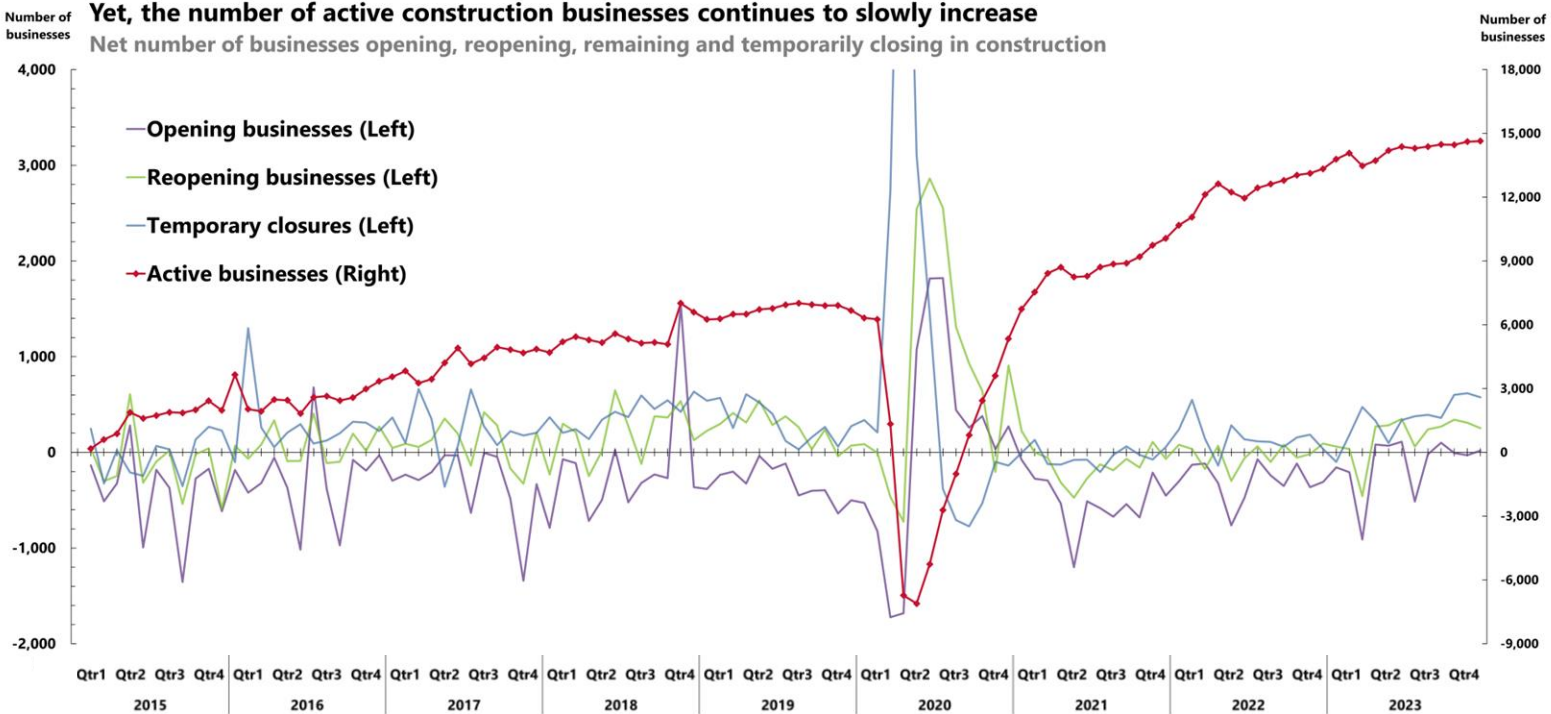
The number of construction businesses exiting the market has slowly picked up since Q2 2020

Net number of businesses entering and exiting the market



Source: Experimental estimates for business openings and closures for Canada, CCA

# Industry Dynamics



Source: Experimental estimates for business openings and closures for Canada, CCA

