CONSTRUCTION AND MAINTENANCE: LOOKING BEYOND COVID-19

BuildForce Canada construction industry investment update 2020–2022

FORECAST DATE: JULY 2020

EXECUTIVE SUMMARY

At the start of 2020, the Canadian construction and maintenance industry was anticipating another year of continued growth, but that trajectory was cut short by the COVID-19 pandemic. The construction industry was sidelined not only by concerns for the health and safety of workers, but by reduced demand resulting from delays in planned public- and private-sector capital projects, and constrained consumer spending. Initial confusion about the nature of the coronavirus and the establishment of new health and safety protocols gave way to clear government guidelines, with construction declared an essential service in many provinces. Some projects slowed initially due to the introduction of these measures; however, as workers and employers adapted, on-site operations adjusted back to near-normal levels.

Construction employment dropped at an unprecedented rate, with the workforce losing 249,300 workers between March and April 2020; however as economies reopened and the industry adapted, workers returned to work. The national construction unemployment rate fell from 20.5% in April to 14.7% in May and 10.2% in June.

In the absence of a commodities super-cycle, which helped the country to recover from the Great Recession of 2008, the full recovery of the construction industry will depend on a number of factors. These include the speed at which effective treatment for COVID-19 is developed and made available; the speed at which the economies of Canada's trading partners recover from the pandemic; the recovery of Canadian consumer confidence; the response of all levels of government in energizing the economy through infrastructure and other stimulus funding and other government policies; a recovery in the prices of global commodities, including energy; and the ability of the global supply chain to provide construction materials, building components, and equipment in a timely fashion.

Residential investment is projected to fall by 7.7% in 2020, with housing starts and renovation expenditures similarly affected – but at different rates across the provinces. Although home sales may remain soft in aggregate for the 2020 year, the demand for new-home construction and renovation work is anticipated to increase as population growth strengthens and jobs return; however, several years may pass before expenditures return to pre-COVID levels.

At the national level, non-residential construction is expected to decline by 6.9% in 2020. Some segments of non-residential investment are expected to remain muted over the short term, particularly heavy-industrial construction, industrial-building construction, and commercial construction. Institutional and civil construction are anticipated to remain strong, to the extent that governments at all levels retain their capacity to fund projects.

As the national economy recovers, provincial economies will continue to recover from the pandemic at their own pace, taking into account the unique economic factors in each jurisdiction.

Despite short-term labour dislocations, however, the construction industry must continue to be mindful of the demographic challenges it continues to face, as 257,000 workers are likely to retire by 2029. Accounting for modest growth and anticipating the entry of young workers joining the industry, BuildForce Canada anticipates a shortfall of nearly 82,000 workers by 2029. To avert that shortfall, the industry must continue to commit to broader recruitment, training, and apprenticeships – especially in key skilled trades – allowing it to meet future labour demands.

INTRODUCTION

BuildForce Canada has prepared this report as an update to the investment outlook contained in its 2020–2029 *Construction and Maintenance Looking Forward* outlook, which was released in February 2020. The report summarizes some of the most immediate impacts of the COVID-19 pandemic on the construction industry and provides a preliminary province-by-province outlook on construction demand for the immediate 2020–2022 period.

BuildForce is currently developing a 2021–2030 *Construction and Maintenance* outlook that will better capture the longer-term impacts of the pandemic on the industry, including a more detailed review of construction demand and labour supply over the extended scenario period.

BuildForce Canada's scenario-based forecasting system

BuildForce uses a scenario-based forecasting model to estimate the demand for construction labour. It consults with industry stakeholders (labour groups, contractors, owners and developers, and governments) and seeks their input to validate the scenario assumptions that will be used to forecast future economic activity and the resulting demand for construction and maintenance labour. Considering the vast number of private and public projects that are undertaken in a given year, BuildForce's approach is the most efficient and best captures the distortive impacts that major projects can have on national, regional, and local construction labour markets.

PRELIMINARY IMPACTS OF THE COVID-19 PANDEMIC ON THE CANADIAN CONSTRUCTION INDUSTRY

Heading into 2020, Canada's construction industry was poised for another year of strong growth. Demand was high in British Columbia, Ontario, Quebec, and Prince Edward Island; conditions in Alberta and Saskatchewan had stabilized; demand in Nova Scotia, Manitoba, and New Brunswick was moderate; and Newfoundland and Labrador, while adjusting to lower levels of activity, was anticipating tempered declines on the strength of several major projects underway.

Similar to other sectors of the economy, the construction and maintenance industry was not immune from the impacts of the global pandemic. The initial responses of most provinces created considerable confusion and mixed short-term impacts on the industry. Common to construction employers in all provinces was the immediate confusion created by the introduction of government emergency measures and the lack of clear guidance provided regarding on-site health and safety protocols to maintain operations for those businesses deemed essential. While provinces were quick to issue additional guidance, the initial fear and confusion created an environment in which some contractors decided to shutter operations and furlough workers. Employee safety was the prime concern, and many workers were cleared to take voluntary layoffs rather than risk exposure. Despite these concerns, there were only a few documented cases of transmission at work sites, with most confirmed cases linked to non-work-related travel or community infection.

Most provinces introduced new health and safety protocols to allow construction operations to continue throughout the spring, although work proceeded at a slower pace. Improved on-site sanitation and hygiene stations were introduced, as well as a number of other best practices to minimize the contact of workers with each other. Shifts were split and physical distancing protocols allowed fewer workers to enter project sites. In some cases, however, physical distancing protocols proved difficult due to the nature of specific construction tasks. Workers carrying out these functions were provided personal protective equipment (PPE), though the limited availability of PPE, in some cases, slowed project progress.

While all construction businesses were affected, Quebec and Ontario were impacted most by mandatory closures, as both provinces halted all non-essential construction – though in Ontario, those closures occurred in early April.

The result of the closures on employment was devastating, as the industry saw national employment reduced by 249,300 workers between March and April of 2020. When contrasted against April 2019 levels, construction employment was lower by some 276,600 workers.

Although the March and April 2020 declines in construction employment were unprecedented, so was the May recovery. As shown in Table 1, the national construction unemployment rate fell from 20.5% in April to 14.7% in May as workers returned to work. Those gains held in June as labour markets continued to rebound and industry unemployment dropped to 10.2%.

These gains were not distributed equally across all provinces, however, as each jurisdiction continued to approach a reopening of its economy at its own pace, applying local criteria. Further gains in employment will depend as much on economic factors as provincial policies governing their recoveries from COVID-19 lockdowns, and even the ability of global supply chains to provide the construction industry in each jurisdiction with the necessary building materials and components.

THE GLOBAL ECONOMIC ENVIRONMENT

As a trading nation, much of Canada's annual private-sector investment in the economy is carried out in support of trade, often spurring construction activity. Canada's key trading partners have been similarly affected by COVID-19 and many of their economies, including that of the United States, are expected to fall into recessions this year.

Typically, when global markets retrench, as during the Great Recession of 2008, private-sector investment does as well. During the 2008 recession, manufacturing in Canada's two largest provinces suffered significant losses, as U.S. demand for goods declined significantly. In response, private-sector investment also declined as companies increased their cash reserves out of an abundance of prudence during uncertain times, rather than reinvest that cash back into the economy to support a recovery.

Table 1: Labour force numbers, employment, and unemployment rates, Canada

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	1,580.8		1,519.7	1,507.1	1,522.2	1,407.2	1,468.4	1,551.5	2.9	–1.9
Employment (000s)	1,503.8		1,389.3	1,385.5	1,368.7	1,119.4	1,252.0	1,392.7	0.5	–7.4
Unemployment rate (%)	4.9		8.6	8.1	10.1	20.5	14.7	10.2	2.1	5.3

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

This was not the case for other sectors, as investments in energy and other commodities (food, oil, metals, chemicals) continued, driven in large part by the tail end of the commodities super-cycle (2000–2014), which peaked in 2011. If not for the super-cycle, the recession would most certainly have been more prolonged and its impacts on construction markets far more significant.

Unlike the 2008 recession, this time around there is no global commodities super-cycle to lure private-sector dollars back into the economy.

Initial hopes for a "V-shaped" recovery for Canada's key trading partners is now unlikely unless a vaccine is developed and made available in the next few months. For most countries, a "U-shaped" recovery is more likely, with the exception of the United States, where the likelihood of a "W-shaped" recovery remains a likely scenario.

GDP declines will vary considerably by country and will be determined by the length of time that emergency measures remain in place and the speed at which consumer confidence is restored to generate the positive spending and employment multipliers needed to support a meaningful recovery.

