POMERLEAU

Pomerleau Economic Radar

Q2-2025

15.09.2025

TABLE OF CONTENTS ↗

A WORD FROM THE AUTHORS

For several years, our team has been releasing a report that emphasizes significant trends in the economic market and the construction industry. In light of the increasing interest from our partners, colleagues, and clients, we have chosen to improve this document and broaden its distribution.

This quarterly report is now referred to as the Pomerleau Economic Radar. Its purpose is to deliver a clear, organized, and relevant analysis of the economic signals that impact our daily choices.

Our goal is to provide our partners with a solid analytical foundation, enabling them to foresee upcoming challenges, refine their predictions, and capitalize on the most advantageous opportunities.

The start of 2025 indicates that the construction sector continues to face a convergence of economic, social, and industrial tensions. In a situation where global supply chains are starting to stabilize, yet raw material prices are increasing once more, the stakeholders in our industry must enhance their agility and vigilance.

In today's world, a comprehensive grasp of economic data is crucial for constructing with assurance and strength.

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Manager, Economic and Statistical Expertise – Building

EXECUTIVE SUMMARY

GDP growth boosted by the residential sector

The gross domestic product of the residential sector is rising in comparison to the previous month, quarter, and year. This sector serves as the primary driver for the GDP growth of the construction industry.

Decrease in residential permits, rebound in non-residential

In contrast to the construction sector's GDP, the value of residential building permits is declining, contributing to a general decrease in total permit value. Meanwhile, the non-residential sector is showing signs of growth, particularly in the industrial, institutional, and government segments.

+ 2.58%

Rising costs resulting from collective agreements

The implementation of the new collective agreements in Quebec was reflected in the second quarter in the non-residential building construction price index, showing a quarterly change of 2.58% in Montreal and 3.43% in Quebec City.

+ 30%

Significant rise in specific commodities

Despite the decrease in most commodity prices at the conclusion of the second quarter, many still show year-over-year increases, including hot-rolled steel, wood, and natural gas, all exceeding 30%.

+ 0.56%

Stability of construction products despite fluctuations in inputs

Despite the variability in raw materials, construction products produced in Canada have increased by an average of only 0.56% over the past 12 months. Manufacturers are likely relying on resources purchased prior to the implementation of tariffs.

Non-residential inflation increases

Despite certain regional differences, the national non-residential construction price index has continued to increase for the fourth consecutive quarter, slowing progress toward pre-pandemic inflation levels.

+ 25%

Counter tariffs: limited easing

As of September 1st, 1,500 tariff items are no longer subject to a 25% counter tariff. However, counter tariffs on steel and aluminum continue to be in effect, impacting around 300 items.

DASHBOARD

BCPI Non-residential
Quarterly change

Pevious period	Latest period
Q1-25	Q2-25
1.04%	1.59%

BCPI High-rise apartment
Quarterly change

Pevious period	Latest period
Q1-25	Q2-25
0.57%	0.75%

Pomerleau Construction Products Monitor
Annual variation

Pevious period	Latest period
Mai 25 vs Mai 24	June 25 vs June 24
0.58%	0.56%

Construction Unemployment Rate

Pevious period	Latest period
July	August
6.2%	6.4%

Construction Job Vacancy Rate

Pevious period	Latest period
May	June
2.9%	3.2%

CTN Gross Domestic Product
Quarterly change

Pevious period	Latest period
Q1-25	Q2-25
0.00%	0.25%

Building Permits
Quarterly change

Pevious period	Latest period
Q1-25	Q2-25
0.78%	-5.97%

CPI

Pevious period	Latest period
June	July
1.86%	1.73%

Interest Rate

Pevious period	Latest period
June	July
2.75%	2.75%

GROSS DOMESTIC PRODUCT

GDP by industry - Quarterly average

In the 2nd quarter, the growth of the construction industry's gross domestic product (GDP) outpaced that of all industries.

The majority of the construction sector's sectors demonstrated positive performance, with the exception of engineering works, which experienced a decline in comparison to both the previous quarter and the same period last year.

Residential construction presents the most significant quarterly growth, in comparison to both the first quarter and the second quarter of the prior year.

In contrats, non-residential building construction experienced a decrease during the quarter, despite demonstrating growth on an annual basis.

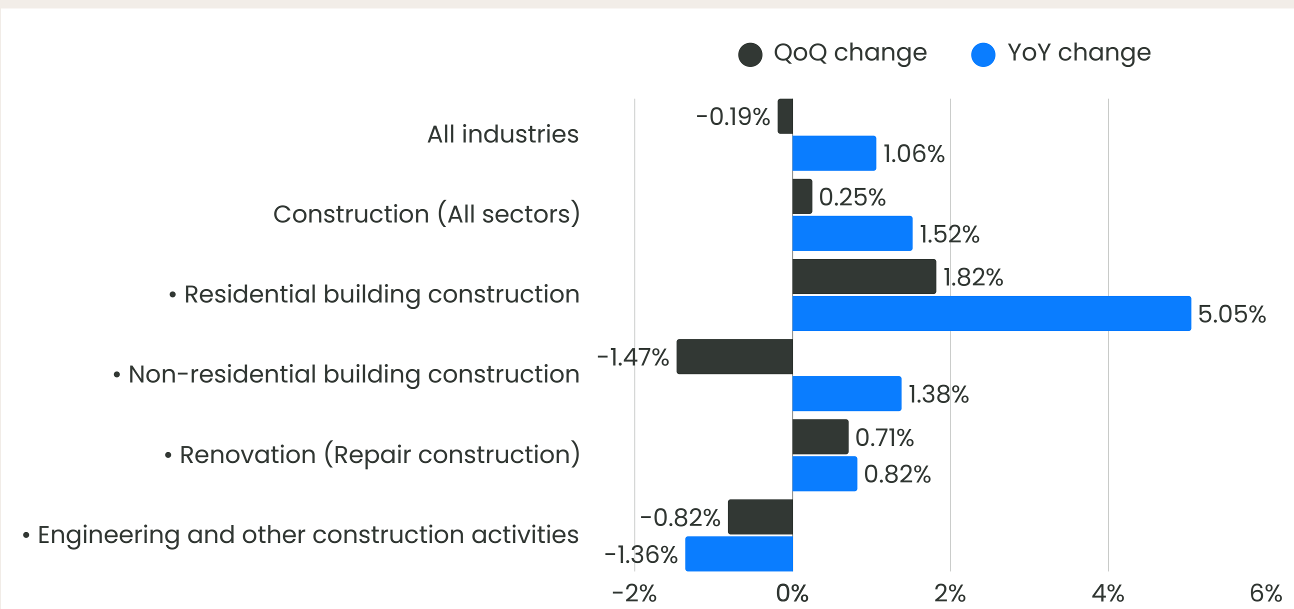
Canadian GDP

-0.19% vs Q1-2025

Construction GDP

+0.25% vs Q1-2025

GDP - Quarterly average change



Source : Statistics Canada, Table 36-10-0449-01, Gross Domestic Product (GDP) at basic prices, by industry, quarterly average. Seasonally adjusted at annual rates, and expressed in 2017 constant prices.

