



# Sectoral Profile

Construction

Atlantic Region

2018



## KEY HIGHLIGHTS

- Atlantic Canada's construction industry has grown rapidly over the last decade, benefitting from several large scale engineering projects and more recently, growing demand for housing.
- Construction is the region's fifth largest industry as a share of gross domestic product (GDP), ranging from 5.7% in Prince Edward Island to 10.7% in Newfoundland and Labrador.
- Employment has also grown over the past decade, though that growth has stalled in recent years as some major projects come to completion.
- Overall employment in the region's construction industry is expected to see a slight decline over the 2018-2020 forecast period, with some variation at the provincial level. Employment in NS is expected to remain unchanged, while growth is projected for PEI and NB, offset by a significant decline in NL.

## INDUSTRY PROFILE

The value of the construction industry in Atlantic Canada amounted to \$8.1 billion in 2017 or 7.9% of total GDP for the overall economy, making it the fifth largest in the region.<sup>1</sup> The industry encompasses residential and non-residential building construction; engineering construction (including that of transportation infrastructure like roads and rails, oil and gas infrastructure like pipelines and offshore platforms, electric power infrastructure like generating stations and power lines, and other engineering); and repair construction.

Engineering construction was the largest subindustry, contributing 44% of the industry's GDP. Electric power engineering accounted for just over half of all engineering construction, with transportation and oil and gas accounting for most of the remainder. Residential building construction contributed 27% of activity in the industry, followed by non-residential building construction at 15%, and repair construction at 14%. Compared to the rest of Canada, engineering construction (especially electric power) is relatively more important to the Atlantic economy, influenced in large part by Newfoundland and Labrador's Muskrat Falls Hydroelectric development. Conversely, residential and repair construction account for a smaller share of GDP relative to the rest of Canada.<sup>2</sup>

Much of the economic activity in construction is driven by large infrastructure projects. According to the Atlantic Provinces Economic Council's (APEC) Major Project Inventory (MPI), there are currently 438 major investment projects<sup>3</sup> in the region in various stages of development, valued at \$136 billion. This represents an increase of 3% over the previous year's Inventory. On an annual basis, capital spending on major projects was estimated at

\$11.4 billion in 2018, down 8% compared to 2017 due to significant projects winding down in NL. Capital spending increased for both PEI and NB while NS remained stable. Among the largest construction projects in the inventory are the Muskrat Falls Hydroelectric development and White Rose Extension in NL, and a variety of housing developments across the region.<sup>4</sup>

The construction industry employed 82,300 workers in Atlantic Canada in 2018, making it the fourth largest industry by employment. That amounted to 7.4% of total employment in the region, in line with the national average.<sup>5</sup> Almost all workers (94%) were employed full-time.<sup>6</sup> Looking at employment by subindustry, 27.2% were employed in construction of buildings, with 19.3% employed in residential construction and 7.9% in non-residential construction. Over half were employed in the specialty trade field, the majority of which were involved in building construction. Engineering construction accounts for the lowest proportion, at 16.5%, owing to its more capital-intensive structure.

<b>Table One</b>		
<b>Employed Labour Force - Construction</b>		
<b>Atlantic Canada and Canada</b>		
	<b>Atlantic</b>	<b>Canada</b>
Construction	100%	100%
Construction of buildings	27.2%	29.8%
Residential building construction	19.3%	22.7%
Non-residential building construction	7.9%	7.1%
Heavy and civil engineering construction	16.5%	11.5%
Utility system construction	4.6%	3.8%
Land subdivision	0.5%	0.7%
Highway, street and bridge construction	9.4%	6.1%
Other heavy and civil engineering construction	2.1%	0.9%
Specialty trade contractors	56.3%	58.7%
Foundation, structure, and building exterior contractors	7.8%	9.8%
Building equipment contractors	23.4%	24.2%
Building finishing contractors	15.2%	16.6%
Other specialty trade contractors	9.8%	8.0%

Source: Statistics Canada, 2016 Census of Canada, Table 98-400-X2016290

The seasonal and project-based nature of the work in construction means that labour demand varies over time resulting in a higher incidence of temporary employment. As well, workers in construction-related occupations tend to be more mobile on average. After the fishing industry, temporary employment is most prevalent in the construction industry, at 33.5%, which is roughly double the rate in the Atlantic workforce overall and in the national construction industry.<sup>7</sup> Related to the temporary nature of work, construction industry employees in the region also have the second highest industry unemployment rate, at 18.9% in 2018.<sup>8</sup>

