

## **Canada Construction Equipment Market - Strategic Assessment & Forecast 2024-2029**

Market Report | 2024-05-16 | 223 pages | Arizton Advisory & Intelligence

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### **Report description:**

The Canada construction equipment market is expected to grow at a CAGR of 4.27% from 2023-2029.

Challenges and Opportunities in the Canadian Construction Industry

- Investments in infrastructure development, including affordable housing and transport facilities, support the growth of Canada's construction equipment market. However, major challenges include the growing risk of economic recession, supply chain pressures, and overdependence on foreign labor forces.
- The government aims to achieve the carbon-neutral goal by 2050. Hence, it is increasing its focus on applying renewable energy sources and reducing fossil fuel usage. It promotes the use of electric vehicles in the transportation sector and installs solar panels in buildings for electric generation.
- Construction activity in Canada is expected to decelerate over the next few quarters. However, a potential rebound could occur in spring 2024 if inflation moderates and debt markets stabilize, boosting builder confidence. Material costs are forecasted to rise by 3% to 5%, while employee wages are expected to increase by 4% to 6%. Overall costs are projected to climb by 3% to 6%.
- The Canadian construction industry is facing skilled labor shortages and declining productivity. Therefore, enhancing workforce competency and efficiency will be crucial. Focus areas for the sector include retention, upskilling, and building trust among workers.
- In February 2023, the federal government issued its initial budget estimates for the fiscal year 2023-24. They included CAD198.2 billion (USD 153.8 billion) in budgetary expenditures for operational and capital expenditures, for a total of CAD432.9 billion (USD 335.9 billion) in spending.
- The province of Ontario published its 30-year transit plan in 2023. Over the next ten years, building a transportation network primarily focused on new highways, rail lines, and subway systems will cost CAD 84.7 billion (USD 65.7 billion).
- Trends in the Canada construction Equipment market
  - o High Demand: There's a strong demand for equipment like excavators, bulldozers, graders, and asphalt pavers to support

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infrastructure development and maintain existing networks. Demolition activities are also rising, further propelling equipment needs.

o **Shifting Preferences:** The industry is showing a growing interest in sustainable practices, increasing demand for electric and hybrid construction equipment.

## KEY HIGHLIGHTS

- **Earthmoving equipment** accounted for the largest market share of the Canada construction equipment market in 2023. Excavators in the earthmoving segment accounted for the largest share in 2023. Rising investment in housing, port expansion, and public infrastructure projects is expected to drive the demand for excavators in the Canada construction equipment market.
- **The region is experiencing a residential and commercial construction boom**, particularly in urban areas. This drives demand for equipment like forklifts, aerial work platforms, and concrete mixers in the Canada construction equipment market.
- **Rising interest rates and higher commodity prices** may hinder the growth of the construction equipment market in the region.
- **The growth in infrastructure investment and the surge in civil engineering & housing projects in 2023** are expected to support the demand for excavators in the Canada construction equipment market.
- **The government's dedication to allocating around 5% of GDP each year to infrastructure development** is expected to open opportunities for construction companies in transportation, energy, and water sectors.

## SEGMENTATION ANALYSIS

### Segmentation by Type

- **Earthmoving Equipment**
  - o Excavator
  - o Backhoe Loaders
  - o Wheeled Loaders
  - o Other Earthmoving Equipment (Other loaders, Bulldozers, Trenchers)
- **Road Construction Equipment**
  - o Road Rollers
  - o Asphalt Pavers
- **Material Handling Equipment**
  - o Crane
  - o Forklift & Telescopic Handlers
  - o Aerial Platforms (Articulated Boom Lifts, Telescopic Boom lifts, Scissor lifts)
- **Other Construction Equipment**
  - o Dumper
  - o Tipper
  - o Concrete Mixer
  - o Concrete Pump Truck
- **End Users**
  - o Construction
  - o Mining
  - o Manufacturing
  - o Others (Power Generation, Utilities Municipal Corporations, Oil & Gas, Cargo Handling, Power Generation Plants, Waste Management)

## MARKET TRENDS & DRIVERS

Focus on Green Transition Will Prompt Investments in the Construction Industry

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- Canada's green transition drives investments in the construction industry and related equipment, focusing on infrastructure upgrades for renewable energy, electric vehicle infrastructure, and energy-efficient buildings.
- The country's aim for net-zero emissions by 2050 is leading to increased construction activity in energy-efficient buildings and green infrastructure and a shift towards a circular economy in construction.
- The demand for construction equipment is shifting towards electric and hybrid machinery, digitalization, and smart equipment to enhance efficiency and sustainability in construction processes.