GROSS DOMESTIC PRODUCT

GDP by industry - Monthly

Canadian GDP

-0.13% vs May 2025

Construction GDP

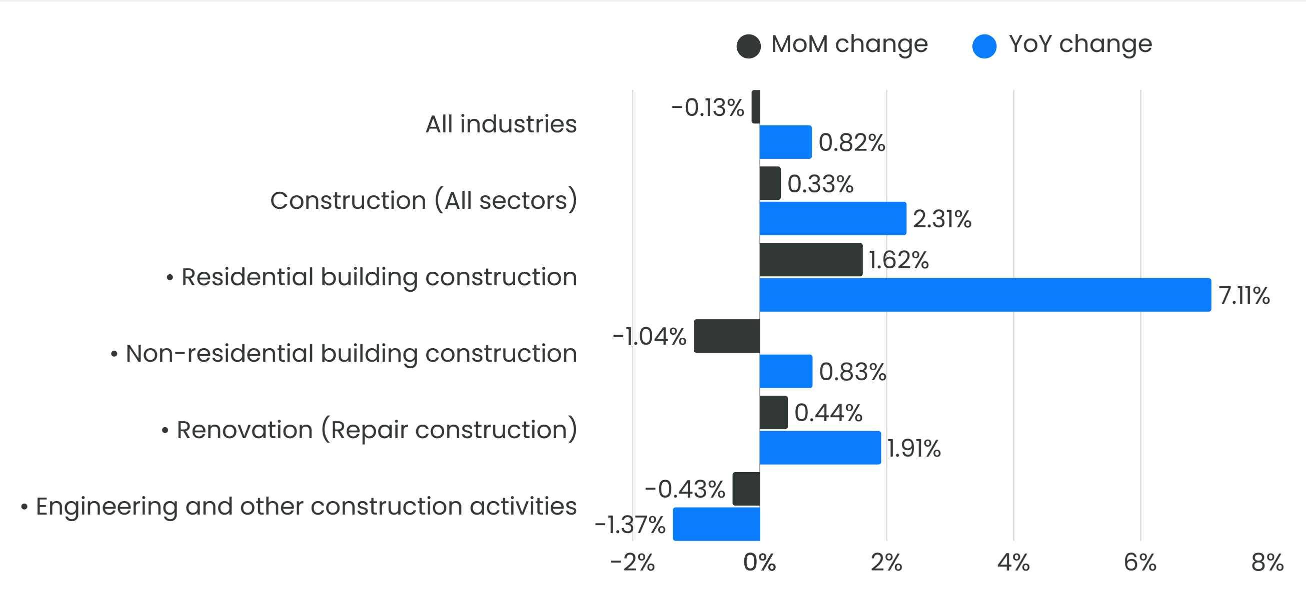
+0.33% vs May 2025

In June, the gross domestic product (GDP) of all industries experienced a slight decline, indicating a third consecutive month of decrease. However, a minor increase was noted on an annual basis.

The construction sector has experienced growth for the second month in a row. Residential construction has increased significantly compared to the same time last year, whereas non-residential construction has declined for the third consecutive month, although it shows a slight increase year-on-year.

On the other hand, engineering projects and other construction activities have decreased, both in comparison to the previous month and relative to June last year.

GDP - Monthly Change



Source : Statistics Canada, Table 36-10-0434-01, Gross Domestic Product (GDP) at basic prices, by industry, monthly, seasonally adjusted at annual rates, and expressed in 2017 constant prices.

INVESTMENT IN BUILDING CONSTRUCTION

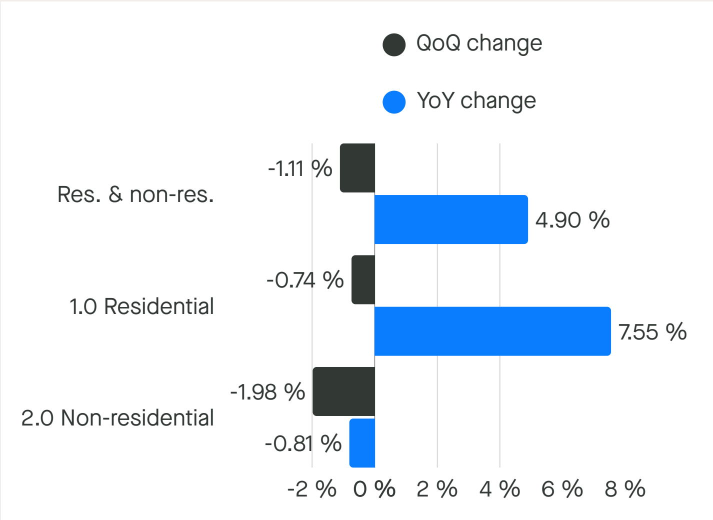
Investment in construction
+4.90% vs Q2-2024

All types of buildings

Building construction investment data is released on a monthly basis; however, to gain a clearer understanding of the trend, a quarterly analysis is provided here.

Despite a decline in construction spending during the second quarter compared to the first, the expenditure remained above the levels recorded in the same period last year.

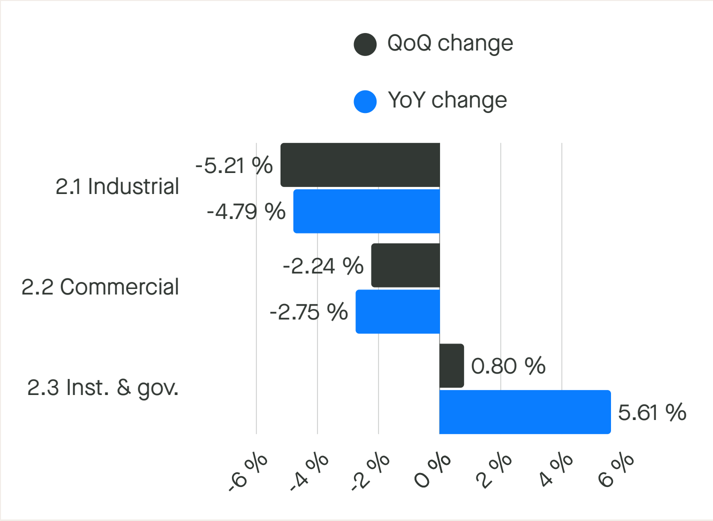
Expenditure on residential (multi-family) building construction is the primary factor contributing to this increase.



Non-residential buildings - Breakdown

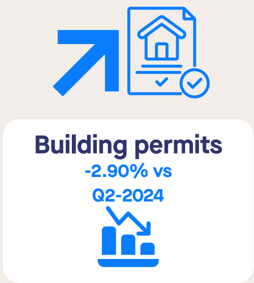
Regarding investment in non-residential building construction, expenditures in the institutional and government sectors have seen the most significant increase.

Industrial and commercial expenditures decreased in comparison to both the first quarter of this year and the same period last year.



