



Q1 2025: Canada Construction Monitor

Construction sentiment shifts back into neutral territory on trade war concerns

- Workloads turn negative away from infrastructure
- Credit conditions viewed as likely to deteriorate
- Rising material costs increasing challenge for the industry

The tone of Q1 2025 RICS-CIQS Canada Construction Monitor was noticeably more downbeat than the previous iteration of the survey. The headline Construction Sentiment Index (CSI), which is a composite of key indicators captured in the survey, came in at -3 as against +18 in Q4 2024 indicating a shift back into the neutral zone (Chart 1). Disaggregating this number by company size suggests that it is the larger businesses who are driving the turnaround (having been responsible for the more upbeat result in the final part of last year).

Current workloads take a hit

Insights provided by contributors to the survey around the trend in current workloads shows a negative turn in both the residential and non-residential sectors while activity is still in modestly positive territory for infrastructure albeit less so than previously. This picture is highlighted in Chart 2.

Within the infrastructure area, the results for all sub-sectors were worse than in Q4 or continue to post a

negative reading. Most notably, transport workloads slipped in net balance terms to -6% from +44% in Q4 and +40% in Q3. Meanwhile, the result for social infrastructure shifted from +29% to -6%. The one area of resilience appears to energy projects where the net balance dipped marginally to +19%.

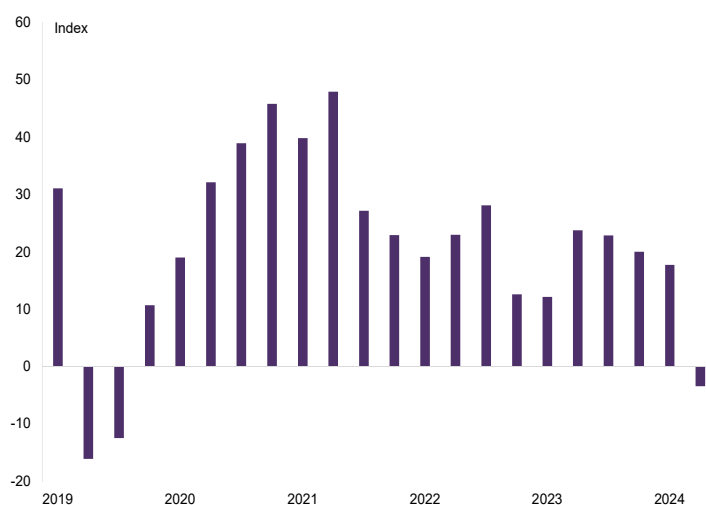
Other metrics tracking current conditions display a broadly similar picture. The new business enquiries net balance reversed course dropping from +18% to -5%, the headcount indicator fell from +9% to -8% and the current profit margins series dropped to -26%, its lowest reading since the middle of 2020.

Credit conditions set to become more restrictive

Although the Bank of Canada has continued lowering interest rates in the early part of this year, the turmoil in financial markets appears to have been a bigger influence on respondents to the survey in terms of the credit environment and how it is likely to shape up over the coming year.

Chart 3 tracks the results for the questions around

Chart 1: Construction Sentiment Index*



*The Construction Sentiment Index is a composite measure encompassing variables on current and expected market activity as well as margin pressures.

Chart 2: Current Workloads by Sector



credit conditions for the first quarter as against the final three months of last year. Significantly as far as the forward looking metrics are concerned, the three-months ahead reading has deteriorated from +12 to -17% and the year ahead indicator has slipped from +26% to -9%. Somewhat surprisingly, the turnaround in sentiment regarding this issue has been particularly evident amongst larger and medium sized businesses rather than smaller firms.

Twelve month expectations show mixed picture

Chart 4 displays respondents' twelve-month expectations for workloads by sector. The standout element of these results is the anticipated resilience of infrastructure activity. By way of contrast, the guidance around the trend in work in both residential and non residential development is altogether flatter. That said, respondents suggest that headcounts will continue to grow even if somewhat less robustly than previously projected (net balance of +6% as against +26%).

Cost of materials now main concern

Given the backwash of the tariff announcements, it is no surprise that the most cited obstacle to activity is now viewed as the cost of building materials. This was identified by around 70% of respondents compared with 60% previously (Chart 5). Meanwhile, more modest workload trends have begun to impact the share of contributors highlighting skills as an issue.

Although a still significant 61% see this as a challenge, the figure is down from 72% in Q4. And alongside this, labour shortages were only reference by just under half of those feeding into the survey. That figure should not be minimised as it still represent a major potential obstacle to delivering on many of the important construction projects in the pipeline. However, the average figure for this indicator over the past three years has actually been around 70%. Delving a little more deeply into the issue, it is where skilled trades and quantity surveyors responses suggests the problems around recruitment are most acute.

Profits outlook reflects more cautious mood

The RICS-CIQS Construction Monitor tries to garner feedback from respondents to the prospects for profitably over the forthcoming year in two ways. The first is through a net balance question. This shows that -13% of respondents (in net balance terms) now expect margins to contract compared with a similar proportion anticipating an increase in Q4. This is most negative read (when it comes to profit expectations) since the second quarter of 2020. Alongside this, the survey also asks about tender prices and construction costs for the next twelve-months. This shows while both measures were running neck and neck in the last survey, this time around, projections are for construction costs to outpace tender prices with higher material costs being a key driver of the anticipated acceleration.