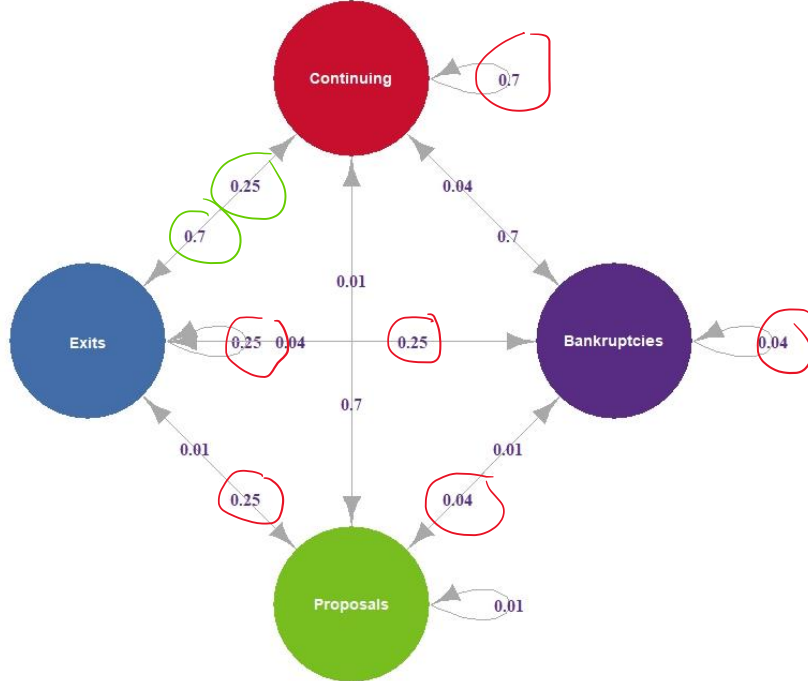
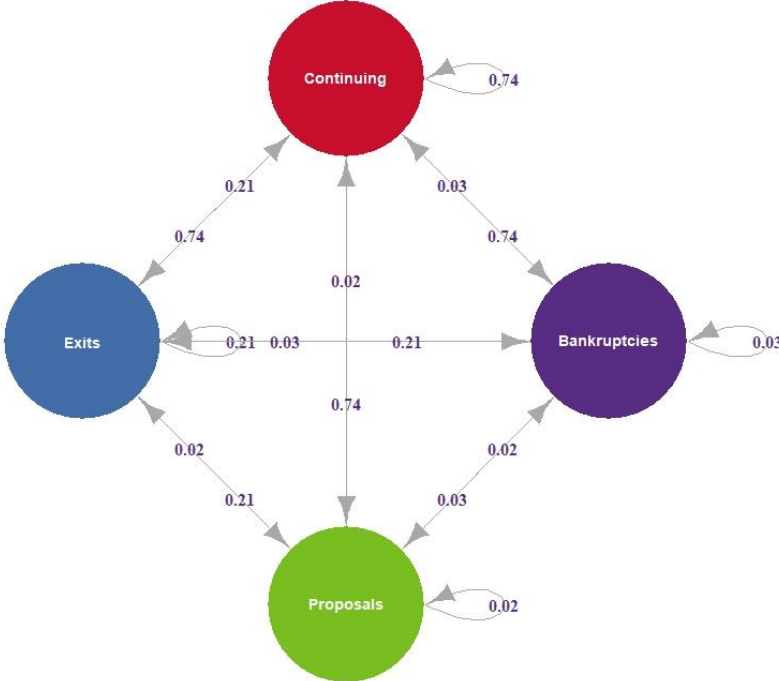
# Markov Chain Industry States