Source : Statistics Canada, Table 34-10-0293-01 Investment in Building Construction
Seasonally adjusted figures in constant dollars

BUILDING PERMITS

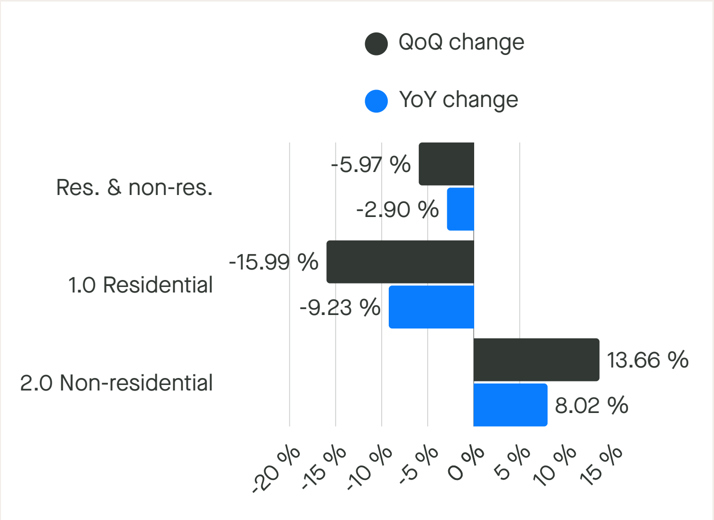


All types of buildings

The overall value of building permits is declining on both a quarterly and annual basis, suggesting a forthcoming slowdown in construction activity.

This trend, however, conceals conflicting movements between the residential and non-residential components.

Residential construction is experiencing a notable decline, while non-residential construction is on the rise in the second quarter of 2025.

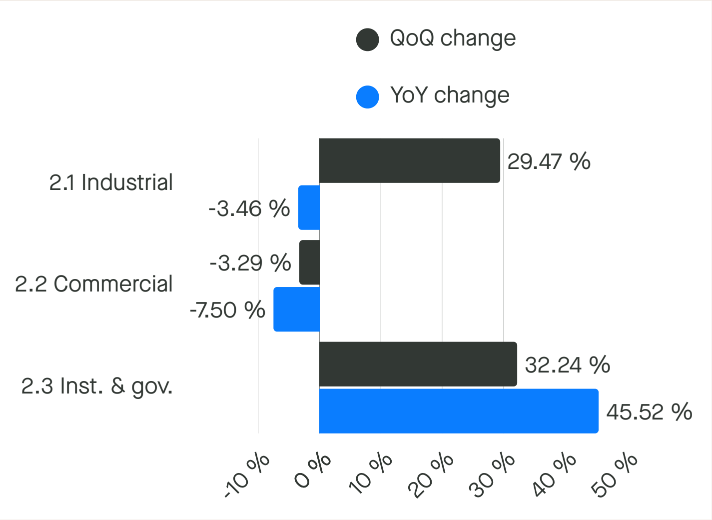


Non-residential buildings - Breakdown

The value of building permits in the institutional and government sector is rising significantly, both quarterly and annually.

The industrial sector demonstrates a notable rise over the quarter, yet a decline in comparison to the previous year.

The commercial sector has declined, both on a quarterly basis and year-over-year. This trend stands in contrast to other elements of the non-residential sector.



Source : Statistics Canada, Table 34-10-0292-01, Building permits by structure
Seasonally adjusted figures in constant dollars

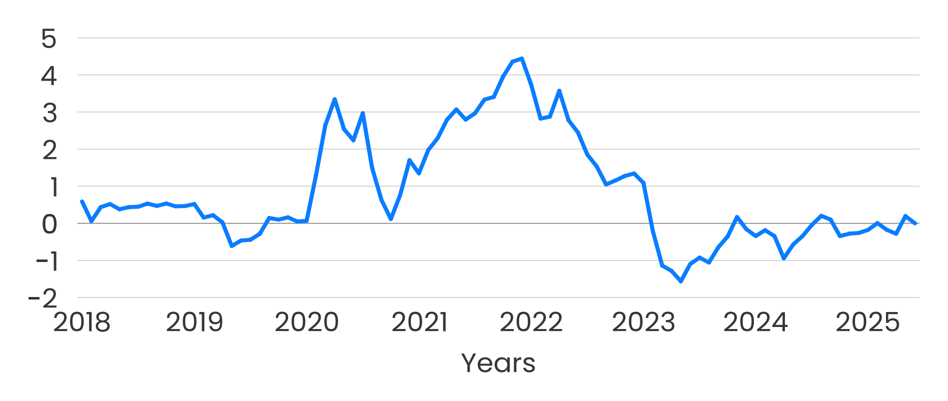
GLOBAL SUPPLY CHAIN

The global supply chain appears to be returning to its historical conditions prior to 2020. The index below indicates standard deviations from the average of the historical index:

> 0 = more pressure than usual

0 = normal

< 0 = less pressure than usual

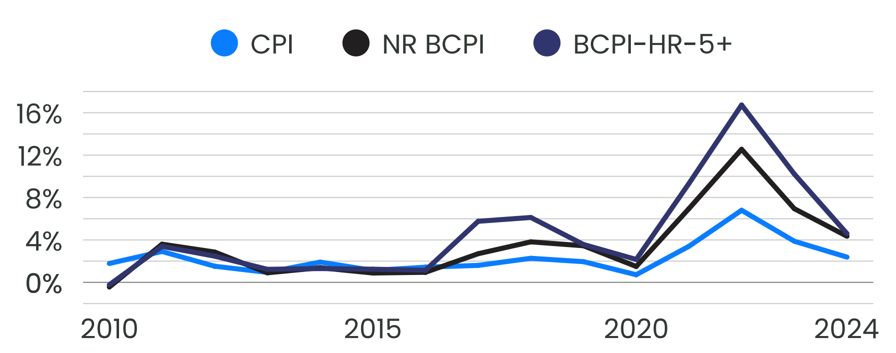


Source : Federal Reserve Bank of New York, Global Supply Chain Stress Index

CONSUMER PRICE INDEX

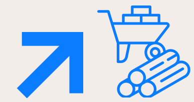
It is important to note that construction inflation, indicated by the Building Construction Price Index (BCPI), differs from inflation as meseared by the Consumer Price Index (CPI). For instance, in 2024 in Canada:

- The CPI yearly inflation stood at just 2.38%;
- The yearly inflation rate of the NR BCPI was 4.35%.
- The yearly inflation of residential high-rise with five floors and above (BCPI-HR-5+) of 4.60%.

