KUBES STEEL

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WHEN GOVERNMENTS BUILD THINGS, SHOPS GET BUSY

The History Is Clear. The Signals Are Flashing. Are You Ready?

You don’t need to understand macroeconomics to know what happens when governments start building things. You just need to look at the order book.

At Kubes Steel, we’ve been watching industrial cycles come and go for over 50 years. The RFQ volume tells you something is happening before the economists finish writing about it. Right now, the RFQs are telling us something. This issue is about what history says happens next — and what it means for fabricators across North America.

FIRST — WHAT JUST HAPPENED ON SEPTEMBER 8

Canada’s counter-tariffs on $28 billion in US imports came into effect on September 8. For some Canadian manufacturers, that means a double hit.

A Desjardins Group report published the same day confirms what fabricators already suspected: several manufacturing sectors are now facing what their economists call a “double tariff shock” — hit first by US tariffs on Canadian exports, and now again by Canadian counter-tariffs on inputs they import from the US. Steel and aluminum, electrical equipment, machinery, plastics, and construction inputs are all in the crosshairs on both sides.

For Canadian steel fabricators specifically, the picture is more nuanced. Canadian steel already faced 50% US tariffs before August 22, which slowed export demand. But the counter-tariff environment is accelerating something that was already underway: Canadian buyers actively switching to domestic producers. Desjardins notes that

domestic steel capacity exists — the question is whether Canadian fabricators can meet the demand in specialty items and serve customers across the geographic spread of the country.

We are not going to tell you which side of this trade dispute is right. We have customers and partners on both sides of the border and we respect that. What we will say is this: **disruption at this scale, sustained over this length of time, is one of the forces that historically triggers the kind of sustained domestic investment cycle described in the rest of this newsletter.** The short-term pain is real. The medium-term opportunity for Canadian manufacturers who are positioned correctly is also real. Both things are true at the same time.

WHAT THE SHOP FLOOR KNOWS BEFORE THE ECONOMISTS DO

There is a leading indicator that no economist publishes and no bank tracks — the volume and character of RFQs landing in a fabrication shop's inbox. When that changes, something is changing in the economy. Not in six months. Now.

At Kubes Steel, we have been watching that indicator for over 50 years. We have seen the quiet periods — the recessions, the market crashes, the years when the phone slows down and you wonder where the work went. And we have seen the surges — the periods when work comes from directions you didn't expect, when customers you haven't heard from in years call back, when new sectors open up that weren't there before.

What we are seeing right now is something different from both of those. RFQ volumes are up. The work is coming from nuclear, defence, infrastructure, and construction simultaneously — not one sector leading and others lagging, but all of them moving at once. And perhaps most telling: fabricators who would normally compete with each other are calling each other. Work is being shared. Capacity that doesn't exist at one shop is being found at another. That is not a normal market signal. That is the early signature of a genuine investment cycle.

TD Bank is now calling it a potential **"investment supercycle"** — forecasting that Canada's real GDP growth could double by 2027, driven by $1 trillion in major projects already underway. The shop floor got there first.

READ THE TD BANK INVESTMENT SUPERCYCLE REPORT →

THE HISTORY — THIS HAS HAPPENED BEFORE

The relationship between major infrastructure investment and industrial prosperity is not a theory. It is a pattern, documented across more than a century of North American economic history. Every time governments have committed to building at scale, the shops got busy — and stayed busy for years.

1869
CANADA

The Transcontinental Railroad

The Canadian Pacific Railway didn't just connect a country — it created one. Entire industrial ecosystems formed along the route. Steel, iron, rolling stock, bridge fabrication, station construction. The "National Dream" was an infrastructure investment that defined Canadian manufacturing capacity for a generation.

1930s
USA / CANADA

The New Deal & St. Lawrence Seaway

Annual government infrastructure investment peaked at 4.2% of GDP in the late 1930s — a level never seen before or since. Dams, bridges, public buildings, power generation. In Canada, the St. Lawrence Seaway project anchored an era of heavy industrial investment that put fabricators to work for decades. Hamilton's steel industry grew directly from this period.