U.S. GDP is expected to fall by 5% in 2020 (see Figure 1). As the country continues to undertake a more rapid reopening of its economy, concerns remain that this strategy may generate a second wave of cases, which could inhibit growth until early 2021. The U.S. economy is expected to regain strength in the latter half of 2021, however, with a larger expansion expected in 2022, as compared to other countries.

Europe and Japan are expected to bounce back earlier, which would likely produce earlier gains compared to the United States. China is likely to avoid a recession, though growth will be well below previous years, returning to more normal levels in 2021.

GLOBAL COMMODITIES

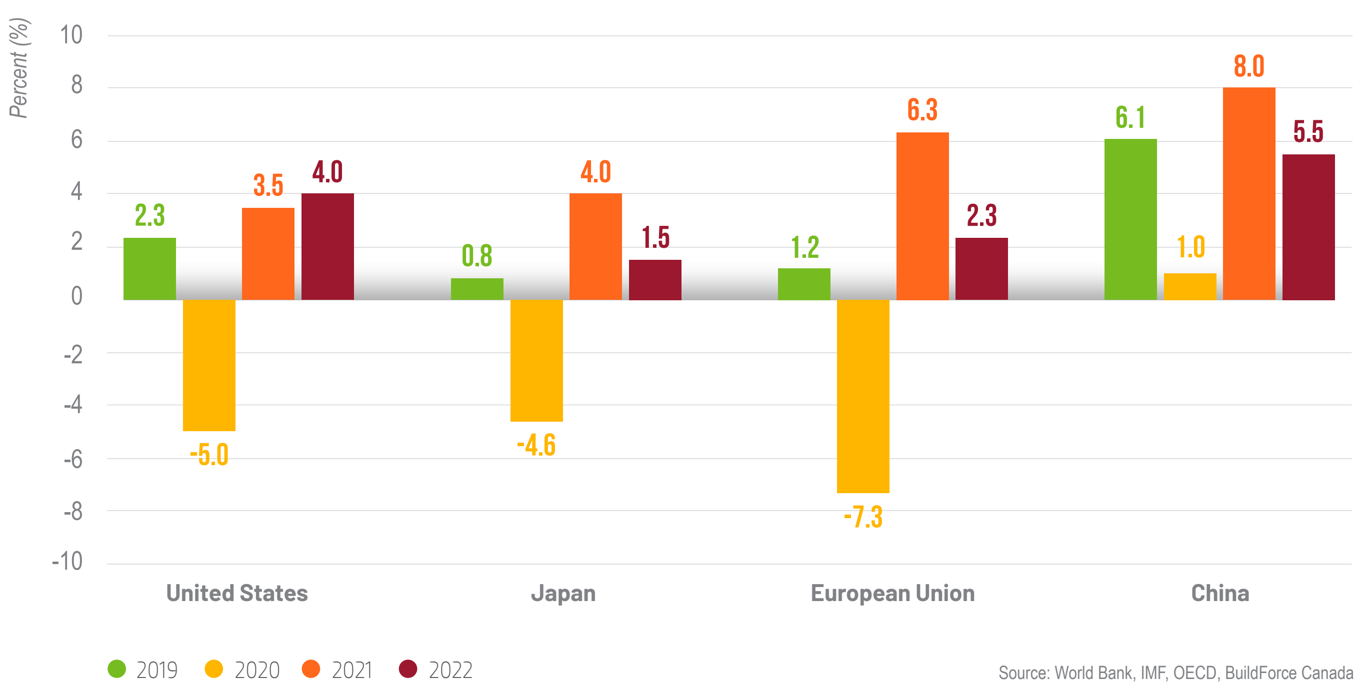
Demand for precious metals was already strong, due to three rate reductions carried out by the U.S. Federal Reserve (Fed) in 2019. The reduction to near 0% in the overnight bank lending rate by the Fed in March 2020 has accelerated the buying of precious metals, leading to a sharp increase in prices, which should decline over time as the global economy recovers.

Non-precious metals, on the other hand, have suffered a significant decline since February 2020, due in part to disruptions in the global supply chain for finished goods. Commodities such as copper and zinc initially declined by 20%, while iron and nickel experienced more muted declines. The general outlook for non-precious metals is an increase in prices over the decade as economic activity accelerates.

Agricultural demand was largely unaffected, and prices are expected to rise in line with inflation.

Energy prices are expected to decline on average this year, due to lower overall demand. An oversupply of oil in March coincided with a sharp drop in demand related to COVID-19. Storage concerns became a significant issue in April, as the cost of production often exceeded the value of oil. Prices have recovered significantly in

Figure 1: Real GDP growth, Canada's major trading partners



Source: World Bank, IMF, OECD, BuildForce Canada recent months, however, as production shut-ins by OPEC+[1] and free-market producers have largely corrected supply imbalances and demand has gradually improved as the global economy reopens. The price of West Texas Intermediate (WTI) oil is expected to make small gains toward the end of 2020 and prices are expected to increase through 2021 to about $45 a barrel, but pre-COVID prices are not expected until the latter half of 2022.

Natural gas prices experienced a major decline due to a milder-than-normal winter in 2019/2020. Liquefied natural gas (LNG) inventories have also been increasing due to lower demand, and prices are expected to remain stagnant over the short term, with small gains anticipated as demand improves. This will be followed by weakening prices over the remainder of the decade as new projects come online.

The pricing of global commodities (see Table 2) can have a significant effect on industrial construction, particularly in new resource development or expansion projects.

MONETARY POLICY

A sharp reduction in interest rates worldwide is not expected to begin reversing until the latter half of 2021, while benchmark interest rates are not expected to return to pre-COVID levels until the mid-2020s. Similarly, bond rates are also expected to remain below pre-COVID levels until the middle part of the decade.

The Canadian consumer price index is expected to average less than 1% in 2020, and gradually return to the 1.5% to 2% range in 2021–2022 (see Table 3).

The Canadian dollar is expected to remain near 73 cents U.S. and recover in line with energy prices and as trade shipments recover.

A continued environment of low interest rates should help support a recovery in real estate demand.

Table 2: Commodity prices

	2018	2019	2020	2021	2022
Agriculture $US 2012=1	0.804	0.795	0.797	0.811	0.830
% change	-1.4	-1.1	0.3	1.7	2.2
Metals and minerals $US 2012=1	0.787	0.745	0.657	0.683	0.703
% change	4.2	-5.3	-11.8	4.0	2.9
West Texas Intermediate (WTI) Oil $US/BBL	64.94	56.98	37.55	45.70	52.00
% change	27.6	-12.3	-34.1	21.7	13.8
Western Canadian Select (WCS) Oil $US/BBL	38.46	44.28	27.55	34.70	39.00
% change	-1.3	15.1	-37.8	26.0	12.4
Henry Hub natural gas $US/MMBTU	3.17	2.57	2.01	2.69	2.75
% change	6.1	-18.8	-21.8	33.8	2.2

Source: World Bank Commodities Price Forecast, U.S. Energy Information Administration, BuildForce Canada

Table 3: Financial markets, prices

	2018	2019	2020	2021	2022
Canada 3-month T-bills	1.4	1.7	0.5	0.3	0.7
United States 3-month T-bills	1.9	2.1	0.4	0.1	0.7
Consumer price index (CPI)	2.3	2.0	0.7	1.8	1.8
Canada–U.S. exchange rate ($US)	0.77	0.75	0.73	0.74	0.75

Source: Statistics Canada, BuildForce Canada

[1] The Organization of Petroleum Exporting Countries consists of 14 members; OPEC+ includes an additional 10 non-OPEC nations.

CANADIAN CONSTRUCTION MARKETS

Canada's residential and non-residential construction markets were hard hit by the COVID-19 pandemic, with investment in both sectors expected to fall in 2020. While these markets are anticipating a return to growth in 2021, the non-residential sector is expected to rebound more quickly, driven by government stimulus investments in both institutional and civil-sector construction projects.

RESIDENTIAL CONSTRUCTION MARKET OVERVIEW

Residential investment in Canada is projected to fall 7.7% in 2020 as housing starts and renovation expenditures are reduced by a similar rate (see Table 4).

Housing starts have experienced mixed results across the provinces for the first half of 2020, with half the provinces showing growth in the number of starts.

The reluctance of people to move during the outbreak, alongside large numbers of short-term rental units being returned to the rental market, have lowered rents, and with them, the expectations on returns for new residential investment in many urban centres. The economic impact of COVID-19 has decimated employment in the broader labour market, which will likely restrict residential spending.

