

# News Release

Embargoed until 0930 EDT (1330 UTC) 05 September 2024

## S&P Global Canada Services PMI®

### Service sector continues to contract

#### Key findings

Activity declines again in August

Employment down for first time in 2024 so far

Confidence slips to seven-month low

Canadian private service sector activity continued to contract during August, as soft underlying market demand weighed on incoming new business. Several firms responded by reducing employment, although this was in part due to ongoing difficulties in finding suitable staff to replace leavers. Higher labour costs nonetheless remained a key source of cost pressures. Confidence in the outlook fell to its lowest level since the start of the year.

The headline figure derived from the survey is the S&P Global Canada Services Business Activity Index, which is designed to provide timely indications of changes in business activity in Canada's service sector. Readings above 50.0 signal an improvement in business activity on the previous month while readings below 50.0 show deterioration.

The seasonally adjusted Business Activity Index remained below the crucial 50.0 no-change mark for a third month in a row during August. A rise in the index to 47.8, from 47.3 in July, indicated a slower, but still solid, pace of contraction in services activity.

Panellists directly linked reduced activity to a third successive monthly decline in new business volumes, which in turn reflected reduced market demand and activity. Overall, the decline in new work was the steepest for six months. There were also several reports that wildfires had negatively impacted on new business, both at home and abroad. New export sales declined again in August and to the greatest degree since February.

Signs of excess capacity persisted during August, with volumes of work outstanding declining for a twenty-sixth successive month. The rate of contraction was solid but eased to its slowest since May. Firms widely attributed the

S&P Global Canada Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-27 August 2024.

decline in backlogs to a lack of incoming new work. This also discouraged the replacement of leavers in August. Net employment declined for the first time in 2024 so far, although some firms noted difficulties in replacing staff with suitably qualified candidates.

Higher salary and wage costs remained a key source of rising input prices during August. Overall, operating costs rose markedly, albeit to a slightly slower degree than in July. Wherever possible, service providers sought to pass on their increased costs to clients via a rise in their own charges. Latest data showed that prices charged increased at the fastest rate for three months, although inflation remained comfortably below the survey average.

Finally, looking ahead to the coming 12 months, service providers remained confident overall that activity will rise from present levels. Panellists are hopeful of a revival of market activity, in part fuelled by reduced interest rates. However, confidence in the outlook was at its lowest level since the start of the year. Panellists are worried that borrowing costs will remain too high, whilst others mentioned the threat of railway strikes as a concern.

PMI®

by S&P Global

### Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"The performance of Canada's services economy remained subdued in August, with concurrent solid declines in both activity and new business signalled by the survey. Firms bemoaned slow market conditions and a general lack of demand, with some also commenting that wildfires were having a negative impact on their businesses.

"This led firms to be circumspect with their hiring decisions, generally choosing not to replace leavers at their units. That said, some noted ongoing difficulties in recruiting suitably qualified staff which further helped to explain a first drop in employment since the end of last year.

"Companies were also subdued when assessing the outlook, signalling concerns that borrowing costs will remain too high, despite expectations of rate cuts in the coming months. Several firms also noted the likelihood of economic disruption if more railway strikes go ahead."

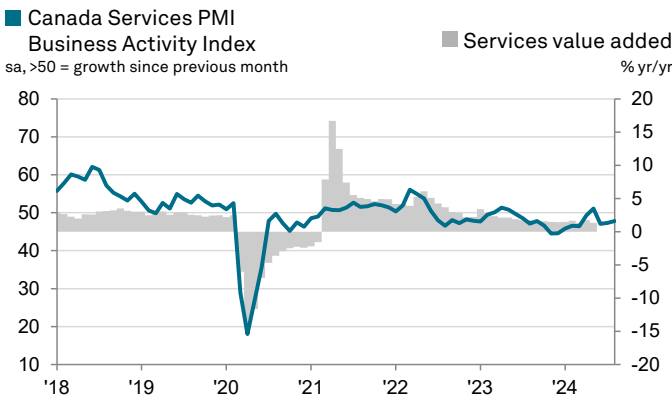
## S&P Global Canada Composite PMI®

### Private sector output falls for third month running

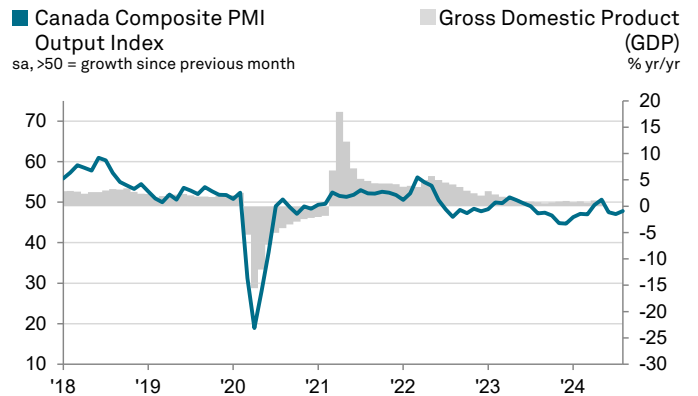
Canada's private sector economy continued to contract during August due to similar-sized declines in both manufacturing output and service sector activity. After accounting for seasonal factors, the S&P Global Canada Composite PMI Output Index\* recorded 47.8, up from 47.0 but still below the crucial 50.0 no-change mark for a third month in succession.

The downturn principally reflected reduced volumes of incoming new work, which fell overall to the steepest degree since February. This led to some marginal job losses for the first time since last December. Excess capacity appeared to be prevalent, as backlogs declined again in August.

Input price inflation was little-changed meanwhile, whilst output charges increased to the steepest degree since May. Confidence in the outlook fell to its lowest level since January amid worries over the strength of the economy.



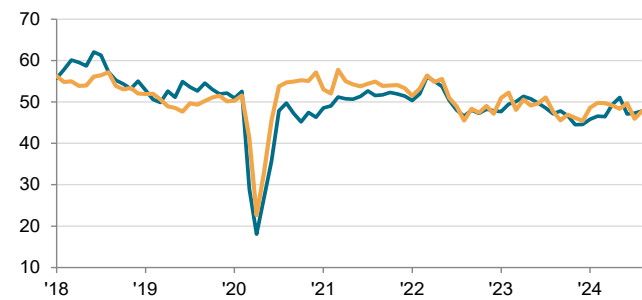
Sources: S&P Global PMI, Statistics Canada.



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\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ Canada Services PMI Business Activity Index  
 ■ Canada Manufacturing PMI Output Index  
 sa, >50 = growth since previous month



Source: S&P Global PMI.

Canada Services PMI Input Prices Index  
 sa, >50 = inflation since previous month



Source: S&P Global PMI.

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### Survey methodology

The S&P Global Canada Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in December 2017.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)