#### Increasing Focus Toward Remote Monitoring Technology in Construction Equipment

- Recent construction equipment with increased automated safety features offers significant opportunities for the Canada construction equipment market. Automated machinery handles repetitive or challenging tasks, especially in hazardous or high-stress environments. End-user industries seek fuel-efficient, technologically advanced equipment for global construction needs.
- Automated overhead cranes reduce labor costs, track inventory, optimize storage, minimize damage, boost productivity, and lower forklift system costs. The Intelligent City in Vancouver uses robotic automation for modular homes, resulting in 15% production efficiency gains, 38% faster completion, and 30% less waste.
- Liebherr plans to launch a crane integrating Microsoft's HoloLens, which will overlay data like weight limits and reach operators' vision, enhancing safety. Trimble is developing autonomous dozers and haulers using GPS and sensors for site navigation, potentially improving safety and efficiency.
- The AIRCRANE project aims to develop new crane technology to reduce energy costs for larger wind turbines. These advancements drive demand for customized automated construction equipment.

#### Rising Focus on Compact and Electric Construction Equipment

- Volvo CE launched three models in the Canadian market in Sept 2023: the ECR25 Electric compact excavator, the L25 Electric Compact wheel loader, and the EC55 Electric excavator.
- XCMG launched the XE60D mini excavator, a 6-ton piece of equipment powered by a Stage V diesel engine with a breakout force of 22kN. Kubota launched the KX027-4 mini-2.7-ton excavator in Canada.
- The rising focus on compact equipment in the Canada construction equipment market is attributed to various factors, such as the expanding urbanization, the requirement for eco-friendly construction, and off-road construction activities.

#### Surge in Infrastructure Projects to Boost the Canada Construction Equipment Market

- In 2023, the Canadian government allocated significant funds to improve infrastructure such as roads, bridges, airports, and railways to stimulate economic growth and connectivity. The Investing in Canada Infrastructure Program (ICIP) pledged over USD 33 billion to public infrastructure projects nationwide.
- Provinces are also heavily investing in infrastructure. For example, Alberta's government announced a USD 1.5 billion investment in infrastructure projects for the 2022 construction season, with similar plans for 2023. Newfoundland and Labrador budgeted USD 567 million for infrastructure projects in 2023-24.
- Canada's infrastructure sector is experiencing a surge in projects, driven by major initiatives like the Highway 404 expansion in Ontario and various transportation, energy, and residential construction projects. This surge is expected to increase demand for construction equipment in the country, leading to the growth of Canada construction equipment market.

#### Increasing Number of Transport Projects to Propel the Demand for Road Construction Machinery

- Canada's extensive and continually expanding infrastructure network relies heavily on transportation projects to drive its growth.

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This includes initiatives like the Trade Corridors Fund, which invests in vital infrastructure projects, such as highway expansions and freight rail line improvements, to enhance the efficiency of the transportation network.

- The Investing in Canada Infrastructure Plan (ICIP) is a significant long-term strategy aiming to invest over USD 180 billion in infrastructure sectors, including public transportation and green infrastructure. This plan will lead to many road construction projects across Canada.

- Canadian provinces also have infrastructure programs, such as Ontario's "Building Together" plan and Alberta's "Rural Transportation Program," which contribute to road construction projects. Additionally, smart city initiatives in many Canadian cities are driving improvements in transportation infrastructure.

#### Prominent Mining Sector Supports the Demand for Heavy Construction Equipment

- The mining sector is a key employer in Canada, contributing around 6% to the economy. It relies on heavy construction equipment for resource extraction, transportation, and processing.