Immigration has been a significant driver of housing demand, but immigration levels have been reduced significantly through the isolation period. Although numbers are expected to increase toward the end of the year, levels are projected to be significantly lower over the short term, leading to a slower recovery.

Housing starts are expected to see lower numbers in most provinces for the year, with roughly 187,000 units projected nationally this year, as compared to 208,700 in 2019.

The renovation and maintenance market has also been impacted by COVID, due to income reductions and concerns over allowing workers into homes while homeowners were present. The degree of the decline was mixed, with provinces where infection rates were under control affected less than those provinces where rates of infection were considerably higher.

Although home sales may soften over the remainder of 2020, preliminary sales data seem to point to a recovery, which should spur additional demand for new-home sales and renovation work over the short term as population growth strengthens and jobs return, although several years may pass before expenditures return to pre-COVID levels. Figure 2 tracks residential construction activity, including new-housing and renovation construction.

NON-RESIDENTIAL CONSTRUCTION MARKET OVERVIEW

Non-residential markets (see Table 5) are expected to remain slower and uncertain over the short term, with the industry weakened by the financial burdens of delays, especially on fixed-cost projects, which have reduced risk tolerance for contractors. Non-residential investment in Canada is projected to fall by 6.9% in 2020.

Heavy-industrial construction is expected to be muted in line with demand for commodities. The investment outlook in Alberta and Newfoundland and Labrador, in particular, has been diminished, as the decline in oil and gas prices has deferred or cancelled plans for some new major oil-sector investments.

Industrial construction, largely driven by exports, will depend on global economic recovery.

Commercial construction levels will also depend on economic recovery and a resumption in consumer spending. Commercial

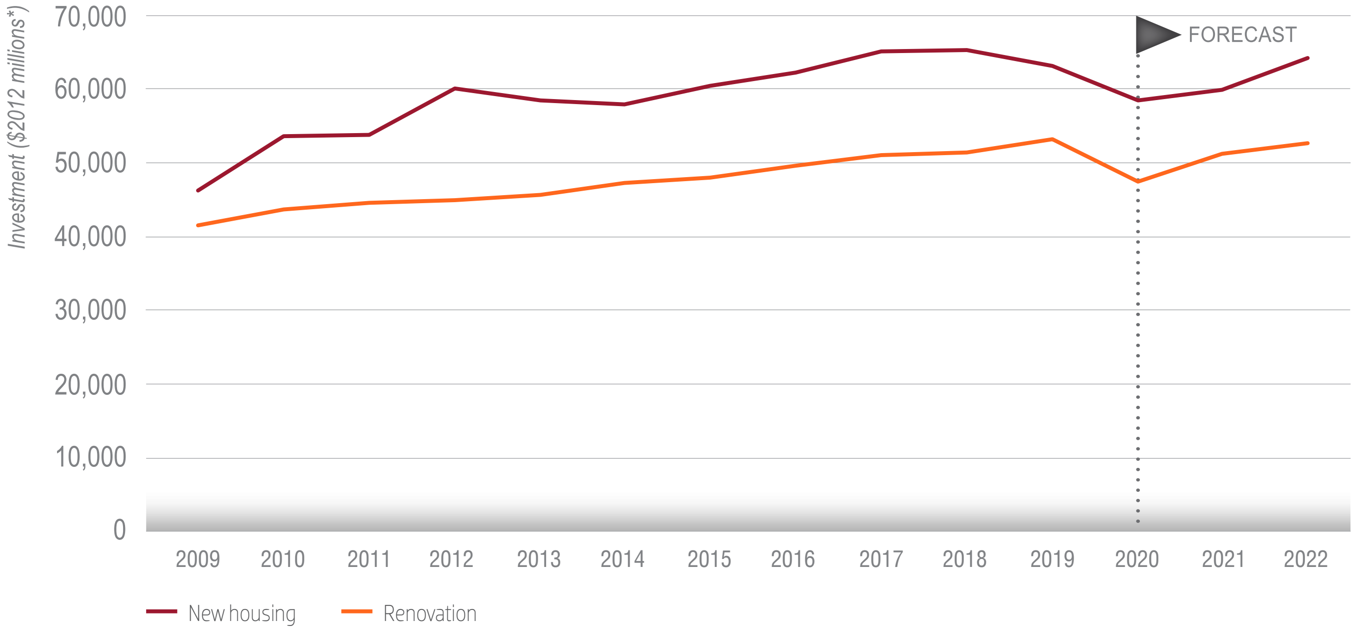
Table 4: Residential construction and maintenance expenditures, Canada ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential investment	**132,901**	**132,816**	**122,538**	**128,067**	**134,308**
% change		-0.1	-7.7	4.5	4.9
• New housing	65,313	63,059	58,517	59,968	64,253
% change		-3.5	-7.2	2.5	7.1
• Renovations	51,509	53,249	47,497	51,224	52,800
% change		3.4	-10.8	7.8	3.1
• Residential maintenance	16,079	16,508	16,524	16,875	17,255
% change		2.7	0.1	2.1	2.3

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Figure 2: Residential construction investment, Canada



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Source: Statistics Canada, BuildForce Canada (2020-2029)

investment is likely to soften as cash-challenged companies defer expansion plans. The collective experiment of working from home on a mass scale may soften market conditions for commercial office space, but at this time, evidence to support such a conclusion is purely speculative.

Institutional construction is expected to remain strong and grow as a share of overall construction demand as governments at all levels look to stimulate the economy. The extent of that growth, however, will depend on the capacity of governments to continue to fund projects announced prior to the onset of COVID-19.

Table 5: Non-residential construction and maintenance expenditures, Canada ($2012 millions*, year-over-year change)

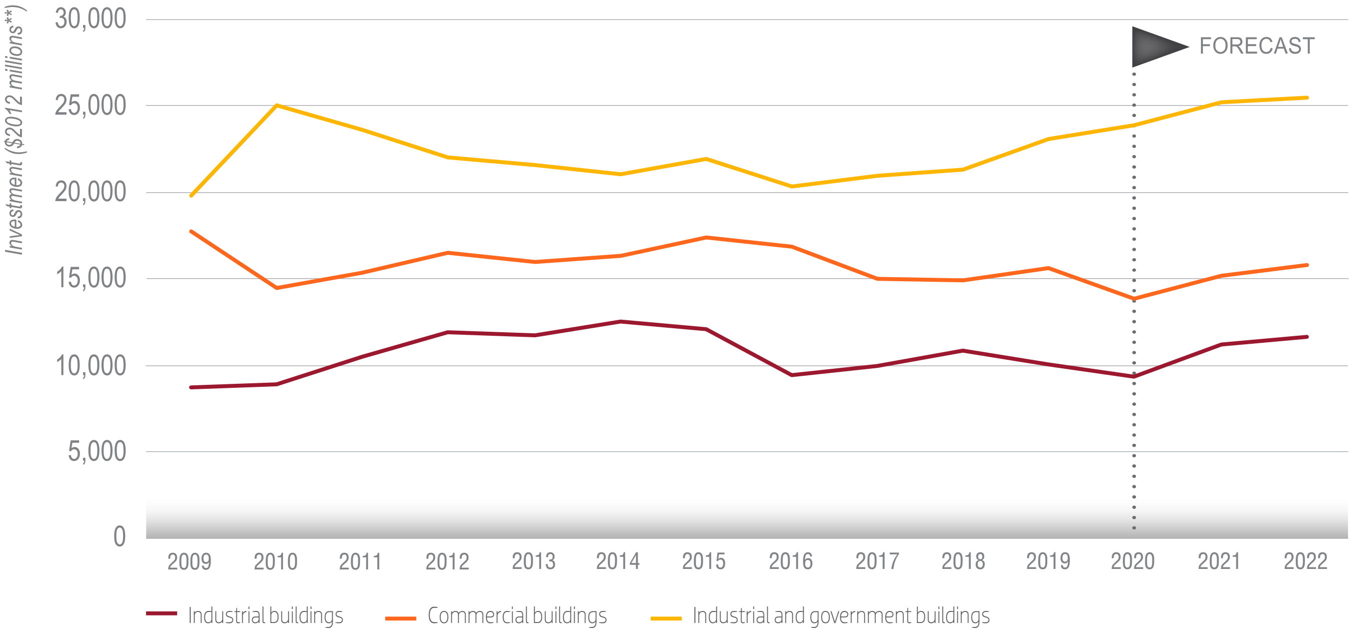
	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Non-residential investment	**182,552**	**180,697**	**168,168**	**186,184**	**188,016**
% change		-1.0	-6.9	10.7	1.0
• ICI** building	47,057	48,808	47,019	51,598	52,925
% change		3.7	-3.7	9.7	2.6
• Engineering construction	110,266	106,255	95,082	108,320	108,280
% change		-3.6	-10.5	13.9	0.0
• Non-residential maintenance	25,229	25,634	26,067	26,266	26,811
% change		1.6	1.7	0.8	2.1

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

** industrial, commercial, institutional

Figure 3: Non-residential ICI* building investment



* industral, institutional, commercial

** **$2012 millions indicates** that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Source: Statistics Canada, BuildForce Canada (2020-2029)

Civil-sector construction was expected to be robust prior to the pandemic and is likely to increase as governments accelerate investments in public infrastructure. The one caution at this time is the capacity of municipalities to continue to participate in the infrastructure renewal process. With many experiencing significant revenue shortfalls related to the pandemic, their capacity to remain active partners may be diminished.