1944–55
NORTH AMERICA

Post-War Industrial Expansion

The post-WWII period produced the greatest sustained industrial expansion in North American history. Steel mills ran at capacity. Fabricators couldn't hire fast enough. Housing, automotive, appliances, and public infrastructure all surged simultaneously. This is the industrial environment in which Hamilton's steel sector — and the ecosystem of fabricators around it, including the foundations of what would become Kubes Steel — took shape.

1956–92
USA

The Interstate Highway System

President Eisenhower's $26 billion Federal Aid Highway Act of 1956 authorized 41,000 miles of interstate. For every $1 invested, $1.80 was returned in economic activity. From 1950 to 1989, approximately one-quarter of the nation's productivity increase is directly attributable to the highway system. **US infrastructure investment peaked in the 1960s and 1970s at 1.1% of GDP — and has never returned to that level since.** The shops that were built during that era are the backbone of North American fabrication capacity today.

1960s–80s
CANADA

Nuclear & Hydro Build-Out

Canada's CANDU reactor programme and the massive hydro expansion across Ontario, Quebec, British Columbia, and Manitoba kept heavy fabricators busy for two decades. Scroll cases, draft tubes, reactor vessels, pressure components, turbine housings. The supply chain that formed around those programmes created

generational expertise in precision heavy fabrication that still exists in shops like ours today.

1990–now
NORTH AMERICA

The Long Underinvestment

Canadian public infrastructure expenditure has fallen to just over half of its average 1960-70 value, measured as a percentage of GDP. The US tells the same story — federal investment in physical capital has sat around 0.5% of GDP for most of the last three decades, versus 1.1% at peak. The infrastructure built in the boom eras is aging. The fabrication capacity built alongside it is also aging — and in some cases disappearing. The gap between what exists and what is needed has been growing quietly for thirty years.

WHY DOES IT TAKE A CRISIS? THE HONEST ANSWER.

The math on infrastructure investment is straightforward and has been proven repeatedly over more than a century. Every dollar invested in the US highway system returned $1.80 in economic activity. A quarter of American productivity growth from 1950 to 1989 came from highway investment alone. The case for sustained infrastructure investment is not controversial among economists.

So why doesn't it happen consistently? The honest answer has nothing to do with economics and everything to do with the nature of democratic governance:

- **Electoral cycles are four to five years. Infrastructure payoffs are ten to thirty.** Politicians operating on five-year cycles have strong incentives to prioritize visible, short-term spending over investments whose benefits accrue long after the next election. A ribbon cutting on a new arena gets votes. A foundation being poured on a transmission corridor does not.
- **Debt aversion crowds out capital investment.** The fiscal instinct to balance budgets and reduce debt is sound in principle but tends to cut capital expenditure first — the very spending that generates the long-term returns that help pay down debt. Operating budgets are politically harder to cut than capital programs.
- **The benefits of infrastructure are diffuse. The costs are concentrated and visible.** Everyone who drives benefits from a new highway. But the taxpayers who pay for it, the communities disrupted by construction, and the interest groups whose priorities were displaced to fund it are all vocal and organized. The beneficiaries are dispersed and often don't know they're benefiting.
- **Crisis overrides all of the above.** WWII didn't ask whether the timing was right for defence manufacturing. Sputnik didn't wait for a comfortable fiscal environment before prompting the interstate system. COVID didn't consult the electoral calendar. When the stakes are high enough and the urgency is undeniable, the normal political constraints

on long-cycle investment get suspended. That's the pattern — and it's playing out again right now.

WHAT THIS CYCLE LOOKS LIKE — AND WHAT MAKES IT DIFFERENT

Previous investment cycles were typically driven by a single dominant force — post-war housing demand, a national highway programme, an energy build-out. What is unusual about the current moment is that multiple major drivers are converging simultaneously:

NUCLEAR

The BWRX-300 SMR programme at Darlington is the largest nuclear new-build in Canadian history. The supply chain is being built now, before a shovel hits the ground. Fabricators with nuclear quality systems are in demand.

DEFENCE

$81.8 billion committed in Budget 2025. The Build-Partner-Buy framework directs procurement to Canadian industry as a matter of policy. ITB obligations on contracts over $25M require reinvestment into Canadian manufacturing.