Construction Industry Sample 2016-2019

Pre-pandemic probability matrix of change in state

Construction Industry Sample 2020-2023

Probability matrix of change in state



# Survey of business conditions (Quarterly)

Geography	CA	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT	NU
Difficulty acquiring inputs, products or supplies from within Canada	7.4%	22.9%	10.5%	9%	11.8%	0.5%	7.1%	6.6%	15.3%	13.8%	7.5%	4.8%	30.1%	17.1%
Difficulty acquiring inputs, products or supplies from abroad	2.7%	0.1%	0%	6.6%	9.1%	2.3%	3.7%	0.8%	1.2%	0.5%	2.3%	0%	0%	0%
Rising cost of inputs	43.2%	53.3%	35.9%	53.2%	47.1%	27.6%	38.6%	38%	58.7%	55.1%	55.5%	91.7%	#N/A	#N/A
Rising inflation	52.2%	62.4%	50.6%	81.3%	57.2%	42.9%	46.8%	56.5%	56.5%	64.3%	55.7%	83.8%	#N/A	#N/A
Transportation costs	36.2%	53.9%	38.3%	72.8%	34.7%	28%	32.8%	29.6%	32.5%	58.5%	27.7%	#N/A	21.4%	14.5%
Fluctuations in consumer demand	19.6%	31.9%	7.4%	10.9%	14.6%	12.5%	24.2%	32.5%	19.9%	17.5%	20.4%	0.5%	15.8%	12.3%
Insufficient demand for goods or services offered	12.1%	8.1%	0%	15.7%	1.4%	21.3%	15%	15.4%	12.2%	1.8%	5.2%	0%	20%	3.9%
Obtaining financing	16.1%	3.2%	18.6%	24.8%	10.4%	31.3%	6.5%	1.8%	18.7%	32.5%	5.5%	0%	0%	12.3%
Cost of insurance	33.7%	29%	23.2%	61.8%	35.9%	25.5%	28%	29.7%	31.1%	61.1%	27.5%	#N/A	29.8%	21.5%
Rising interest rates and debt costs	40.7%	34.4%	28.4%	66.8%	52.4%	36.5%	30.4%	36.2%	39.9%	58.9%	46.1%	#N/A	#N/A	#N/A
Recruiting skilled employees	37.7%	35.5%	39.5%	56.5%	38.9%	32.7%	33.6%	28.6%	36.6%	39.8%	48.1%	#N/A	#N/A	#N/A
Retaining skilled employees	28.2%	40.3%	24.1%	36.4%	39%	17.2%	27%	14.5%	12.6%	30.3%	42.8%	6.9%	34.9%	#N/A
Shortage of labour force	37.8%	41.2%	43%	54.5%	39.1%	49.2%	22.9%	22.4%	34.3%	48.5%	45.1%	14.6%	#N/A	#N/A

# Survey of business conditions (Quarterly)

Industry	Shortage of labour force	Recruiting skilled employees	Retaining skilled employees	Rising cost of inputs	Rising inflation
All industry average	24.9%	31.3%	21.9%	44.6%	54.4%
Accommodation and food services	41.2%	42.8%	27.6%	62.5%	74.1%
Construction	37.8%	37.7%	28.2%	43.2%	52.2%
Administrative and support, waste management	34.4%	37.3%	27.4%	54.4%	68.4%
Health care and social assistance	23.3%	34.9%	27.6%	32.9%	49.3%
Other services (except public administration)	25.8%	34.8%	22.8%	45.8%	50.5%
Wholesale trade	26.3%	31.7%	20.3%	44.8%	53.7%
Manufacturing	26.6%	31.2%	18.1%	55.5%	55.5%
Arts, entertainment and recreation	23.8%	27.3%	24.1%	34.2%	47.3%
Retail trade	24%	28.3%	22.1%	51.9%	64.8%
Agriculture, forestry, fishing and hunting	25.2%	25.3%	20.8%	71.3%	62.1%
Information and cultural industries	14.3%	29.1%	26.6%	34.5%	53.4%
Professional, scientific and technical services	16%	30.8%	17.5%	37.4%	47.6%
Transportation and warehousing	17.3%	22.8%	15.6%	45.7%	53.8%
Mining, quarrying, and oil and gas extraction	14.7%	19.7%	14.8%	45.8%	53.3%
Finance and insurance	9.2%	19%	14.4%	18.7%	29%
Real estate and rental and leasing	10.7%	14.5%	8.9%	33.1%	51.3%

Source: Statistics Canada, CCA.

Note: Industries sorted based on average from three responses.