Figure 3 tracks non-residential ICI building activity, which includes industrial, commercial, and institutional construction.

As it did during the Great Recession, public-sector stimulus will be important to help fill investment gaps resulting from lower levels of private-sector spending in the economy. These investments will play an important role in supporting a strong recovery and getting contractors and workers back to work quickly across all market segments and provinces. The Government of Canada is proposing changes to the $33.5 billion *Investing in Canada Infrastructure Program* bilateral agreements, which are supporting ongoing public-sector infrastructure renewal across Canada. Up to $3.5 billion of existing funding could be redirected to a new COVID-19 funding stream by provinces and territories. The funding would be available to support more resilient social infrastructure like hospitals and schools, as well as infrastructure that will help Canadians physically distance while staying active and healthy, such as new pathways and bike lanes. In addition, the federal government has accelerated the transfer of Gas Tax payments to municipalities in 2020 to support their ongoing participation in the recovery.

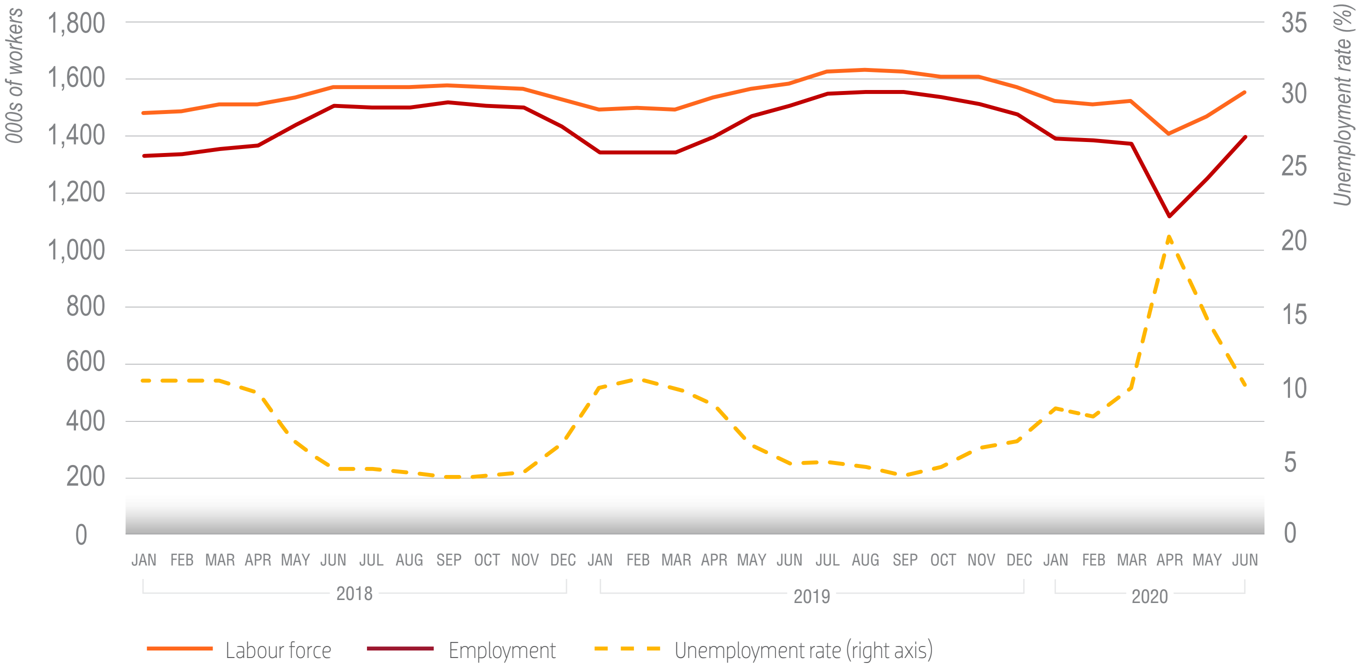
NATIONAL LABOUR MARKET TRENDS

As shown in Figure 4, the construction sector, like many others, was battered by the impacts of the COVID-19 pandemic but has shown great resilience in adapting to new health and safety measures. Construction shed an estimated 266,100 jobs at the peak of imposed closures and distancing measures in April compared to pre-pandemic levels in February 2020, driving the unemployment rate from 8.1% to 20.5%.

The unprecedented loss of close to one fifth (19%) of construction jobs and a reduction of 43% in hours worked coincided with a near-complete shutdown of construction activity in Quebec (where employment fell by 38%) and an expansion of directed closures of most sites in Ontario (where employment declined 16%), outside certain infrastructure and residential projects.

Declines in construction work across most other provinces, where construction was permitted to continue with enhanced distancing and health and safety protocols, were less severe. The losses in Alberta and Newfoundland and Labrador, however, were exacerbated by labour markets already weakened by the collapse in the price of oil, which preceded the peak of the pandemic. In Alberta, the country's fourth largest construction market, employment declined by 23,000 workers, or 11%, between February and April, while employment in Newfoundland and Labrador was reduced by about 20% over the same period.

Figure 4: Construction industry labour force, employment, and unemployment rate, Canada



Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

As provinces entered various stages of reopening, construction activity sprang back to life in May, recovering 132,600 of the 249,300 jobs lost in April. Further lifting of restrictions bolstered a gain of 140,700 jobs in June, lifting total construction employment to just above pre-COVID levels in February, but 7% lower than the same period last year. In terms of hours worked – a better reflection of overall activity – June remained 16% lower compared to June 2019, with the most significant declines persisting in Newfoundland and Labrador (-42%), British Columbia (-23%), and Alberta (-19%).

Construction employment in many segments also remained significantly lower between April and June 2020, compared to the same three-month period a year ago. Employment declines among specialty trade contractors, who account for 57% of the labour force and work across all sectors, were some of the largest, falling 19% nationally compared to the same period a year ago. On-site work for most contractors has been slowed by physical distancing measures and the staggering of crews in enclosed spaces.

As shown in Table 6, the biggest year-over-year declines occurred in "Land subdivision" (-26%) and "Highway, street, and bridge building" (-24%). Although predominantly outdoor work – and not as constrained by physical distancing measures – these declines may be attributed to the dramatic halt in new project starts caused by slowdowns in permitting and inspections, as well as a heightened level of perceived risk and uncertainty. Heavy and civil construction employment was also down by 15% from a year ago, with most significant declines recorded in Manitoba and Newfoundland and Labrador. Employment in the "Construction of buildings" was down a modest 5% compared to the same period a year ago, with a 6% decline in residential building construction and no change in non-residential building construction. This is because most residential and non-residential building projects already underway experienced only temporary stoppages or continued at a slower pace. The most significant declines in "Construction of buildings" were recorded in British Columbia (-14%) and Quebec (-11%), with employment losses concentrated mostly in the residential sector.

As the industry continued to recover, the June 2020 national construction unemployment rate was 10.2% compared to 8.1% in February and 4.9% in June 2019. The current figure, however, may not capture workers in some provinces who are unable to return to employment or look for work, waiting to be called back, or unable to return due to childcare responsibilities, travel restrictions or other reasons. Many workers who were initially reluctant to return to work due to health concerns returned once health measures were introduced and visibly enforced, although some remain furloughed due to continued concerns about health.