The construction industry job vacancy rate at the Atlantic level was relatively low in the third quarter of 2018, at 2.1%, which was below the all industry average of 2.8%. However, the construction industry vacancy rate varies by province and over time as construction demand varies with major project activity and migration trends. The vacancy rate in PEI was relatively high at 5.0%, up from a rate of 0% just two years prior. In NL, the rate was just 1.2% in Q3 2018, down from 3.5% in Q2 2016.<sup>9</sup>

Workers in the construction industry are predominantly male – accounting for 90.0% of the industry total. The age breakdown of the construction workforce is similar to that of the overall workforce, with 65% of workers in the core-aged cohort (25 to 54 years of age), 25% in the older workers age group (ages 55 and over) and 10%

between 15-24 years of age. The share of workers ages 55 and over has steadily increased over the past two decades, from 10% in 1998.<sup>10</sup>

## RECENT HISTORY

The construction industry has seen rapid growth over the past decade, with GDP increasing at an average annual rate of 3.2% from 2007 to 2017. This far exceeds the average growth rate in the overall Atlantic economy of 0.4% annually. Growth in the industry was mainly driven by engineering construction, especially electric power construction, but influenced also by robust activity in residential, non-residential and repair construction.<sup>11</sup>

The Atlantic-level trend in construction activity is disproportionately driven by engineering construction in NL, which accounts for 30% of region-wide GDP in the sector. Mega projects worth billions of dollars, like the development of offshore oil and gas platforms and more recently, the Muskrat Falls Hydroelectric development, have been the major drivers of growth - with engineering construction GDP expanding by 5.6% annually over the past decade. With oil markets in a prolonged slump and work on Muskrat Falls winding down, construction activity in the region has been slowing, despite record-level GDP values.<sup>12</sup>

Though dwarfed by the impressive growth in engineering construction, building and repair construction have also seen increases in activity. Repair construction has grown steadily by 4.0% annually since 2007. Residential building construction has grown by an average annual rate of 1.1%. Though residential construction investment slumped from 2014 to 2016, especially in NL, it remains at historically high levels, driven in large part by immigration growth in the region. Though non-residential building construction slowed following a flurry of development post-recession (triggered in part by the low interest rate environment of the early 2010s), it remains elevated by historical standards, having grown by an average annual rate of 1.6% over the past decade.<sup>13</sup>

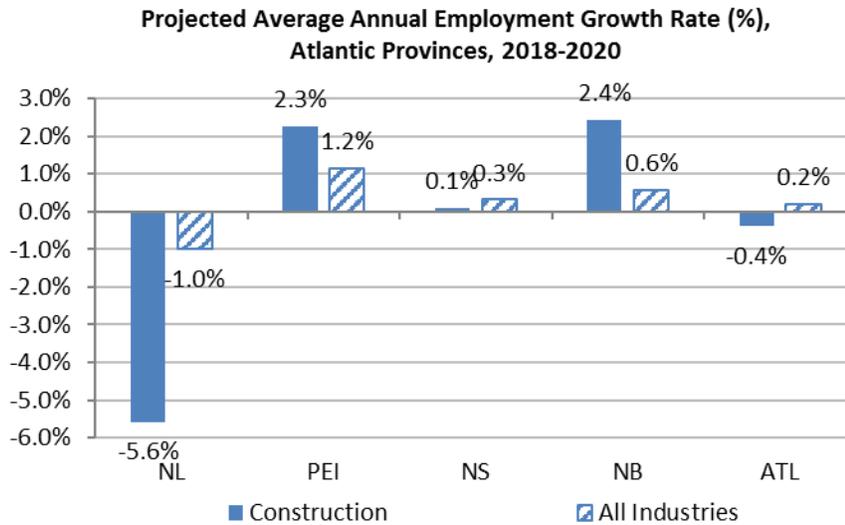
Construction employment in the region has grown by an average annual rate of 4.2% over the past decade, far outpacing growth in overall employment, though it has fallen in recent years as major project activity slowed.<sup>14</sup>

## EXPECTED OUTLOOK

Employment in Atlantic Canada's construction industry is expected to see a modest decline over the 2018-2020 forecast period, though the underlying trend differs substantially at the provincial level. Region-wide, rising interest rates and restrictions on lending rules may temper residential demand in the short-term but elevated immigration levels are expected to continue to drive demand in the medium-term.

