

Eastern Construction Outlook, 2008 to 2010

As stated in our Western Construction Outlook on page 21, any examination of the regional differences between Canada's western and eastern provinces begins with an understanding of recent demographic shifts.

While both Québec and Ontario lost people to Alberta, they more than made up for their inter-provincial net losses with gains from outside of Canada.

Québec is seeing a gently rising level of immigration, while Ontario is starting to see some decline. In fact, for the first time in years, Ontario's share of total national immigration has slipped below 50%.

All of this movement and growth in eastern Canada means more construction, of course.

Below is a quick look at some of the most important trends and projects in the eastern provinces right now. If you would like more detailed regional information, please refer to the CanaData Annual Construction Forecast ordering information on page 16.

Ontario

In Ontario, manufacturing job losses will continue.

While Japanese auto and parts production is expanding, the new U.S. labour agreement between the UAW and the former Big Three automakers will reduce the cost-per-car advantage that Ontario plants traditionally enjoyed.

It is inevitable that the U.S. and Canada will continue to lose manufacturing jobs to China, India, South Korea, the Philippines, Indonesia, Vietnam and other emerging nations.

Ontario does have one major advantage though. With its large population base and

service sector, Toronto financial centre, federal government activity in Ottawa and knowledge-based expertise centred in academic communities throughout the region, the province carries its own economic momentum.

On the upside for the construction industry, a new wave of nuclear power projects and an office-building boom are ahead.

Québec

Québec has come to the economic party late in this cycle, but the province is finally making its mark. The provincial election at the start of 2007 put the sovereignty debate to rest for at least the next couple of years and that seemed to be the event that kick-started the pickup.

Major energy projects play key roles in the province's construction outlook. The \$4 billion (estimated) Eastmain 1-A hydroelectric power project started in the summer. Meanwhile, ports along the St. Lawrence have been proposed as sites for major new LNG (liquefied natural gas) terminals. Wind farms are also proposed as another means to increase electric power generation in the province.

The province will also be spending money on hard and soft infrastructure. CanaData is estimating 2009 start dates for two mega hospital projects to be built in association with the two major Montréal universities. The provincial government has also promised tax cuts for the citizens of Québec, which will help to stimulate consumer and business spending.

Unfortunately, some of the traditional industries of Québec, including clothing, paper/printing and logging, are facing soft markets south of the border and declining competitiveness because of

the currency value change.

As for new office-building construction in Montréal, a more extended period of white-collar employment growth will be needed before there will be much activity.

New Brunswick

New Brunswick is the only eastern province with a jobs growth rate higher than the national average. Saint John is prospering thanks to its role as an international call centre and the construction of a major new LNG terminal. The refurbishment of the Point Lepreau nuclear plant is another major capital spending project in the province.

Newfoundland

Newfoundland is the other province with significant mega energy projects on the horizon. Premier Danny Williams has worked out

a revenue-sharing agreement with the firms backing the next large offshore oil platform in the region, the Hebron field. Newfoundland and Labrador will also be pushing to develop more hydro-electric capacity on the lower Churchill River.

Nova Scotia

East coast ports, with Nova Scotia's Halifax-Dartmouth in the forefront, are benefitting from greatly expanded world trade. International shipping routes can arrive at Canada's eastern ports via the Panama Canal, where construction to double its capacity has just begun, and the Suez Canal, which is an alternative route to India and the Far East.

Excerpt from CanaData's Annual Construction Forecast, 2008 to 2010 edition.