Construction work requires the coordinated efforts of large numbers of workers across various trades often working together in tight spaces. Work sites and workers, however, have evolved swiftly to sustain construction activity while maintaining safe working conditions. The construction industry continues to adapt, innovate, and rapidly return to pre-pandemic productivity levels, but challenges persist. Distancing measures have affected the time required for tradespeople to enter work sites, especially for buildings where elevators move workers and materials; limited the number of workers or crews able to work in spaces at one time; increased the number and frequency of use of sanitation stations; required the use of

Table 6: Change in employment by construction segment* average (April–June) 2020 to average (April–June) 2019, Canada

Segment	Change in employment	
	Number	Percent
Construction	**-201**	**-14%**
Construction of buildings	**-24.4**	**-5%**
• Residential building construction	-23.9	-6%
• Non-residential building construction	-0.3	0%
Heavy and civil engineering construction	**-24**	**-15%**
• Utility-system construction	0.3	1%
• Land subdivision	-4.2	-26%
• Highway, street, and bridge construction	-18.8	-24%
• Other heavy and civil engineering construction	-1.3	-11%
Specialty trade contractors	**-152**	**-19%**
• Foundation, structure, and building-exterior contractors	-31.8	-19%
• Building-equipment contractors	-76.8	-20%
• Building-finishing contractors	-27.2	-16%
• Other specialty-trade contractors	-16.5	-15%

Source: Statistics Canada, Labour Force Survey

* The construction segments listed in this table refer to the North American Industry Classification System (NAICS). For more information see www.statcan.gc.ca/eng/subjects/standard/naics/2017/index.

additional PPE; and required the implementation of new reporting and monitoring protocols. These measures have taken time to implement and have reduced productive time, but they appear to be keeping workers safe, and productivity is likely to continue to recover as protocols evolve.

Heightened uncertainty remains a challenge facing the industry, including the possibility of a potential second wave of COVID-19. Clear guidelines on health and safety measures and rules about which type of construction can continue, however, have reduced that uncertainty.

Although, predictably, uncertainty about the investment outlook is now viewed as the dominant threat to the industry, shortages of skills and labour continue to be a concern. A key question is, will workers be available to return as demands continue to rise?

The long-term concern is the impact of the COVID-19 disruption to recruitment, training, and uptake of apprenticeship on the supply of future skilled trades workers. Although there is little data available at this point, younger workers, including apprentices, tend to be hardest hit during slowdowns. The elevated rates of unemployment and economic uncertainty will likely result in a sharp pullback in the number of new apprentices hired by employers in 2020 – just as apprenticeship numbers were beginning to recover following the collapse of resource expansion. Apprentices who remain employed have faced challenges with block training due to limited in-school training opportunities resulting from COVID-related school closures.

As concerns over COVID-19 recede, the construction workforce will continue to age. BuildForce estimates that Canada's construction industry will lose approximately 257,000 workers to retirement by 2029. Accounting for modest growth, the industry would need to recruit just under 310,000 new workers into the construction labour force between 2020 and 2029. An estimated 228,000 workers could be recruited and trained domestically from the pool of youth expected to enter the workforce over the coming decade, but a shortfall of nearly 82,000 workers is expected to emerge by 2029. Undertraining now, especially in key skilled trades, will make reaching the estimates for new entrants more challenging, thereby exacerbating skilled-labour shortages already present in the industry.

Though the near-term outlook may have weakened somewhat compared to six months ago, demand for skilled labour in the industry remains strong, particularly in British Columbia, Ontario, and Quebec. For skilled trades workers displaced from other sectors of the economy, opportunities exist to transition into the construction labour force with potentially minimal retraining and upskilling. With approximately 22% of the current construction labour force expected to retire by 2029, the opportunities to start a meaningful career in the industry have never been greater.

PROVINCIAL INVESTMENT OUTLOOK

Provincial construction markets were heavily affected by COVID-19 isolation measures.

Construction demand has been depressed by a reduction in consumer spending; the rescheduling, resizing or cancellation of private-sector projects; and delays and deferrals of public-sector projects resulting from reduced tax revenues and reduced royalties generated by commodities.

Each province responded differently to COVID-19 and each province is reopening its economy at varied rates as reported levels of new cases decline. Although some provinces have emerged from the pandemic relatively unscathed, others will take longer to recover. While all provinces remain wary of a possible second wave of infections, BuildForce presents the following provincial outlooks, based on developments to July 2020.

NEWFOUNDLAND AND LABRADOR

Non-residential: A collapse in oil prices combined with COVID-19 measures has had a significant effect on government revenues, employment, and major projects in Newfoundland and Labrador. Key projects, including the Voisey's Bay underground mine, the Come By Chance refinery, and the Muskrat Falls hydro development, were moved to "care and maintenance" status. Other projects are experiencing longer-term delays, with the commencement of the West White Rose Project delayed until 2021 and the Bay du Nord offshore project postponed indefinitely, pending an increase in oil prices and more robust market confidence.

Work on commercial and institutional projects, such as Memorial University's new core science facility, continued on a slower schedule. The current outlook scenario for Newfoundland and Labrador anticipates that non-residential construction will decline by 27% in 2020 and rebound in 2021 as projects get back on track. The overall trend, however, is for lower levels of activity over the medium term, as no new large-scale projects are scheduled to commence.

Residential: Residential construction in Newfoundland and Labrador has slowed over the past few years and the effects of weaker growth and COVID-19 are likely to slow market conditions through 2021, with new-housing starts remaining low. Residential construction is anticipated to decline by 15% in 2020 and remain mostly unchanged in 2021 before gradually recovering in 2022. In a move to stimulate activity, the provincial government announced a new *Residential Construction Rebate Program* to incent homeowners regarding new-home construction and renovation projects.

Table 7 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Labour market: In Newfoundland and Labrador, the combined effect of slower growth and project delays has translated into significant employment declines and rising unemployment rates in 2020 (see Table 8). As the economy reopens, the province has been slower

Table 7: Construction and maintenance expenditures, Newfoundland and Labrador ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	1,302	1,224	1,040	1,055	1,089
% change		-6.0	-15.0	1.4	3.2
Non-residential	5,194	4,989	3,627	4,613	4,177
% change		-3.9	-27.3	27.2	-9.5

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 8: Labour statistics, Newfoundland and Labrador

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	26.9		22.2	22.3	21.7	18.5	19.1	19.3	-13.5	-28.3
Employment (000s)	20.3		14.9	14.5	14.2	11.4	11.4	14.3	-1.4	-29.6
Unemployment rate (%)	24.5		33.3	35.0	34.6	38.9	40.3	26.4	-8.6	1.9

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

to recover relative to the rest of Atlantic Canada. The construction unemployment rate rose to 40.3% in May but declined to 26% in June. Employment totals in June climbed to close to pre-COVID levels but did not reflect a decline in the labour force, which fell from 22,300 in February to 19,300 in June. Both the labour force and employment in June remain well below levels when compared to the same period last year. Based on the projected decline in investment, employment declines are expected to continue over the short term as current major projects wind down.

NOVA SCOTIA

Non-residential: A key factor affecting Nova Scotia construction markets is a decline in consumer spending caused by COVID-19 isolation measures. Uncertainty around future market conditions has delayed some business decisions, but current and planned hospital and highway projects are expected to contribute to positive growth in non-residential construction investment in 2020, as compared to 2019.

The province announced a $230 million capital spending plan, which will fund a range of shovel-ready projects. Specified projects include work on the Halifax provincial court, upgrades at Nova Scotia Community College, and the replacement of several bridges. This stimulus may help to offset the expected delays to a 2021 start for some major hospital projects. In civil construction, programs devised by the Department of Transportation and Infrastructure Renewal are expected to fund steady levels of activity on road and highway projects. Assuming projects are back on track by late summer, overall non-residential investment is estimated to increase by 3.8% in 2020 as compared to last year.

Residential: Residential construction in Nova Scotia entered the pandemic period with a strong housing market, centred around the Halifax area. Housing starts are not anticipated to return to peak levels in the near term, as pandemic-related constraints on construction and job losses have weakened demand. Residential construction investment is expected to decline by 5.3% in 2020 and then remain mostly unchanged over the next few years.

Table 9 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Labour market: Employment in Nova Scotia returned to pre-COVID levels in June; however, it remained 4.7% lower than 2019 levels (see Table 10). The unemployment rate fell significantly from almost 20% in April to 14% in June. The rate remains slightly higher than average for this time of year but is expected to continue improving as the economy reopens and construction projects get back on track. Industry employment is expected to increase in 2021 and 2022, as several major scheduled hospital projects are set to commence next year.