In NL, housing starts are expected to continue to slow as economic conditions remain soft. While the West White Rose Oil Project is underway, the project is considerably smaller than previous projects, and the Muskrat Falls development is expected to move toward completion in 2019. The employment decline is expected to be softened somewhat by the provincial government's five-year infrastructure plan worth nearly \$3 billion.

Prince Edward Island construction is expected to be driven by some of the strongest population growth in the country, as well as public infrastructure projects. In NS, new major projects like the QEII Hospital redevelopment are expected to be balanced by the completion of some major residential developments. New Brunswick construction is being supported by work at the Port of Saint John and wind energy projects though the Locally-Owned Renewable energy Small Scale (LORESS) Program.



Source: *Employment and Social Development Canada / Service Canada, Regional Occupational Outlooks in Canada, 2018-2020*

## SUB-REGIONAL DYNAMICS

### Newfoundland and Labrador

- The Construction industry in Newfoundland and Labrador produced \$3.4 billion in direct economic activity in 2017. That accounted for 10.7% of GDP, more than any other province by 2.1 percentage points.<sup>15</sup> The sector employs 20,100 in the province.<sup>16</sup>
- With mega projects like the Muskrat Falls development and offshore oil and natural gas developments, engineering construction dominates the industry in NL, accounting for 71% of sectoral GDP.<sup>17</sup>
- Construction activity in NL has been on a downward trend for the past five years as mega project activity winds down but remains high by historical standards. Since 2007, industry GDP has almost tripled in size.<sup>18</sup>

### Prince Edward Island

- Prince Edward Island's construction industry produced \$316.7 million in GDP in 2017, amounting to 5.7% of total production in the province, the smallest share relative to the rest of the country.<sup>19</sup>
- Fueled by booming immigration rates, the residential construction subindustry in PEI grew by 50% from 2014 to 2017, reaching a record level of sectoral GDP.<sup>20</sup> Housing starts in 2018 reached their highest level since 1988.<sup>21</sup> Construction employment has climbed along with it, reaching a record 5,800 in 2018.<sup>22</sup>
- Residential building construction accounted for 51% of total construction activity in 2017.<sup>23</sup>
- Without major oil and gas or electrical power generation in PEI, engineering construction accounts for a much smaller share of industry activity in PEI relative to other provinces.<sup>24</sup>
- PEI's construction workforce was the oldest in Atlantic Canada, with 31.0% of the total aged 55 or over, compared to 25.5% at the Atlantic level and 19.8% nationally.<sup>25</sup>

### Nova Scotia

- The construction industry in Nova Scotia produced \$2.3 billion in GDP in 2017, comprising 6.4% of provincial output.<sup>26</sup> The industry employed 33,100 workers in 2018.<sup>27</sup>

- Residential construction has been a major driver of activity in NS, growing by 2.2% annually since 2007.<sup>28</sup> Housing starts have been largely focused in urban areas and have heavily favoured apartment and condominium developments over single-detached homes.<sup>29</sup>

#### **New Brunswick**

- New Brunswick's construction industry produced \$2.1 billion in GDP in 2017, accounting for 7.1% of the provincial total.<sup>30</sup> The industry employed 23,300 in 2018.<sup>31</sup>
- Construction activity in NB has been relatively flat in recent years. NB was the only Atlantic province where the construction industry was smaller in 2017 than it was a decade before, though industry GDP had picked up again in 2016 and 2017. Behind this trend was a decline in engineering construction from over \$1 billion in 2008 to under \$400 million in 2013, reflecting the completion of major project work at the Irving Oil Refinery and Point Lepreau during that time. The province has experienced modest growth in all construction categories since then.<sup>32</sup>