# Survey of business conditions (Quarterly)



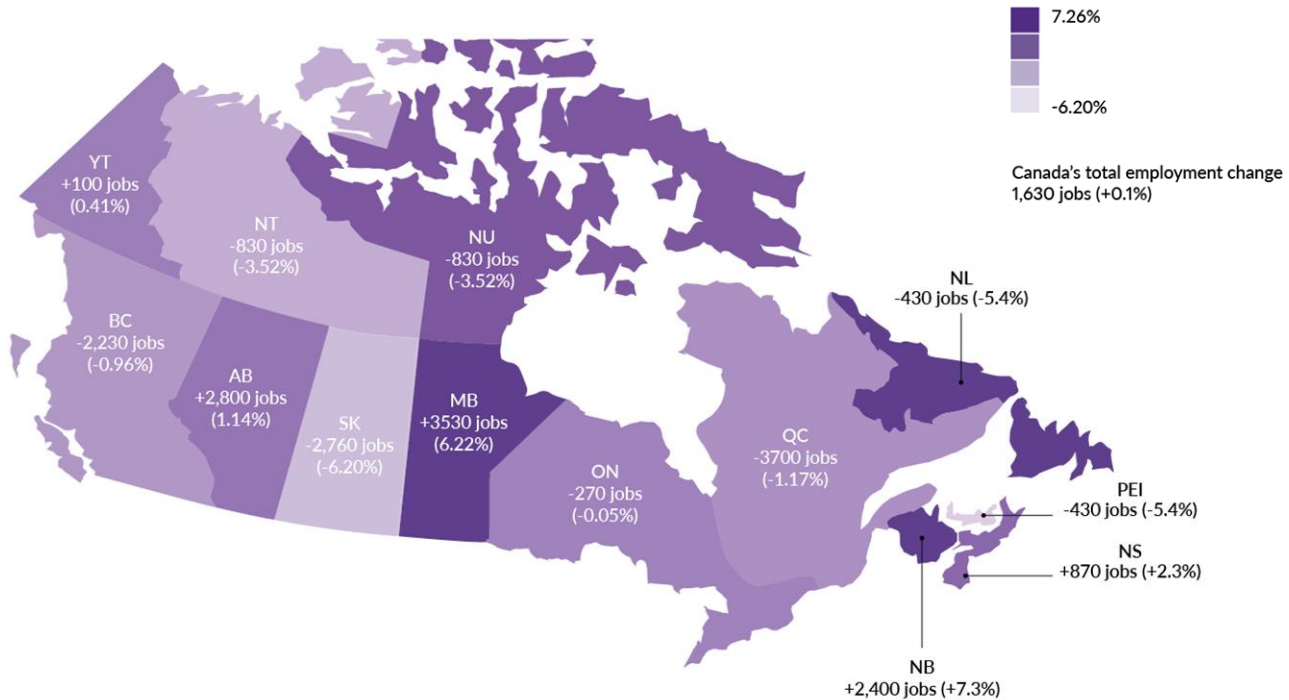
Source: Survey of Business Conditions, CCA