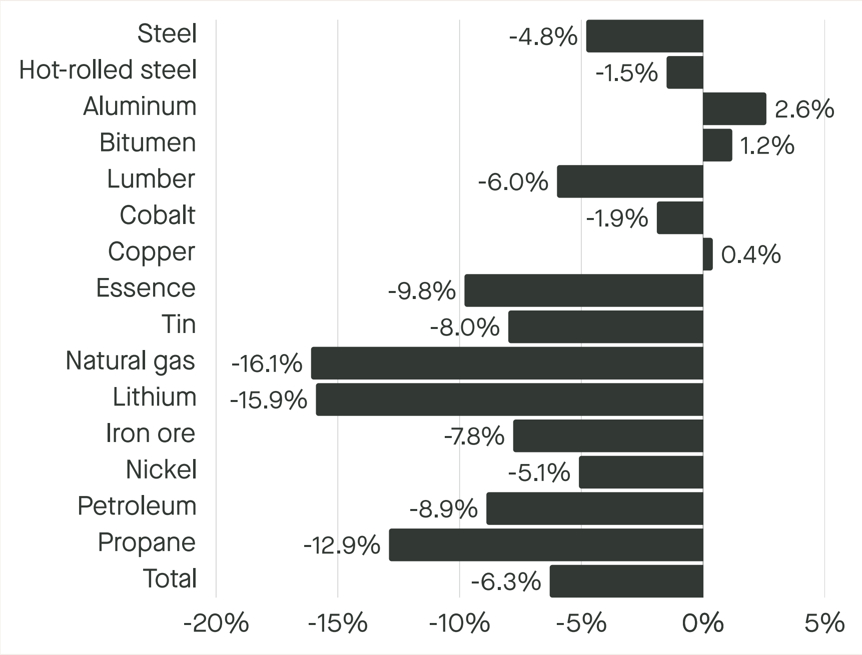


Source : Statistics Canada and Pomerleau

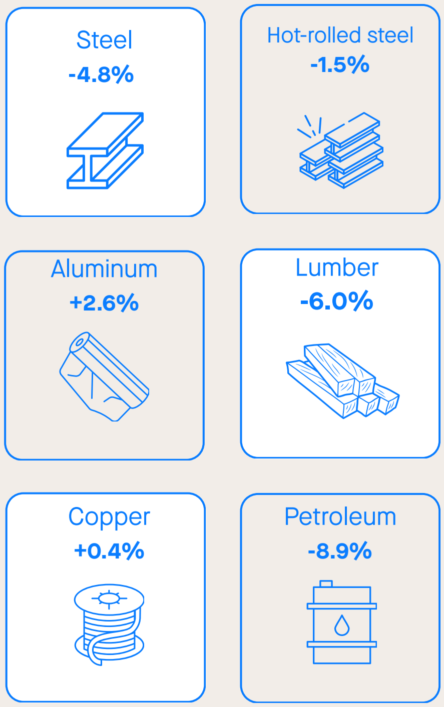
CONSTRUCTION COMMODITIES



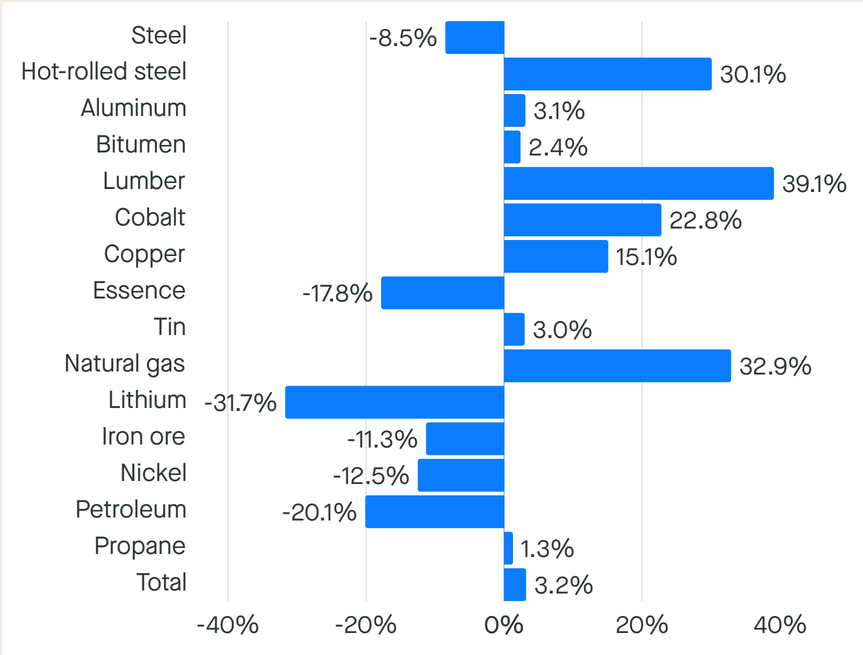
3-month change as of June 30, 2025



Source : Trading Economics



12-month change as of June 30, 2025



Source : Trading Economics

CONSTRUCTION MATERIALS AND PRODUCTS

The Pomerleau Monitor

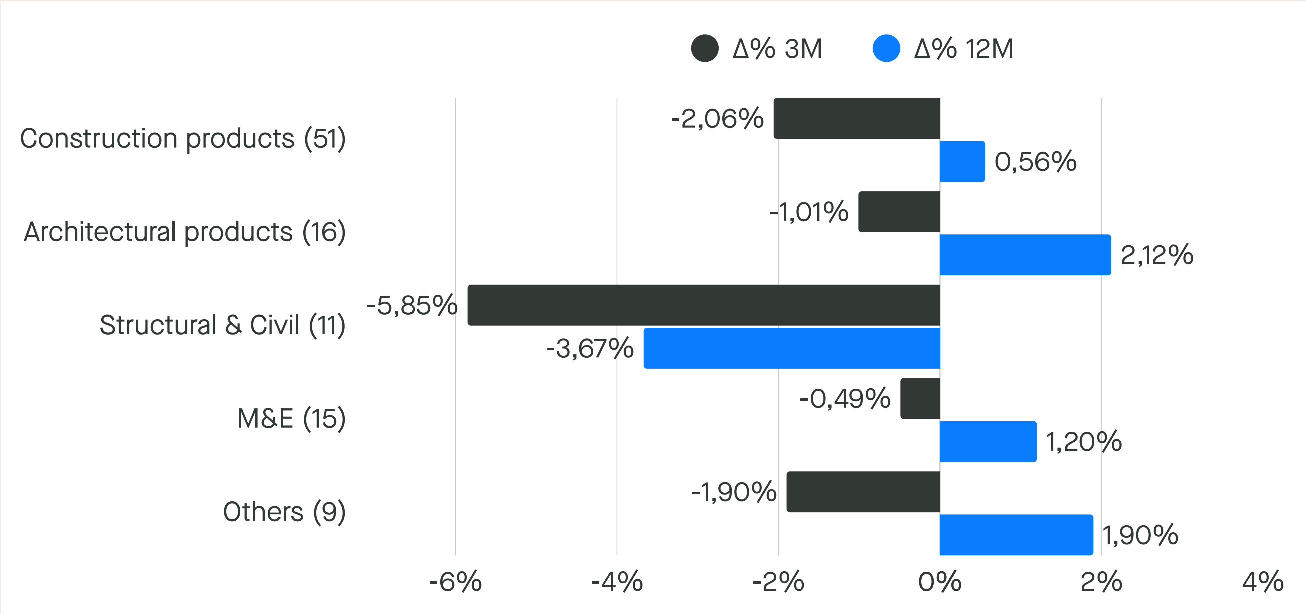
The Pomerleau Construction Products Monitor is composed of a selection and categorization of diverse products from Statistics Canada's Industrial Product Price Index (IPPI), which assesses the prices of goods produced in Canada.