Table 9: Construction and maintenance expenditures, Nova Scotia ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	2,997	3,165	2,996	3,080	3,157
% change		5.6	-5.3	2.8	2.5
Non-residential	2,617	2,621	2,721	3,299	3,164
% change		0.2	3.8	21.2	-4.1

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 10: Labour statistics, Nova Scotia

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	37.0		37.5	37.6	36.3	33.7	36.4	37.8	0.5	2.2
Employment (000s)	34.1		32.7	31.4	29.9	27.1	31.8	32.5	3.5	-4.7
Unemployment rate (%)	7.8		12.8	16.5	17.9	19.6	12.6	14.0	-2.5	6.2

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

NEW BRUNSWICK

Non-residential: Despite COVID-19, numerous major projects are underway and continuing as scheduled in New Brunswick. The provincial government has announced it is moving ahead with several capital projects, including the Saint John Regional Hospital expansion. Overall non-residential construction investment is estimated to decline by 5.1% in 2020, however, followed by modest gains in 2021 – up 3.9% with the expected start of hospital upgrade projects in Moncton and Saint John. Delays have been announced on the Burchill Wind Energy Project and Point Lepreau generating station shutdown/turnaround work; however, no significant changes to their completion schedules are expected.

Residential: Residential construction in New Brunswick is projected to decline by 8.5% in 2020, expected to recover in 2021 and remain positive over the next few years. Following a notable decline in 2020, housing starts are anticipated to rise gradually but remain below the 2019 peak, in line with slower population growth over the near term.

Table 11 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Labour market: Employment in New Brunswick fell 22% from February to April before experiencing a significant recovery in June, eclipsing pre-COVID employment levels, and landing more than 2% above the June 2019 level (see Table 12). The unemployment rate fell from 31.6% in April to 13.2% in June but remained about 4 percentage points higher than the same period last year. Over the outlook period (2020–2022), employment is expected to recover slightly and remain near pre-COVID levels as residential activity gradually increases over the next few years and current and proposed hospital and school projects help sustain non-residential construction.

Table 11: Construction and maintenance expenditures, New Brunswick ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	1,890	1,944	1,779	1,835	1,894
% change		2.9	-8.5	3.1	3.2
Non-residential	2,961	2,983	2,830	2,940	2,821
% change		0.7	-5.1	3.9	-4.0

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 12: Labour statistics, New Brunswick

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	29.3		27.1	27.3	26.7	25.3	28.2	31.1	13.9	6.1
Employment (000s)	26.5		21.4	22.3	20.0	17.3	23.2	27.1	21.5	2.3
Unemployment rate (%)	9.2		21.0	18.3	25.5	31.6	17.7	13.2	-5.1	4.0

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

PRINCE EDWARD ISLAND

Non-residential: P.E.I. is anticipated to experience a larger proportional impact from consumer spending losses relative to other provinces, as tourism is responsible for a sizeable portion of the province's GDP. Building permits were initially placed on hold during the provincial shutdown, allowing only ongoing projects to continue, mostly at reduced capacity. An anticipated decline in business investment, however, will be partially offset by planned government investment in major projects, estimated to push non-residential investment up slightly in 2020.

As restrictions continue to ease in the near term and with permitting back in place, the province anticipates new projects will boost the non-residential sector. While activity slowed, overall construction investment is estimated to increase by 1.2% in 2020 compared to last year. Several school projects are scheduled to start in 2020, including Sherwood Elementary, a high school in Stratford, and the expansion of École-sur-Mer in Summerside. In addition, construction of the UPEI residence and School of Climate Change in 2020 and the proposed new mental health and addictions campus in 2021 will boost institutional construction. The timing of institutional construction projects, however, will determine whether an estimated decline of 17% in commercial building construction can be offset this year.

Residential: Residential construction in P.E.I. entered the pandemic period with a solid housing market. While housing starts remained strong early this year, they are expected to fall from their 2019 peak, as construction is delayed due to pandemic-related constraints. The outlook for new-home construction is expected to remain elevated over previous years but is unlikely to return to 2019 levels, as job losses are expected to affect buyers over the short term. Residential construction is estimated to decline by 12.9% in 2020 as housing slows and then resumes growth in 2021, up 7.2% – although activity is estimated to remain below the 2019 level.

Table 13 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Labour market: Employment in P.E.I. saw a strong recovery in May, exceeding both pre-COVID and 2019 levels as projects resumed and workers returned. The unemployment rate contracted significantly from 24.6% in April to 2.6% in June, five percentage points lower than the same period last year (see Table 14). Over the next 24 months, residential and non-residential demand are expected to increase as deferred and planned new projects get underway, resulting in increased employment in 2021 and sustained employment in 2022.

Table 13: Construction and maintenance expenditures, Prince Edward Island ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	455	465	405	434	475
% change		2.2	-12.9	7.2	9.4
Non-residential	406	434	439	523	474
% change		6.9	1.2	19.1	-9.4

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 14: Labour statistics, Prince Edward Island

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	7.9		7.0	7.2	6.8	6.5	7.6	7.8	8.3	-1.3
Employment (000s)	7.2		6.4	6.2	5.9	4.9	6.6	7.6	22.6	5.6
Unemployment rate (%)	7.6		8.6	13.9	13.2	24.6	13.2	2.6	-11.3	-5.0

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

QUEBEC

Non-residential: Prior to the pandemic, non-residential construction in Quebec was riding a three-year period of solid growth, driven by transportation, utilities, manufacturing, and government services industries. As the pandemic hit, the provincial government implemented the most aggressive restrictions in the country and was the first to announce a shutdown of all non-essential business, including construction. Non-residential construction is estimated to decline by 11% in 2020 as the impact of COVID-19 ripples across the economy, resulting in slower investment spending and project delays or deferrals.

The provincial government announced the addition of $2.9 billion in infrastructure spending to the 2020–2021 fiscal year, with most of the spending allocated to education, health, and road infrastructure. Key infrastructure projects (the Montreal container terminal, current and ongoing major highway and bridge infrastructure, current and proposed public transit projects in Montreal and Quebec City) are expected to help offset COVID-related project delays – and the scheduled completion of the La Romaine hydroelectric project – to sustain construction investment over the near term.

Residential: On the residential front, Quebec is experiencing the lowest vacancy rates in recent history, largely driven by unprecedented levels of study permit holders, particularly in the Montreal and Gatineau areas. Despite a strong first quarter, early restrictions on construction and dampened consumer confidence will see housing starts decline in 2020. Residential investment is estimated to decline by 8.4% in 2020, then increase by 3.5% in 2021, before rising gradually to pre-COVID 2019 levels over the next few years.

Table 15 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Labour market: COVID-19 restrictions hit the Quebec construction industry harder than other provinces. After the province mandated the shutdown of most construction activity, the provincial unemployment rate more than tripled in April, exceeding 40% (see Table 16). Since the reopening of the construction industry in May, the unemployment rate has fallen significantly to 7.3% in June, lower than pre-COVID levels, but higher than the 3.5% seen in June 2019. Employment growth resumes in 2021 as residential investment increases and non-residential projects get back on track, helping to sustain industry employment near pre-COVID levels.

Table 15: Construction and maintenance expenditures, Quebec ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	27,777	28,742	26,326	27,241	28,327
% change		3.5	-8.4	3.5	4.0
Non-residential	28,954	31,292	27,862	28,698	28,915
% change		8.1	-11.0	3.0	0.8

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 16: Labour statistics, Quebec

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	290.8		286.7	274.8	281.7	259.3	270.1	291.3	6.0	0.2
Employment (000s)	280.4		254.4	248.7	247.8	154.7	234.2	270.2	8.6	-3.6
Unemployment rate (%)	3.5		11.3	9.5	12.0	40.3	13.3	7.3	-2.2	3.8

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

ONTARIO

Non-residential: Renewed growth in Ontario is expected in 2021, as the province is primed to restart current projects and initiate proposed projects following the mandated closure of many work sites at the beginning of the pandemic.

In the Greater Toronto Area (GTA), increased activity is expected, as projects that were slowed in 2020 are moved to 2021. Key non-residential projects include the Eglinton, Hurontario, and Finch light rail transit (LRT) projects, ongoing work on the Ontario Power Generation Darlington nuclear refurbishment project, and planned subway and health-sector projects.

Key projects in Southwestern Ontario include refurbishment work at the Bruce Power nuclear plant, acceleration in demands related to the Gordie Howe International Bridge in Windsor, and the Nova Chemicals plant in Sarnia. Scheduled industrial maintenance work adds to employment opportunities, although some work was deferred to 2021.

In Eastern Ontario, projects include phase two of the Ottawa LRT, the redevelopment of Parliament Hill's Centre Block and other federal buildings, and a new hospital project.

In Northern Ontario, near-term projects include mineral-processing and large-scale transmission infrastructure investments, although some proposed mining projects may be delayed.

