

News Release

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S&P Global Canada Services PMI[®]

Activity and new business decline again in March

Key findings

War in Middle East weighs on market demand and activity

Inflation accelerates due to rising fuel and transportation costs

Employment falls although confidence up to six-month high

Canada's service sector registered concurrent declines in both activity and new business during March as heightened geopolitical uncertainty owing to the war in the Middle East weighed heavily on market demand. The conflict also led to increased fuel and general transport costs, which alongside higher labour costs pushed operating expenses up to the greatest degree in nine months.

Job losses were also noted as firms readjusted capacity to match lower levels of activity and new work. However, despite some notable uncertainty in the outlook, confidence improved to its highest level in six months.

The headline figure from the survey is the S&P Global Canada Services PMI 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 those below 50.0 show deterioration.

In March, the headline index recorded 47.2. That was up from 46.5 in February, and its best reading for five months, albeit still indicative of a solid decline in business activity. Business Services and Transport & Storage companies recorded especially acute falls in output during March.

Levels of new business received by service providers continued to decline during March although, like activity, the rate of decline eased to the weakest in the past five months. There were many reports that the business environment remained challenging, and that securing sales had become more difficult due to the onset of war in the Middle East. This had led to a considerable degree of uncertainty, with client hesitancy widely noted and projects being put on hold.

The war in the Middle East also had a direct impact on operating expenses in the latest survey period. March's survey data showed that input price inflation accelerated to a nine-

S&P Global Canada Services PMI Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-26 March 2026

month high, driven up by increased fuel and transportation costs. Firms responded by increasing their own charges, also to a quicker degree than in recent months. Pricing power was however somewhat curtailed by competitive pressures and the difficult business environment.

Service providers also noted that wage costs had increased, despite reporting on average a reduction in their staffing levels. Employment was down for a seventh month in a row, albeit only modestly and to the weakest degree in the current downturn. Where staffing levels were cut, firms reported not replacing leavers or having to enact redundancies given poor trends in activity and demand.

Looking ahead, service providers nonetheless signalled a higher degree of confidence in the outlook, with sentiment reaching its highest level for six months. Some of this improvement was based on forecasts that demand and activity will strengthen amid hope that resolutions could be found concerning tariffs with the United States and the conflict in the Middle East.

PMI[®]

by S&P Global

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Comment

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

“Another challenging month for Canada’s service sector was signalled during March, with activity and new business again falling, albeit at slower rates compared to recent months. The impact of the war in the Middle East has led to heightened uncertainty and delayed decision making amongst clients, although firms are confident that a swift resolution would lead to an uplift in activity.

“Nonetheless, the present business environment is clearly challenging, with firms reporting a steep increase in their operating expenses over the month, driven mainly by increased fuel and transportation costs. However, given subdued market demand, firms’ own pricing power remains restricted leading to only partial pass through of higher costs to clients and therefore a squeeze in margins. Understandably therefore service providers took the option to save on expenses wherever possible, with any leavers generally not replaced leading to another net fall in employment over the month.”

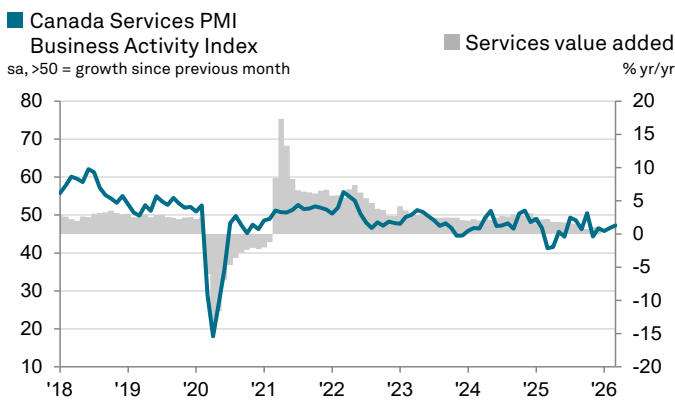
S&P Global Canada Composite PMI®

Private sector output contracts again in March

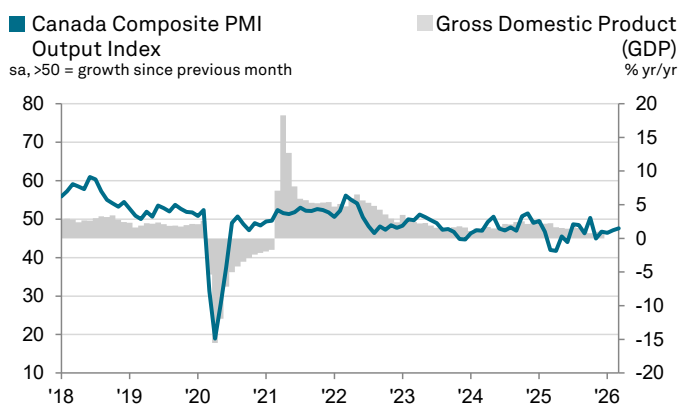
The seasonally adjusted S&P Global Canada Composite PMI Output Index* recorded 47.6 in March, a modest improvement on February’s 47.1 but nonetheless below the critical 50.0 no-change mark for a fifth successive month. Concurrent declines in manufacturing output and service sector activity were recorded.

The downturn was again linked to a lack of incoming new orders, which continued to fall. Marginal job losses were also recorded, but capacity remained sufficiently high to reduce levels of work outstanding.

Input price inflation accelerated to its highest level since last June as the conflict in the Middle East drove up prices for energy, fuel and supplier charges in general. In turn, output charges increased to the strongest degree since last July.



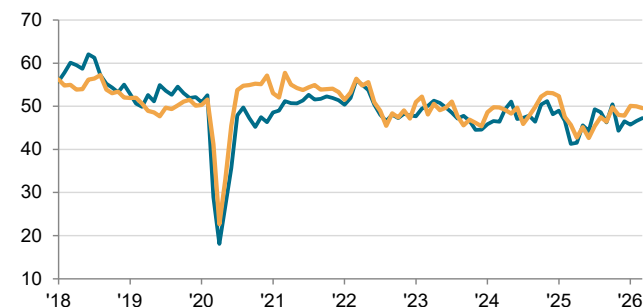
Sources: S&P Global PMI, Statistics Canada.



Sources: S&P Global PMI, Statistics Canada.

*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.

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