Chart 3: Credit Conditions

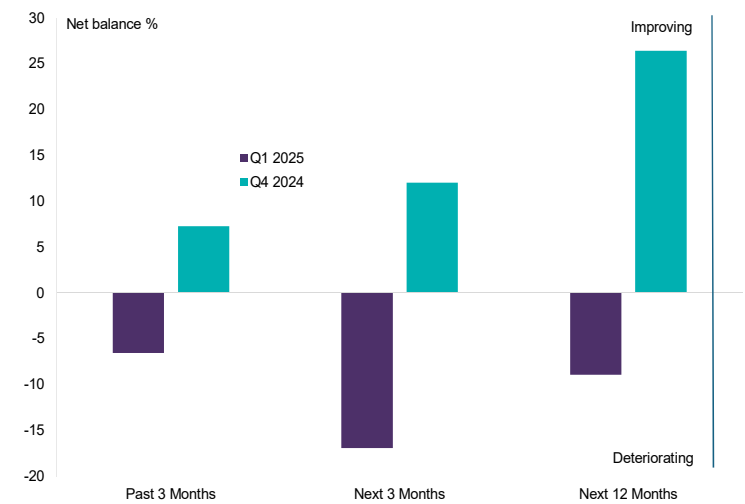


Chart 4: 12 Month Workload Expectations

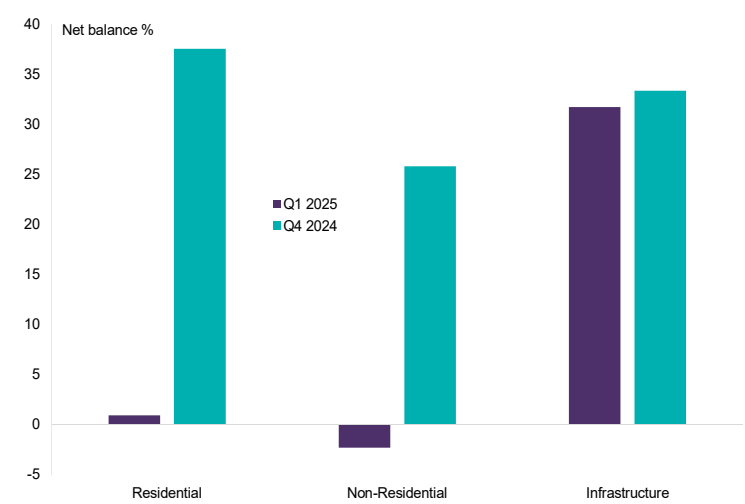
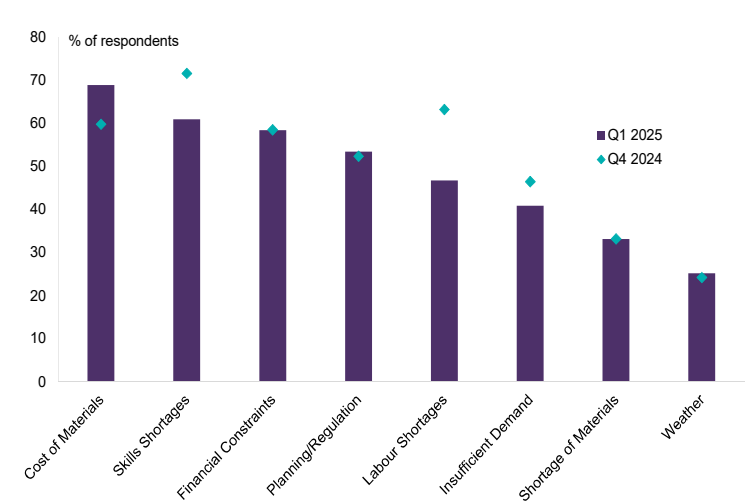


Chart 5: Factors Hindering Activity



Information

Global Construction Monitor

RICS-CIQS Canada Construction Monitor is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

This is the RICS-CIQS Canada Construction Monitor, which received 163 responses in Q1 2025. It forms part of the RICS Global Construction Monitor. Questionnaires were sent out on 10th March 2025 with responses received until 21st April 2025. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 2363 company responses were received globally.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100. A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

RICS Construction Sentiment Index is constructed by taking an unweighted average of current and 12-month expectations of four series: residential workloads, non-residential workloads, infrastructure workloads and profit margins. Global and regional series are weighted using the World Bank's GDP PPP (2017 constant prices) data series. Current responses were weighted using the prior years GDP (e.g. the 2020 responses were weighted using 2019 GDP data). Where responses are not sufficient to form a national-level sample, they are binned together to fill in any gaps in regional coverage.

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The Canadian Institute of Quantity Surveyors (CIQS) was founded in 1959 and is the voice for Canada's construction economists. It is a self-regulatory, professional body and the gatekeeper of the ethics and standards for construction and infrastructure economics in Canada and currently represents over 2,000 construction cost professionals from across Canada as well as internationally.

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