In comparison to the conclusion of the first quarter, average changes in construction products have decreased, although over a span of 12 months, they exhibit a modest rise.

Over a period of three months, all categories have experienced a decline, with a more significant decrease observed in structural and civil products.

Over a period of 12 months, average variations in architectural products and mechanical-electrical, along with other categories, indicate moderate increases, whereas the structural and civil category is experiencing a decline.

Pomerleau Construction Products Monitor



Source : Statistics Canada and Pomerleau, Table 18-10-0266-01 Industrial product price index, by product, monthly
Numbers in parentheses represent the quantity of products categorized accordingly.

LABOUR MARKET

Overview of the labor market in the construction sector

In June, employment within the construction sector increased more significantly than in all other industries, both on a monthly and annual basis.

The unemployment rate in the construction sector continues to be marginally lower than that seen across all industries. Howerver, it is on the rise, while the overall rate is experiencing a slight decline. Additionally, the job vacancy rate in construction surpasses that of all industries.

Ultimately, the unemployment-to-job vacancy ratio in construction is marginally lower than that seen across all industries. This indicates increased pressure on the labor market within this sector, as there are fewer unemployed individuals available for each job opening.

Number of employees

June

All industries	Construction
21.061M	**1.641M**
Δ% 1M: 0.40%	Δ% 1M: 0.47%
Δ% 12M: 1.67%	Δ% 12M: 3.51%

Source : Statistics Canada, Table 14-10-0355-01, Employment by industry, monthly, seasonally adjusted

Unemployment rate

June

All industries	Construction
6.9%	**6.7%**
Δ% 1M: -0.1%	Δ% 1M: 0.2%
Δ% 12M: 0.5%	Δ% 12M: -0.1%

Source : Statistics Canada, Table 14-10-0291-02, Labour force characteristics by industry, monthly, seasonally adjusted

Job vacancy rate

June

All industries	Construction
2.8%	**3.2%**
Δ% 1M: 0.1%	Δ% 1M: 0.3%
Δ% 12M: -0.3%	Δ% 12M: -0.4%

Source : Statistics Canada, Table 14-10-0406-01, Job vacancies, payroll employees, and job vacancy rate by industry sector, monthly, adjusted for seasonality

Unemployment-to-job vacancy ratio

June

All industries	Construction
3.2	**3.0**
Δ% 1M : -0.1	Δ% 1M : -0.3
Δ% 12M : 0.6	Δ% 12M : 0.8

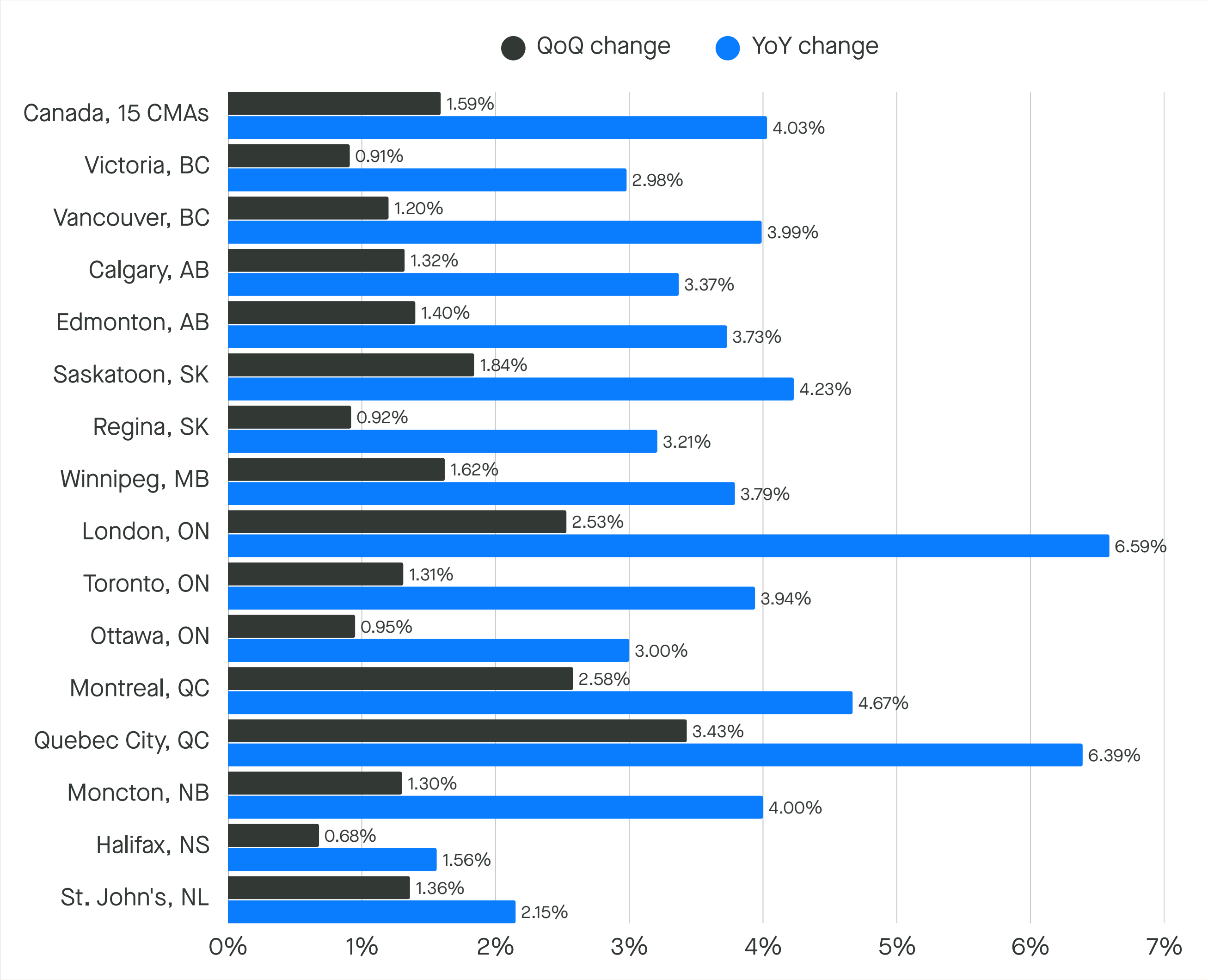
Source : Statistics Canada and Pomerleau

BUILDING CONSTRUCTION PRICE INDEX (BCPI)

Non-residential buildings – Composite index

Construction prices for non-residential buildings increased across all major Canadian metropolitan areas. The national index's quarterly change has accelerated for a fourth consecutive quarter, slowing the return of inflation toward its pre-pandemic historical average (2000–2019). It remains to be seen whether this rebound is only temporary.