In Central Ontario, project demands are more modest, but also positive.

For Ontario as a whole, the acceleration of demand anticipated in 2020 is expected to move into 2021, assuming public infrastructure projects proceed as scheduled.

Overall, non-residential construction investment is estimated to decline by 2.9% in 2020 and then rebound in 2021 as the economy is fully reopened and projects are back on track across all markets. Investment is expected to return to 2019 levels and then be sustained over the next few years, driven by a long list of current and proposed public transit, health care, utilities, and other infrastructure projects. Commercial construction, however, which was hit hard by project delays, is estimated to decline by almost 13% in 2020.

Residential: Residential investment in Ontario declined by almost 3% in 2019 and is estimated to decline a further 7.7% in 2020, as COVID-19 translates into fewer housing starts and project delays before rebounding by 2022 to 2019 levels. A few larger residential projects in the GTA were postponed but are expected to resume, possibly adding to 2021 project loads.

Renovation work saw initial challenges, as homeowners were reluctant to initiate work during the start of the pandemic. Exterior renovations, however, continued as planned and work volumes appear likely to increase in the latter half of 2020, due in part to the backlog created by COVID-19 and additional demand from homeowners.

Key to a residential-sector recovery is the engagement of all levels of government to speed up approvals, including faster planning reviews, permitting, and inspections.

Table 17 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Labour market: Between February and April, construction employment in Ontario declined by 17% – a loss of 94,000 jobs. As the economy reopened, employment growth resumed in May (+5.5%) and continued into June (+12%), regaining 81,000 jobs. Those numbers were just slightly below the February pre-COVID level, but also below levels seen in June 2019 (-5%).

The unemployment rate contracted significantly from 14.5% in May to 8.5% in June. It remains, however, almost double the rate of 3.9% recorded the previous June. (See Table 18.)

As the economy continues to open and current projects get back on track, employment is expected to rise through 2020 and 2021. There is a potential for the return of recruiting challenges as deferred activity shifts to 2021, with added potential complexities if current health and safety measures extend into next year.

Table 17: Construction and maintenance expenditures, Ontario ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	51,644	51,260	47,338	49,868	52,413
% change		-0.7	-7.7	5.3	5.1
Non-residential	48,718	50,075	48,625	51,501	52,493
% change		2.8	-2.9	5.9	1.9

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 18: Labour statistics, Ontario

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	571.1		559.6	562.5	565.3	512.7	543.9	570.3	1.4	-0.1
Employment (000s)	549.1		529.2	532.0	522.6	440.8	465.3	521.6	-2.0	-5.0
Unemployment rate (%)	3.9		5.4	5.4	7.6	14.0	14.5	8.5	3.1	4.6

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

MANITOBA

Non-residential: Manitoba is anticipated to experience a greater reduction in economic growth relative to other non-energy producing provinces due to the winding down of the Keeyask hydro development project and other major industrial projects. Work at Keeyask was slowed by the pandemic but is expected to be fully complete by 2023. Non-residential expenditures are estimated to decline by 10.5% in 2020 and a further 1.3% in 2021.

Anticipated non-residential declines may be partially offset by the province's announced $500 million investment through the *Manitoba Restart Program*, which will expand on already-planned infrastructure investments of $3 billion over the next two years. The program includes water and sewage projects; road, highway, and bridge resurfacing and repairs; municipal infrastructure priorities; and potential new cost-sharing construction projects with other levels of government. The province recently announced $150 million in highway improvement projects under the *Restart Program*, with additional project announcements expected over coming months. Projects worthy of consideration as part of a recovery stimulus program could include the proposed $1.8 billion North End sewage treatment project or upgrades to the South Perimeter Highway.

Residential: Manitoba's residential sector entered the pandemic period with solid levels of new-home construction. Housing starts remained strong in the first four months of 2020 paralleling the first four months of 2019; however, they are expected to decline as some construction is delayed and pandemic-related constraints and job losses lead to weaker demand in the latter half of the year. Declines in 2020 are anticipated to turn around in 2021, as overall economic conditions improve. Modest gains are expected over the near term, as lower interest rates are anticipated to spur demand.

Residential investment is anticipated to decline by 11.6% in 2020 with growth resuming in 2021, leading the way to a full recovery over the next few years.

Table 19 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Labour market: Employment in Manitoba is down by about 4% from June 2019 levels, while unemployment rates rose 1.2 percentage points over the same period (see Table 20). Manitoba saw a more modest decline in employment during the provincial shutdown, allowing for a quicker rebound to pre-COVID levels. Unemployment levels of 11.7% in February 2020 have fallen to 6.3% in June. Based on projected investment trends, employment in 2021 is expected to fall below the pre-COVID levels seen in 2019. Residential-sector employment will recover over the next two years but remain below 2019 levels. The wind down of the Keeyask hydro development project should translate into declining non-residential employment demand. Proposed infrastructure projects and a gradual increase in residential activity, however, will help sustain employment in 2022.

Table 19: Construction and maintenance expenditures, Manitoba ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	3,872	3,935	3,479	3,654	3,906
% change		1.6	-11.6	5.0	6.9
Non-residential	7,343	7,809	6,988	6,897	7,036
% change		6.3	-10.5	-1.3	2.0

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 20: Labour statistics, Manitoba

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	55.0		50.1	49.5	49.3	48.4	49.2	53.6	8.3	-2.5
Employment (000s)	52.2		44.6	43.6	42.9	39.2	43.5	50.2	15.1	-3.8
Unemployment rate (%)	5.1		11.0	11.7	13.0	19.0	11.6	6.3	-5.4	1.2

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

SASKATCHEWAN

Non-residential: Saskatchewan is anticipated to experience a notable decline in provincial GDP in 2020, driven primarily by a weakened demand for potash and oil exports. That translates into an anticipated decline in activity of 12.4% in 2020.

Heading into 2020, construction had already entered a period of lower activity with non-residential activity declining by 6.9% in 2019. Key projects – including the Jansen, Western Potash and Mosaic projects – are all winding down over the next few years. A final investment decision on proposed additional construction at the Jansen mine may not be available until late 2021.

The province is engaged in a $7.5 billion, two-year capital plan to help stimulate Saskatchewan's economic recovery post-COVID, including construction of schools, hospitals, highways, utilities, municipal infrastructure, and other capital projects. An additional $300 million stimulus package focused on new highway projects was recently announced. A considerable number of institutional projects, including school and hospital upgrades, are also being tendered. In June, the provincial government announced $110 million for six new school projects in addition to several school projects announced in the 2020–2021 budget.

The province also announced a proposed $4 billion irrigation project at Lake Diefenbaker, which would begin with Phase 1 rehabilitation and expansion of the existing Westside irrigation canal system, estimated at $500 million.

Residential: Residential construction activity in Saskatchewan had already declined by 8.6% in 2019, representing the lowest level of housing starts in the past 20 years at around 2,400 units. Housing starts were up in early 2020, assisted by the province's provincial tax rebate program for first-time homebuyers; however, relatively high vacancy rates combined with job and income losses during the pandemic and projected slower population growth are expected to lead to an overall decline in new-home construction. Residential construction investment is expected to decline by 10% in 2020 and then rebound in 2021. Residential demand over the next few years will be influenced by continued low interest rates and anticipated growth in the job market.

Table 21 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Labour market: With the easing of pandemic restrictions, employment levels in Saskatchewan are up compared to pre-COVID levels but remain below the same period last year. Provincial employment is down 12.7% from June 2019 levels, while an unemployment rate of 13.8% in June 2020 is more than double the 5.8% seen in June 2019 (see Table 22). Following several years of decline in both residential and non-residential demand, employment is expected to decrease marginally in 2021, with planned stimulus projects helping to offset weaker construction markets.

Table 21: Construction and maintenance expenditures, Saskatchewan ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	3,094	2,829	2,547	2,826	3,158
% change		-8.6	-10.0	11.0	11.7
Non-residential	12,086	11,252	9,855	10,153	10,963
% change		-6.9	-12.4	3.0	8.0

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 22: Labour statistics, Saskatchewan

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	51.7		46.3	45.1	45.1	42.4	44.6	49.2	9.1	–4.8
Employment (000s)	48.7		38.4	38.0	38.5	34.6	37.3	42.5	11.8	–12.7
Unemployment rate (%)	5.8		17.1	15.7	14.6	18.6	16.4	13.8	–1.9	8.0

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

ALBERTA

Non-residential: Alberta is expected to see the sharpest declines in economic growth among provinces as it endures the effects of energy price declines and COVID-19. Non-residential construction investment is expected to decline by 10% in 2020, on top of an 11% decline in 2019.