- In 2024, the Canadian government plans to boost mining by initiating exploration activities for critical minerals like nickel and chromium. This support aims to tap into new mineral-rich areas.

- The government's focus on critical minerals, essential for electric vehicles and clean technologies, drives investment in projects such as lithium, nickel, and cobalt mines. This trend, alongside the expanding existing operations, is fueling the Canada construction equipment market in the mining industry.

#### INDUSTRY RESTRAINTS

##### Land Scarcity Will Hamper the Development of Infrastructure Across the Country

- Population Growth and Land Demand: Canada's rapid population growth drives the need for land for agriculture, housing, and infrastructure, straining limited resources.

- Land Ownership Disparities: Historical disparities and ineffective land reform have marginalized communities and indigenous groups, leading to restricted land ownership and rights, fueling social tensions, and hindering rural development.

- Challenges in Urban Development: Urban congestion and infrastructure development face hurdles, such as Toronto's high-speed rail line delays due to complex land acquisition negotiations. These delays highlight the struggle to balance development needs with environmental concerns and indigenous land rights.

##### High Demand for Rental Construction Equipment to Hinder the New Construction Equipment Sales

- High prices of new construction equipment are obliging the construction companies in Canada to rent the equipment. Therefore, many contractors opt to rent because of the high expenses of owning and maintaining heavy equipment.

- The global pandemic and geopolitical crises have resulted in supply chain disruptions for manufacturing construction equipment, ultimately driving prices upwards. For example, the semiconductor chips required for equipment engines have recently risen manifold. Furthermore, the booming rental equipment market will hamper the growth of the Canada construction equipment market during the forecast period.

#### VENDOR LANDSCAPE

- Caterpillar, Hitachi Construction Machinery, Volvo CE, SANY, XCMG, and Komatsu are the leaders in the Canada construction equipment market. These companies have strong market share and offer diverse sets of equipment.

- The Canada construction equipment market is highly competitive, with a mix of local and international players. Major companies such as Wolff Group Construction Equipment Canada, Frontline Machinery Canada, and RockZone Americas Canada are key players in the market. These companies offer a wide range of construction equipment, including excavators, loaders, and cranes, catering to various segments like residential, commercial, and infrastructure development. Evolution Mechanical Ltd. is another significant player known for its expertise in providing heavy equipment solutions.

#### Prominent Vendors

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- [ ] Liebherr
- [ ] Volvo Construction Equipment
- [ ] Kobelco
- [ ] Kubota
- [ ] Zoomlion Heavy Industry Science & Technology Co. Ltd
- [ ] SANY
- [ ] Xuzhou Construction Machinery Group Co. Ltd. (XCMG)
- [ ] SUMITOMO CONSTRUCTION MACHINERY CO., LTD.
- [ ] CB
- [ ] John Deere
- [ ] Develon

#### Other Prominent Vendors

- [ ] Yanmar
- [ ] Tadano
- [ ] Takeuchi
- [ ] Manitou
- [ ] GEHL
- [ ] MERLO Group
- [ ] Bobcat
- [ ] Terex Corporation
- [ ] CNH Industrial
- [ ] Mecalac
- [ ] Shandong Lingong Construction Machinery (SDLG)
- [ ] Ammann
- [ ] The Miller Group
- [ ] MacLean
- [ ] Hidromek

#### Distributor Profiles

- [ ] National Equipment Dealers
- [ ] SMS Equipment
- [ ] Great West Equipment
- [ ] Finning International Inc.
- [ ] Cooper Equipment Rentals
- [ ] Wolff Group
- [ ] Frontline Machinery
- [ ] RockZone Americas
- [ ] Machinery Partner
- [ ] Evolution Mechanical Ltd.
- [ ] SITECH

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## KEY QUESTIONS ANSWERED:

1. How big is the Canada construction equipment market?
2. Who are the key players in the Canada construction equipment market?
3. What is the growth rate of the Canada construction equipment market?
4. What are the trends in the Canada construction equipment industry?
5. Which are the major distributor companies in the Canada construction equipment market?

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