The most significant increases were observed in London, Quebec City, and Montreal, whereas Halifax and St. John's exhibited more moderate increases.



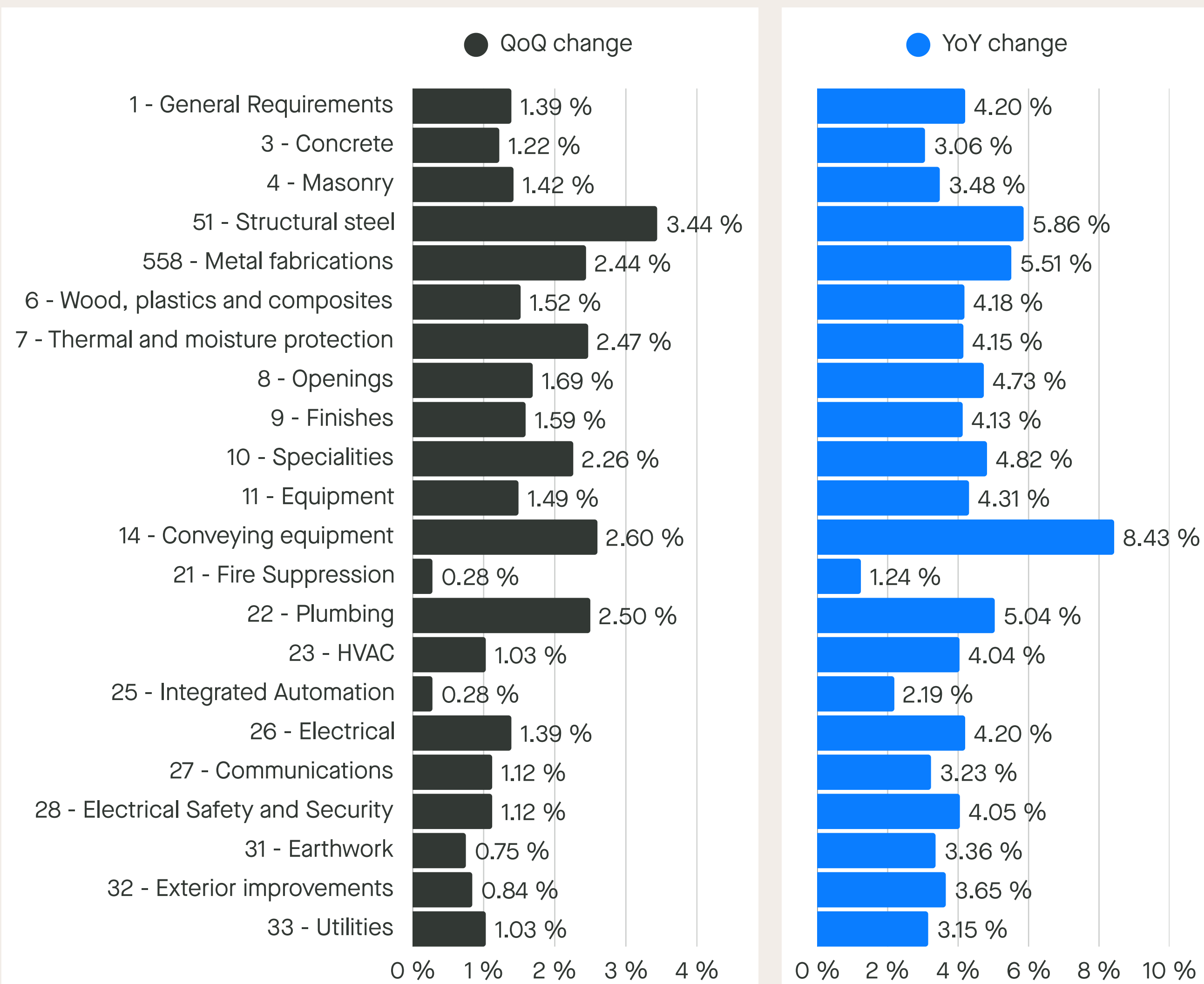
Source : Statistics Canada, Table 18-10-0289-01, Building construction price indexes, by type of building

BUILDING CONSTRUCTION PRICE INDEX (BCPI)

Non-residential buildings – Indicies by division

The rise in prices within non-residential construction is not consistent; it fluctuates based on the technical divisions of the MasterFormat, highlighting the activities that are most susceptible to inflationary pressures.

Certain divisions are notable for their momentum. The most substantial increases are seen in transportation systems, metal structures, plumbing, and waterproofing, which exhibit variations significantly above the average. In contrast, divisions like fire suppression, integrated automation, and earthwork demonstrate more modest growth, indicating a more restrained pressure in these sectors.



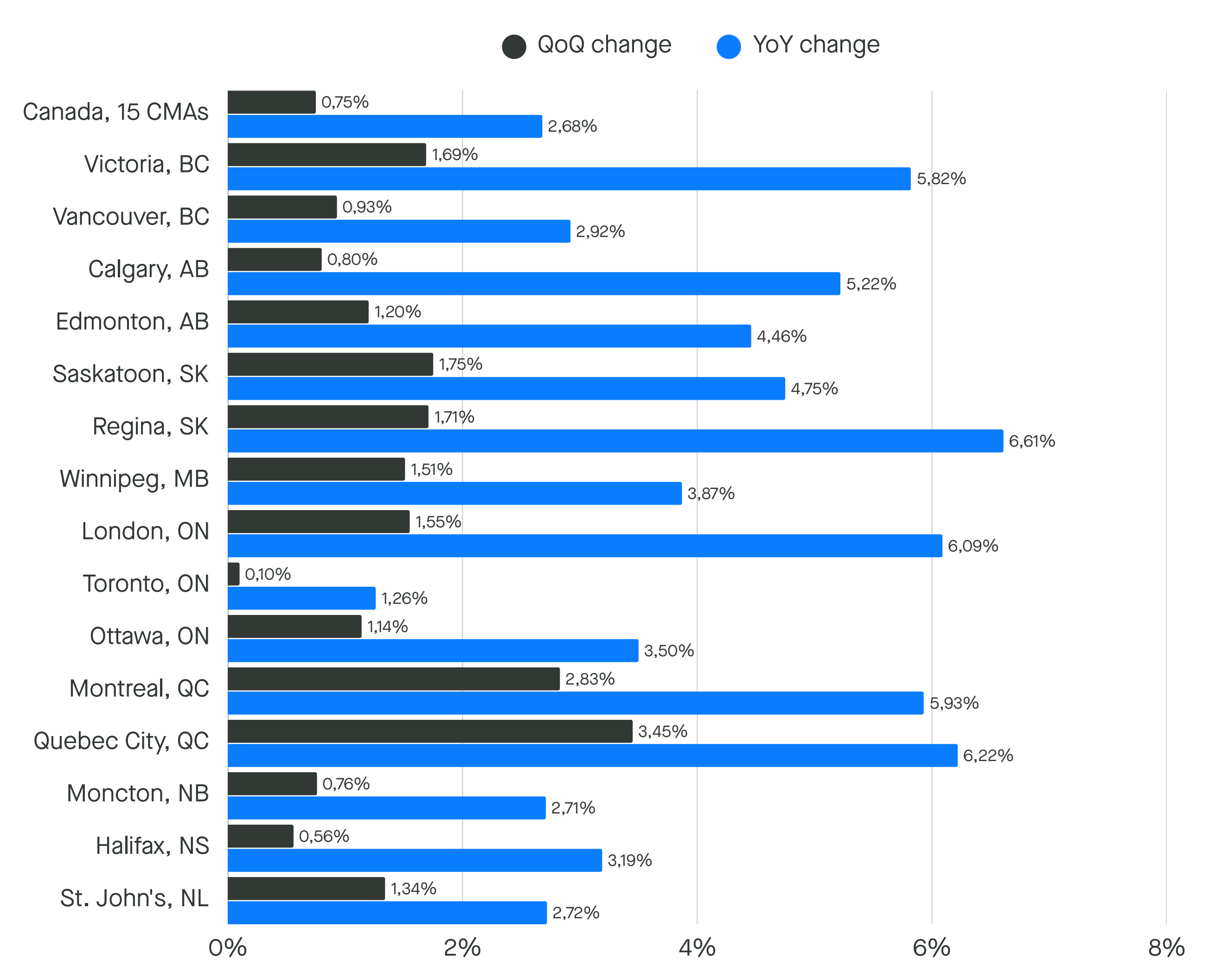
Source : Statistics Canada, Table 18-10-0289-01, Building construction price indexes, by type of building and division