# Labour market

Employment change in construction activities Q4 2023 to Q1 2024

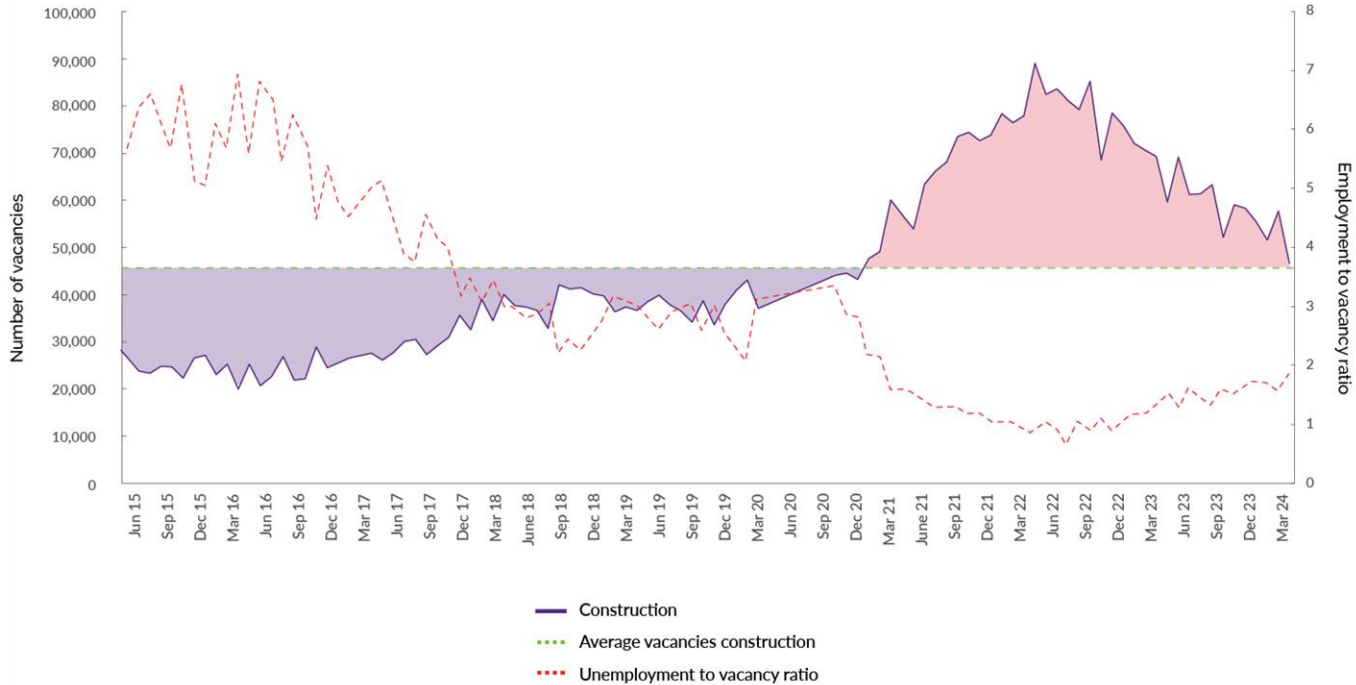
Quarterly percentage change



# Labour market

Vacancies and unemployment to vacancy ratio