INFRASTRUCTURE

Transit, transportation, energy transmission, data centres, water systems. Canada's first-ever Canada Investment Summit in September 2026 is targeting billions in private investment to complement government spending. TD Bank's $1 trillion in major projects already underway.

ECONOMIC SOVEREIGNTY

The trade environment has accelerated a Buy Canadian agenda across both public and private procurement. Companies are actively looking for domestic manufacturing partners in ways they were not two years ago. The pipeline of domestic sourcing demand is growing independently of any single policy decision.

TD Bank's economists describe a potential "self-reinforcing feedback loop" that could last more than a decade — if governments pair ambition with a stronger competitiveness agenda. For fabricators, the simpler version of that sentence is: **the busy period, if it comes, will not be a spike. It will be a sustained wave.**

WHAT FABRICATORS NEED TO THINK ABOUT RIGHT NOW

Previous investment cycles rewarded the fabricators who were ready when the wave arrived. Being ready is not just about having capacity — it is about having the right certifications, the right relationships, and the right positioning to participate in the work that is coming.

01 KNOW WHAT WORK YOU ARE QUALIFIED FOR

Nuclear work requires CSA N299 certification. Defence supply chain requires quality systems that satisfy prime contractor requirements. AESS architectural work requires specific finishing and documentation capability. The wave of work coming is not generic — much of it is credentialed. If you don't have the right certifications, now is the time to start that process.

02 BUILD CAPACITY BEFORE YOU NEED IT

Equipment, people, and floor space all take time to add. The worst time to try to expand capacity is when you are already at 100%. The fabricators who benefit most from investment cycles are the ones who made capacity decisions one to two years before the surge arrived, not in response to it.

03 THINK ABOUT COLLABORATION DIFFERENTLY

Something is already happening that signals a genuine cycle: fabricators who would normally compete with each other are calling each other. Work is being shared. Capacity that doesn't exist at one shop is being found at another. This is not weakness — it is the rational response to a demand environment that exceeds any single shop's ability to serve alone. The fabricators who win in a sustained cycle are the ones who build trusted networks, not just the ones with the biggest floor space.

04 GET IN FRONT OF THE PRIME CONTRACTORS NOW

The supply chains for nuclear, defence, and major infrastructure projects are being built now — before the contracts are awarded, before the steel is ordered, before the schedules are set. Prime contractors and Tier 1 suppliers are qualifying their supply chains. If you are not in those conversations yet, you are already behind. The time to introduce your capabilities is not when the PO lands.

From the Kubes Steel Shop Floor

We have been in this industry for over 50 years. We have lived through recessions, market crashes, and the slow years that follow every boom. We have also lived through the surges — the periods when the phone doesn't stop, when the floor is full, when you are turning away work you would have chased a year earlier.

What we are experiencing right now — the volume of RFQs, the diversity of sectors moving simultaneously, the conversations between fabricators about sharing work and managing capacity — has the characteristics of the early stages of a genuine cycle. Not a spike. A wave.

The history says these periods are rare, they don't last forever, and they reward the fabricators who were positioned before they arrived. We intend to be one of them. We hope you do too.

THE PARTS AREN'T EXCITING. WHERE THEY END UP IS.

Here is a sample of what Kubes Steel has been building for the sectors described in this newsletter. None of these components would stop you in the street. But every one of them is part of something that matters.



STAINLESS EXHAUST DUCTING

Backup generator exhaust ducting for data centre infrastructure. Unglamorous stainless fabrication that keeps the lights on when the grid goes down.

DESTINATION: DATA CENTRES



CARBON STEEL PIPE CASINGS

Rolled pipe casing halves for highway construction. They go underground at road crossings and nobody ever sees them again. The highway above them does not care.

DESTINATION: HIGHWAY INFRASTRUCTURE



ROLLED U-CHANNEL SECTIONS

Railcar components. These ride the rails across the continent carrying everything from grain to steel coil. The logistics backbone of the industrial supply chain, one section at a time.

DESTINATION: RAIL TRANSPORTATION



FLANGED PIPE ASSEMBLIES

Precision flanged pipe assemblies for the mining sector. Underground, under pressure, out of sight. The resource extraction that feeds every other industry on this list starts with components like these.

DESTINATION: MINING

Have a Project That's Part of the Wave?

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