BUILDING CONSTRUCTION PRICE INDEX (BCPI)

High-rise apartment – Composite Index

Residential construction costs for buildings, including high-rise buildins with five or more stories, rose across all major Canadian metropolitan regions. Nevertheless, these costs continued to decelerate toward the historical average observed before the pandemic (2000–2019). The quarterly variation in the national index remained close to the pre-pandemic average for the sixth consecutive quarter.

The most significant increases were noted in Quebec City, Montreal, London, Regina, and Victoria, whereas Toronto, Halifax, and St. John's exhibited more moderate increases.



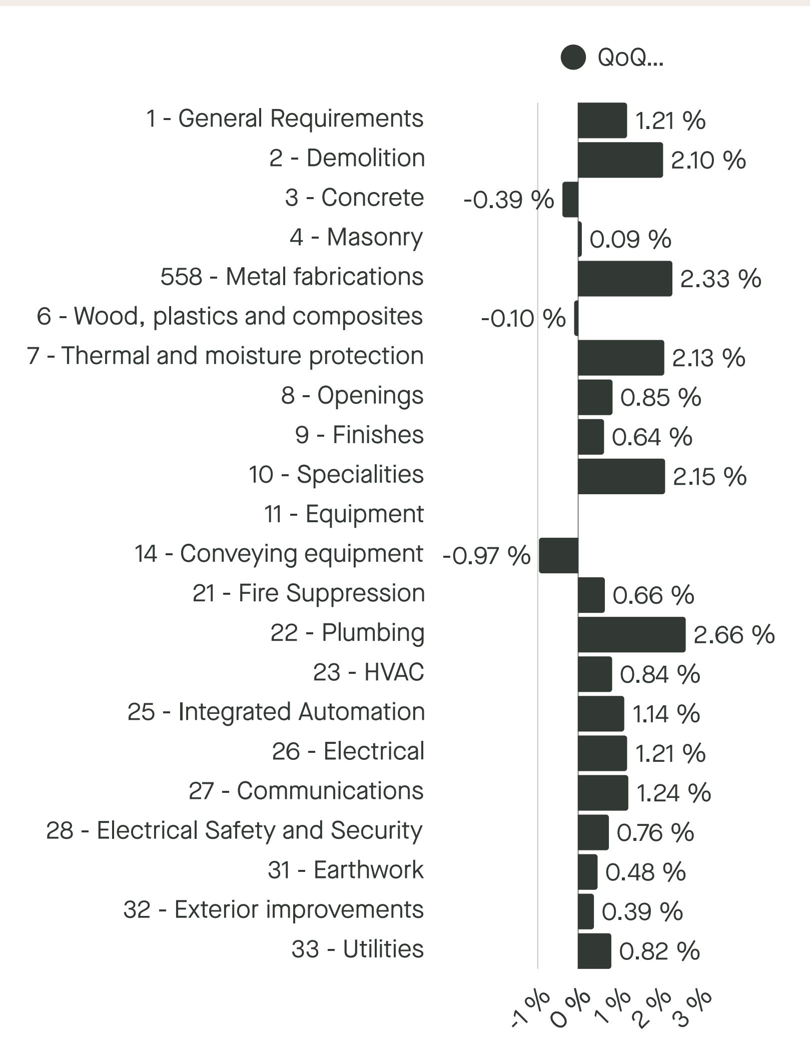
Source : Statistics Canada, Table 18-10-0289-01, Building construction price indexes, by type of building

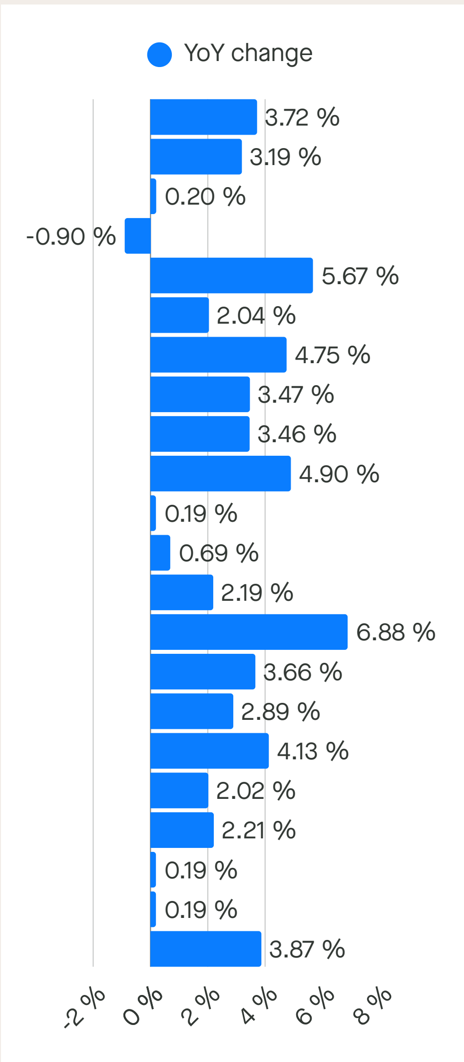
BUILDING CONSTRUCTION PRICE INDEX (BCPI)

High-Rise apartment – Indices by division

For high-rise apartment buildings, the national composite index shows an overall increase, although this rise is more subdued compared to the non-residential sector. This trend indicates a degree of stabilization, while still experiencing pressures in several critical areas, especially those concerning the building envelope and mechanical systems.