Monthly changes



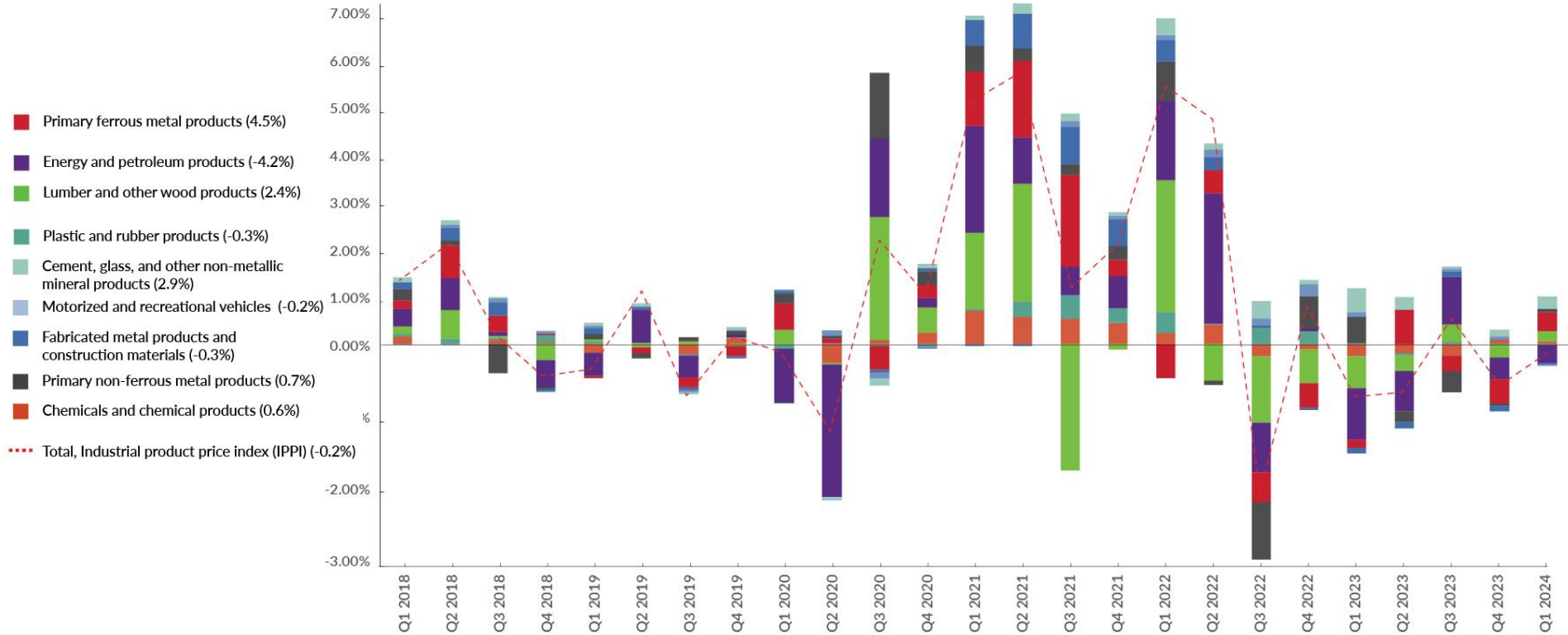
# Productivity

— Construction  
— Total economy

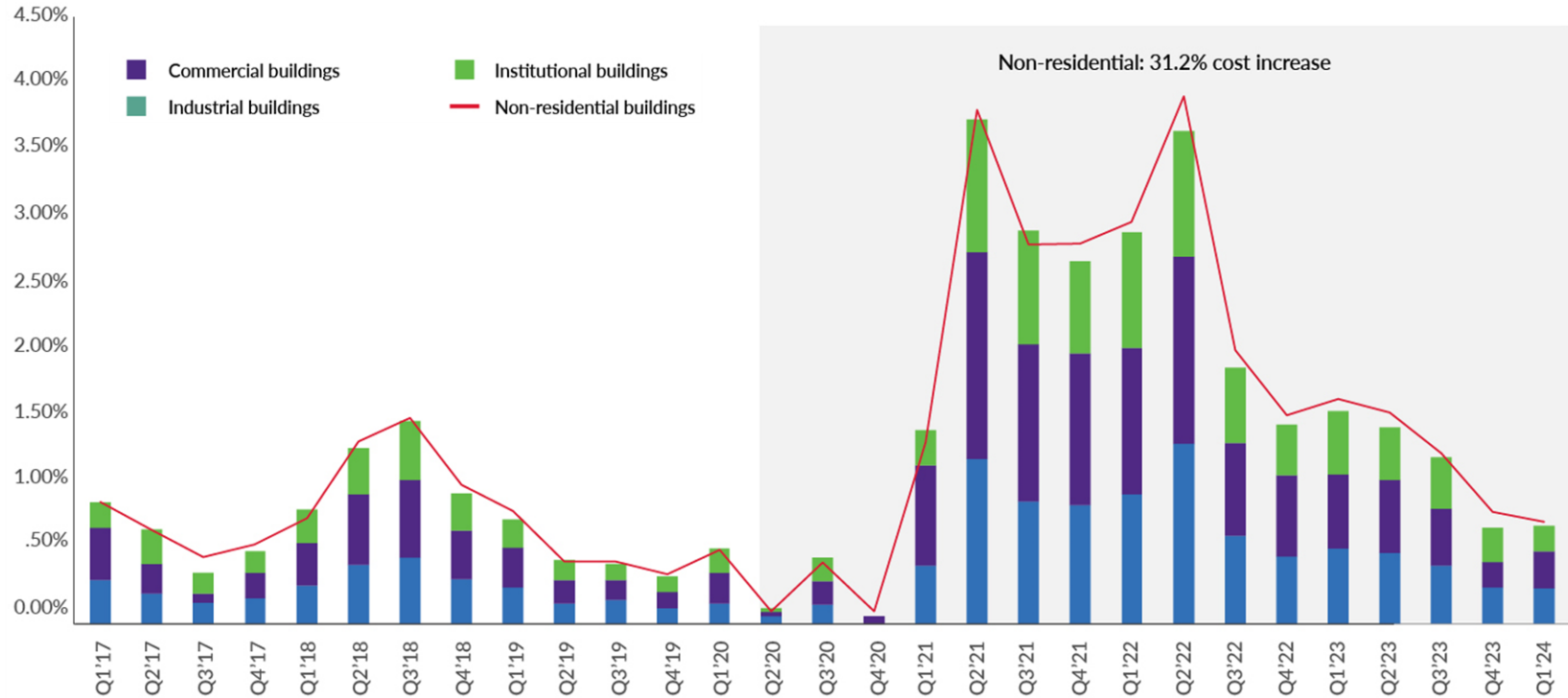


# Inflation

Industrial product price index  