Under low oil price projections, the oil and gas industry has announced significant reductions in both investment and maintenance expenditures.

Declines are mostly notable in commercial projects (-11%), industrial buildings (-7%), and engineering construction (-14.5%). Part of that decline is attributable to the earlier months of the pandemic, when investment on some projects was delayed as firms reduced the number of workers on construction sites to help halt the spread of COVID-19.

Much industrial shutdown/turnaround maintenance work, which was expected in spring 2020, was put on hold under the combined impacts of COVID-19, lower oil prices, and lower energy demand. Under new health and safety protocols, new maintenance schedules are being established, with work picking up in July and carrying over into August/September. The majority of this anticipated work will be carried out by a mostly local Alberta workforce. Some planned fall 2020 shutdown and turnaround work may be deferred to 2021.

Driven by government stimulus, institutional spending is estimated to increase by just over 8% in 2020, but will only partly offset expected declines in other sectors.

As part of a stimulus package targeted to kick-start the economy, Alberta plans to spend $10 billion on projects that will include health care facilities, pipelines, schools, drug treatment centres and more. Of that total, $6.9 billion was already earmarked in the spring budget. The province indicated that at least $600 million will be invested in new large-scale projects that will start construction this summer.

Residential: The impacts of a weaker economy and job losses in addition to construction delays due to pandemic-related constraints are expected to have a deep impact on Alberta's residential construction sector. New-housing starts remained robust during the first quarter of 2020 as compared to last year, but new-home construction is expected to fall by 11.7% in 2020 and remain mostly unchanged in 2021. Renovation work is expected to rise by 4.3% in 2020, though total residential investment is estimated to decline by 4.9% in 2020 and then reflect modest gains expected over the next few years.

Table 23 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Table 23: Construction and maintenance expenditures, Alberta ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	16,954	16,704	15,888	15,997	16,662
% change		-1.5	-4.9	0.7	4.2
Non-residential	51,102	45,428	40,828	48,184	49,110
% change		-11.1	-10.1	18.0	1.9

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 24: Labour statistics, Alberta

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	264.8		238.5	235.1	244.5	233.4	241.2	261.6	11.3	−1.2
Employment (000s)	244.9		213.7	212.2	219.9	188.9	196.1	216.0	1.8	−11.8
Unemployment rate (%)	7.5		10.4	9.7	10.1	19.1	18.7	17.4	7.7	9.9

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

Labour market: In Alberta, the construction unemployment rate almost doubled from 9.7% in February to 17.4% in June – also much higher than the 7.5% seen in June 2019 (see Table 24).

Over the near term, residential investment gradually recovers to pre-COVID levels of activity and employment. Declines in oil sands and heavy-industrial engineering construction, however, translate into lower non-residential construction employment. Planned government stimulus efforts should help to offset deeper declines, and some potential recruiting challenges may emerge due to the rescheduling of some heavy-industrial maintenance activities to 2021 and the limited availability of the specialized trades required to carry out this specific industrial maintenance work.

BRITISH COLUMBIA

Non-residential: Prior to the pandemic, British Columbia in general, and the Lower Mainland in particular, were poised for a dramatic rise in construction activity in 2020 and 2021. While quarantine measures have dampened construction activity across the country, B.C.'s ambitious reopening schedule and the resumption of many major projects may see peak levels of activity altered but not delayed.

Strong levels of activity include several major projects, such as the LNG Canada facility and associated Coastal GasLink pipeline and the Trans Mountain Pipeline. Investment over the near term will continue to be driven by a long, diverse list of projects that spans LNG, pipelines, utilities, transit, roads and highways, bridge work, hospitals, and schools.

Along with British Columbia's capital spending plan, non-residential investment is anticipated to be positive in 2020 – up 4.2% compared to 2019. Non-residential investment is estimated to increase by 15.4% in 2021 and then remain at sustained high levels across the province to 2024. Activity will decline thereafter as several major projects, including LNG Canada, Site C hydro development, the Pattullo Bridge, and major highway work such as the Highway 1 upgrade and expansion, conclude.

Residential: Housing starts in British Columbia declined from almost 45,000 in 2019 to a projected 35,800 in 2020. While a number of risks exist, including access to capital that may impact future investment, B.C.'s residential market is expected to rebound more quickly than that of other provinces, with housing starts recovering to almost 40,000 units in 2021 and a modest rise in 2022 to 41,300. Following an estimated 8.2% decline in 2020, residential investment is set to increase in both 2021 (+4.7%) and 2022 (+5.4%), as low vacancy rates in Victoria and the Greater Vancouver Area drive increased housing demands.

Table 25 shows the year-over-year change of residential and non-residential construction and maintenance expenditures through 2022.

Table 25: Construction and maintenance expenditures, British Columbia ($2012 millions*, year-over-year change)

	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential	22,919	22,547	20,688	21,669	22,831
% change		−1.6	−8.2	4.7	5.4
Non-residential	23,169	24,262	25,293	29,200	29,647
% change		4.7	4.2	15.4	1.5

Source: Statistics Canada, BuildForce Canada (forecast: July 2020)

* **$2012 millions** indicates that the investment values are in year 2012 dollars (base year), that is, adjusted for inflation. This is used to calculate the real physical year-to-year change of the value of construction, factoring out growth (increased value) due to increases in prices.

Table 26: Labour statistics, British Columbia

	June 2019		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	June 2020	Feb.–June 2020 change	June year over year (%)
Labour force (000s)	246.4		244.7	245.8	244.7	227.1	228.1	229.4	-6.7	-6.9
Employment (000s)	240.3		233.7	236.6	227.1	200.5	202.6	210.8	-10.9	-12.3
Unemployment rate (%)	2.4		4.5	3.8	7.2	11.7	11.2	8.1	4.3	5.7

Source: Statistics Canada, Labour Force Survey (unadjusted for seasonality)

Labour market: British Columbia began to ease public health and other restrictions earlier than other provinces. Despite this, the province has seen a relatively small recovery in employment, remaining somewhat below pre-COVID levels. An unemployment rate of 8.1% in June is more than twice the February rate of 3.8% and more than triple the rate of 2.4% seen in June 2019 (see Table 26). As workers furloughed by COVID-19 return to work and new projects come online, those numbers should improve through 2020, with increasing employment demands in 2021 and 2022 and potentially tighter labour market conditions.

CONCLUSIONS AND IMPLICATIONS

The impact of the COVID-19 pandemic on the Canadian construction and maintenance industry is unprecedented, with the industry recording a staggering loss of close to one fifth of construction jobs and a reduction of 43% in hours worked between February and April 2020, as governments ordered the closure of projects and work sites across the country. Broader economic shutdowns and collapsing consumer spending in addition to already plummeting energy prices constrained both public and private construction investment, as many projects were deferred, delayed, or cancelled.

Although construction demand remains constrained (down by 7%) compared to a year ago and the slower pace of construction activity has contributed to elevated rates of unemployment and availability of workers, labour market challenges and skilled trades shortages are likely to resurface as construction activity recovers.

The pace of recovery and further growth is likely to be mixed, both regionally and across market sectors. An anticipated decline in commercial-sector investment, attributed to heightened levels of uncertainty among cash-strapped private-sector firms, is likely to translate into further softening in related construction employment. In light of COVID-19, however, the potential of having a positive impact on non-residential renovation activity exists due to the adaptation of private and public buildings, driven by the redesign and repurposing of office, retail, manufacturing and warehousing space. Major energy- and industrial-sector projects are expected to proceed, although project schedules may shift some activity scheduled for 2020 into 2021, causing a potential stacking of project demands. Infrastructure stimulus projects are expected to play a significant role in construction demand over the next year.

It is important to note, however, that the unprecedented impact of the pandemic does not alter the underlying aging demographic challenges facing Canada's construction industry. Employers will likely lose 257,000 workers to retirement by 2029. Accounting for modest growth, the industry will need to recruit just under 310,000 new workers between 2020 and 2029. An estimated 228,000 workers could be recruited and trained domestically from the pool of youth expected to enter the workforce during this period, leaving a shortfall of nearly 82,000 workers by 2029. Even as concerns over COVID-19 recede, the industry must continue to commit to broader recruitment, training, and apprenticeships – especially in key skilled trades – to meet the labour demands of tomorrow. The construction industry can also position itself now to attract workers displaced by economic factors in other industries, particularly workers who already possess skills similar to those most needed by construction employers.

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