The most notable increases were observed in metal fabrications, plumbing, waterproofing, and specialty items. In contrast, certain divisions, including concrete, masonry, wood and composites, and transportation systems, experienced more modest growth or even a slight decrease.





Source : Statistics Canada, Table 18-10-0289-01, Building construction price indexes, by type of building and division

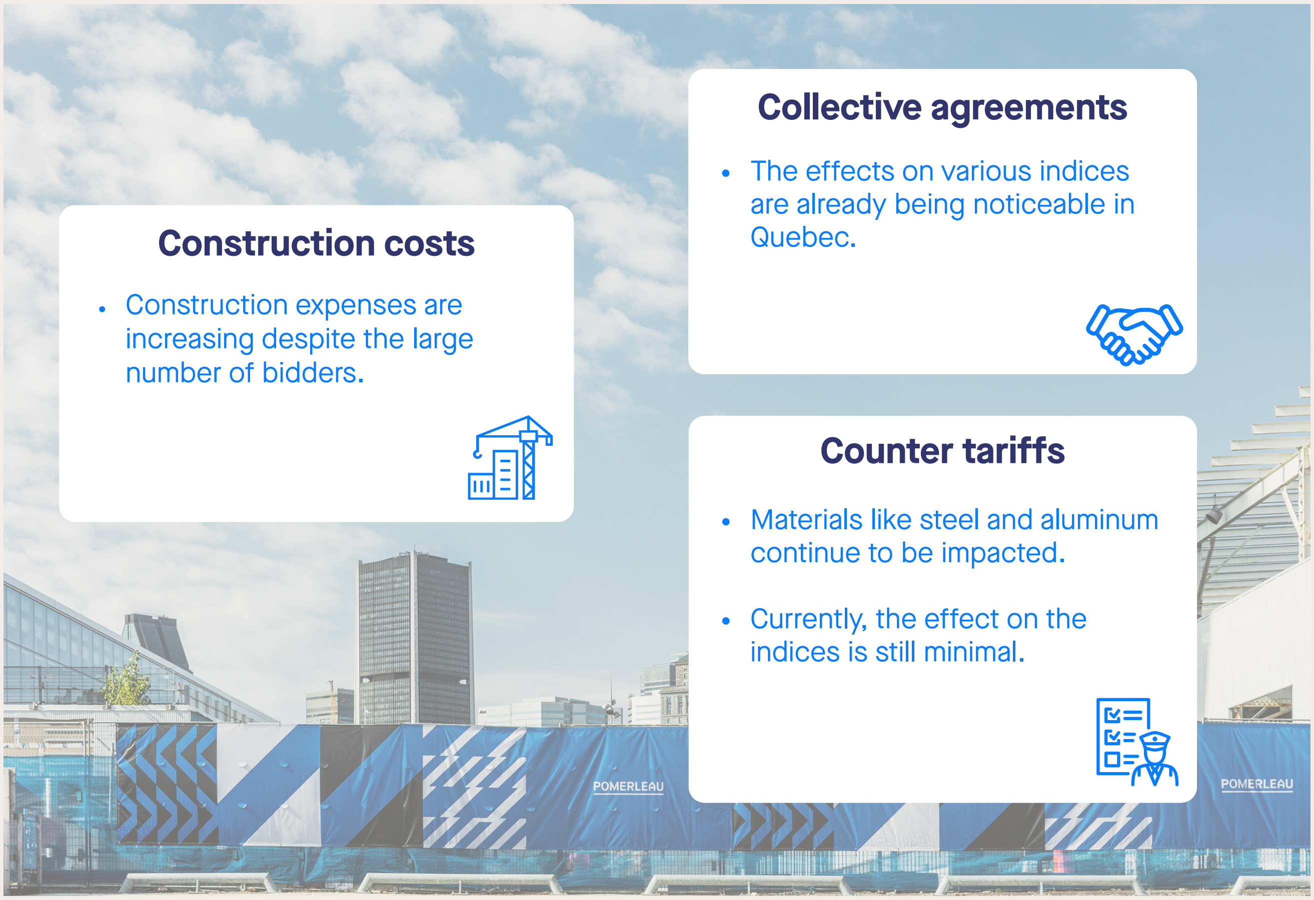
ON OUR RADAR

Trends and indicators to monitor for the upcoming quarter

The effects of the new **collective agreements** are already noticeable in Quebec. Quarterly changes in the second quarter of 2025 indicate substantial growth compared to earlier quarters. The **deceleration in the public sector** is affecting construction costs less than anticipated by many organizations. It will be interesting to observe whether this trend persists in the upcoming quarter.

Tariffs continue to impact specific materials, including steel, but their impact on indices remains minimal for now. We continue to monitor this situation closely.

The limited number of public projects in Quebec and Ontario continues to affect the market, leading to a high volume of bidders on projects. Despite the intense competition, **construction costs for projects continue to increase**. Non-residential building indices will be carefully observed in the upcoming months.



ABOUT THE AUTHORS

The Pomerleau Economic Radar is piloted by two leading experts in their field.

Sean Boyer, Eng., PQS, Vice President of Preconstruction – Buildings, leverages his field experience to drive Pomerleau's preconstruction strategies nationwide. His operational perspective allows him to connect economic data to the concrete realities of projects and the construction industry as a whole.

Alongside him, **Jean-François Perras, C.Adm., ECCQ, Manager of Economics and Statistics Expertise – Buildings**, guarantees the analytical precision of the report. With his knowledge in economics as it pertains to the construction industry, he structures the data to identify relevant and actionable trends.

With the valuable support of their colleagues, Sean and Jean-François present a thorough and knowledgeable perspective on the current market conditions.

For inquiries regarding the Pomerleau Economic Radar, please reach out to:
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NOTICE – REVISION PERIODS – DEFINITIONS

Notice: This report is intended solely for informational purposes. The data is derived from publicly accessible sources at the time of its creation.

Revision periods: The information contained in this report reflects the data available at the time of its creation. Since certain statistical sources undergo regular updates, it is possible that some data may vary from what was previously released or from what can be accessed following the report's publication.

There are several periods for revision:

- Building construction price indices: A revision period of one quarter follows the release of data for a specific quarter.

- Industrial product price indices: Price indices can be revised for a period of six months following the publication of the data.

- Consumer Price Index: No changes.

Definitions:

Non-residential buildings
Non-residential buildings include all buildings not intended for private occupancy whether on a permanent or temporary basis. For example, buildings used for commercial, institutional, or industrial purposes would fall under this category.

Residential buildings
Residential buildings include all buildings intended for private occupancy whether on a permanent or temporary basis. Dwellings are divided into the following types: single-detached house, townhouse and apartment buildings. This last category is subdivided into high-rise apartment building (5 or more storeys) and low-rise apartment building (fewer than 5 storeys).

Current dollars
Data reported in current dollars for each year are in the currency value for that year. These series are influenced by the effect of price inflation.

Constant dollars
Constant dollars are used to measure the real growth of an index or commodity by adjusting for the effects of price inflation and purchasing power.