## APPENDIX

**Table Two**  
**Real GDP (2017) and Employment (2018) for Atlantic Canada**

	Construction			All Industries		
	Number	Share of		Number	Share of	
		Total	AAGR*		Total	AAGR*
Real GDP (M\$)	\$8,143.9	100.0%	3.2%	\$103,262.4	100.0%	0.4%
Newfoundland and Labrador	\$3,379.7	41.5%	10.1%	\$31,585.2	30.6%	-0.3%
Prince Edward Island	\$316.7	3.9%	-0.7%	\$5,540.0	5.4%	1.5%
Nova Scotia	\$2,314.4	28.4%	1.8%	\$35,955.4	34.8%	0.8%
New Brunswick	\$2,133.1	26.2%	-1.1%	\$30,181.8	29.2%	0.4%
Employment (000s)	82.2	100.0%	0.4%	1111.0	100.0%	0.1%
Male	74.1	90.1%	0.2%	562.8	50.7%	0.1%
Female	8.1	9.9%	2.1%	548.2	49.3%	0.1%
15-24 years old	8.0	9.7%	-1.3%	143.3	12.9%	-1.4%
25-54 years old	53.3	64.8%	-0.6%	709.4	63.9%	-0.7%
55 years and older	21.0	25.5%	4.5%	258.3	23.2%	3.7%
Worked full-time	77.5	94.3%	0.3%	930.8	83.8%	0.1%
Worked part-time	4.8	5.8%	3.2%	180.2	16.2%	-0.2%
Self-employed	18.1	22.0%	0.6%	131.1	11.8%	-0.2%
Employees	64.1	78.0%	0.3%	979.9	88.2%	0.1%
Permanent job	42.5	51.7%	1.0%	804.9	72.4%	0.3%
Temporary job	21.6	26.3%	-0.8%	175.0	15.8%	-0.5%
Less than high school	12.3	15.0%	-3.2%	106.6	9.6%	-4.4%
High school graduate	21.5	26.2%	0.0%	278.9	25.1%	-1.0%
Postsecondary cert. or diploma	43.0	52.3%	1.7%	435.8	39.2%	0.6%
University degree	5.4	6.6%	3.3%	289.6	26.1%	2.9%
Newfoundland and Labrador	20.1	24.5%	1.4%	225.3	20.3%	0.2%
Prince Edward Island	5.8	7.1%	0.9%	76.0	6.8%	1.0%
Nova Scotia	33.1	40.3%	0.6%	455.9	41.0%	0.1%
New Brunswick	23.3	28.3%	-0.7%	353.8	31.8%	-0.2%

Source: Statistics Canada, Labour Force Survey - Custom Table; Table 36-10-0402-01

\*Average annual growth rate for last ten years of available data (GDP 2008-17 and Employment 2009-18)

**Note:** In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.

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<sup>2</sup> Statistics Canada. Table 36-10-0402-01.

<sup>3</sup> A major project is defined as a project valued at \$25 million or more.

<sup>4</sup> APEC Major Project Inventory 2018. <https://www.apec-econ.ca/publications/view/?do-load=1&publication.id=360&site.page.id=51000> (paywall)

<sup>5</sup> Statistics Canada. Table 14-10-0023-01.

<sup>6</sup> Statistics Canada. Table 14-10-0023-01.

<sup>7</sup> Statistics Canada. Table 14-10-0072-01.

<sup>8</sup> Statistics Canada. Table 14-10-0023-01.

<sup>9</sup> Statistics Canada. Table 14-10-0326-01.

<sup>10</sup> Statistics Canada. Table 14-10-0023-01.

<sup>11</sup> Statistics Canada. Table 36-10-0402-01.

<sup>12</sup> Statistics Canada. Table 36-10-0402-01.

<sup>13</sup> Statistics Canada. Table 36-10-0402-01.

<sup>14</sup> Statistics Canada. Table 14-10-0023-01.

<sup>15</sup> Statistics Canada. Table 36-10-0402-01.

<sup>16</sup> Statistics Canada. Table 14-10-0023-01.

<sup>17</sup> Statistics Canada. Table 36-10-0402-01.

<sup>18</sup> Statistics Canada. Table 36-10-0402-01.

<sup>19</sup> Statistics Canada. Table 36-10-0402-01.

<sup>20</sup> Statistics Canada. Table 36-10-0402-01.

<sup>21</sup> Statistics Canada. Table 34-10-0126-01.

<sup>22</sup> Statistics Canada. Table 14-10-0023-01.

<sup>23</sup> Statistics Canada. Table 36-10-0402-01.

<sup>24</sup> Statistics Canada. Table 36-10-0402-01.

<sup>25</sup> Statistics Canada. Table 14-10-0023-01.

<sup>26</sup> Statistics Canada. Table 36-10-0402-01.

<sup>27</sup> Statistics Canada. Table 14-10-0023-01.

<sup>28</sup> Statistics Canada. Table 36-10-0402-01.

<sup>29</sup> Statistics Canada. Table 34-10-0126-01.

<sup>30</sup> Statistics Canada. Table 36-10-0402-01.

<sup>31</sup> Statistics Canada. Table 14-10-0023-01.

<sup>32</sup> Statistics Canada. Table 36-10-0402-01.