Quarterly percentage change of key construction components



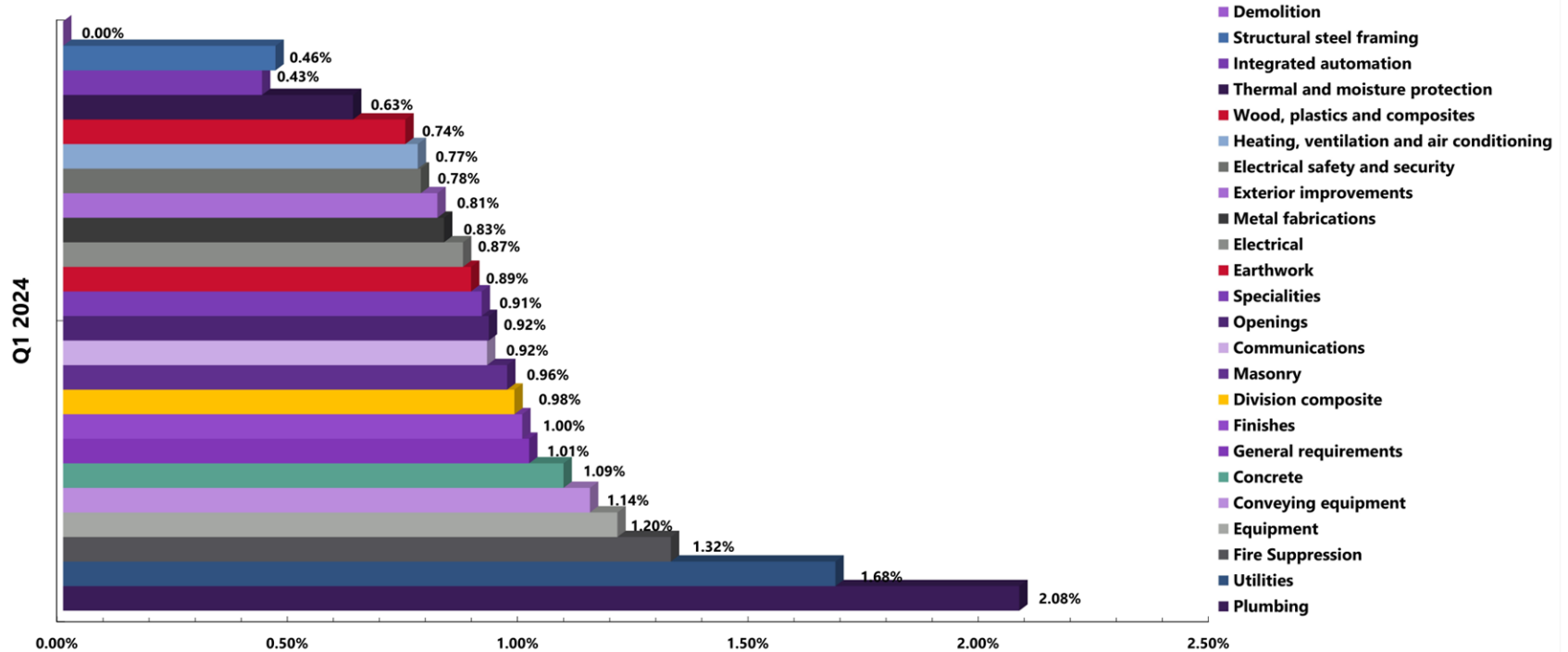
## Industrial Building Construction Price Index Quarterly percentage change for non-residential construction



# BCPI

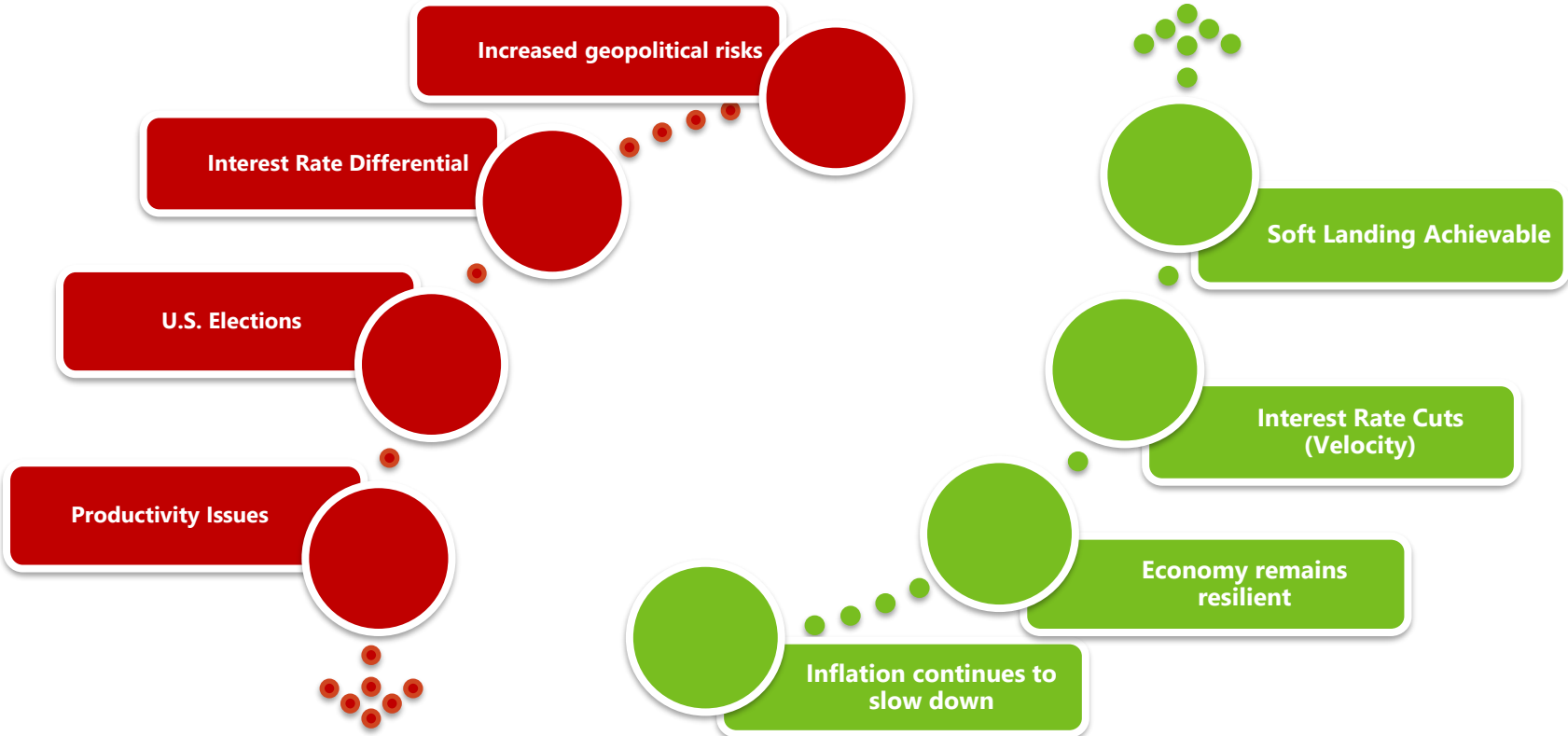
## The representative cost components of the BCPI continued to slow down during Q1 2023

Classified by general requirements, architectural (purple), structural (red), mechanical (gray), and electrical (blue) trade groups.



Source: Statistics Canada, CCA.

# Outlook for 2024





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