

News Release

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S&P Global Canada Services PMI®

Service sector downturn eases in May

Key findings

Slower, but still sharp, falls in activity and new work

Uncertainty continues to weigh on demand

Fastest rise in output charges for a year

Canada's service sector contracted again during May in line with ongoing uncertainty related to tariffs and the broader macroeconomic environment. Both activity and new business fell markedly, albeit at reduced rates as confidence showed some improvement compared to earlier in the year. Marginal jobs growth was also registered, which helped explain a further contraction in backlogs of work.

Latest data indicated an acceleration in input price inflation and the biggest rise in output charges for a year. Tariffs remained a source of price pressures, according to service providers.

The headline figure derived 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 May, the index recorded 45.6, up from 41.5 in April, its highest level for three months but still indicative of a marked contraction of activity.

A similar trend was recorded for new work, with demand faltering but to a lesser degree than seen during March and April. Panellists continued to report that the macroeconomic environment remained challenging, with tariffs and some political uncertainty related to the new government's economic trade policies impacting on decision-making. Tariffs also had a noticeable effect on international sales, with new export business declining sharply again in May (albeit to the weakest degree since January).

Confidence amongst service providers improved during May to its highest level since January. There were hopes that 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 May 2025.

business environment will be more stable in a year's time and will lead to some organic business growth. Plans to release new services and raise commercial activities were also noted as factors that could support a rise in activity from present levels.

Although still below its trend rate, the better outlook helped to underpin a rise in overall employment in May. Whilst growth was marginal, it was significant in being the first time in 2025 to date that an increase in staffing levels has been registered. A degree of spare capacity in the sector nonetheless persisted, with latest data showing a further decline in work outstanding during May, albeit the weakest since last November.

Finally, tariffs were noted by service providers a key factor in pushing up operating expenses during May. Suppliers were reported to be raising their charges, whilst wages remained a source of cost pressures. Overall, input costs rose at a faster and above trend pace in May. Service providers responded by increasing their output charges to the greatest degree for a year.

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Comment

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

“Canada’s service sector continued to struggle in the face of ongoing tariff and residual political uncertainty during May, with activity and new business volumes again declining markedly. Panellists reported hesitancy in committing to new work, with the unknown path of international trade policies and tariffs remaining a prevalent theme.

“That said, there are some hopes of greater stability in the year ahead, with confidence improving since April and helping to support some marginal employment growth as firms look ahead to higher workloads in the months ahead.

“Still, cost pressures remain a concern, with operating expenses rising to a greater degree in May. Wages, tariffs and supplier charges in general were all noted as factors underpinning higher costs. This meant that service providers to raise their own prices to the greatest degree in a year.”

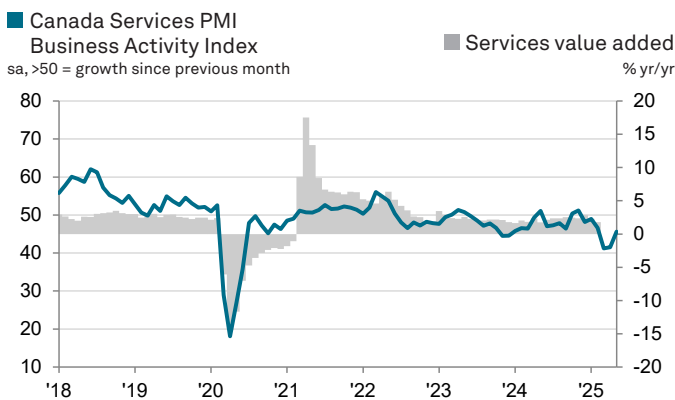
S&P Global Canada Composite PMI®

Slowest contraction of private sector output since February

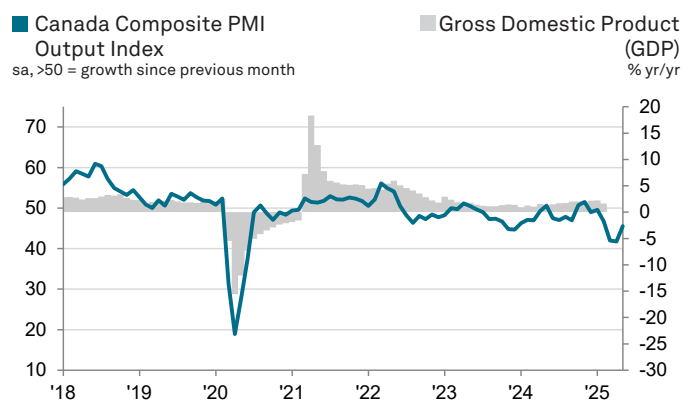
May’s PMI survey data indicated a sixth successive monthly contraction of private sector output. Although the rate of contraction eased on April’s record to its weakest since February, it nonetheless remained marked. This was highlighted by the S&P Global Canada Composite PMI Output Index* which recorded 45.5 in May compared to 41.7 in April. Manufacturers and service providers recorded similar sized contractions in output.

The slowest decline in new orders for four months was recorded by May’s survey although, like activity, the rate of contraction was still marked. Backlogs of work continued to fall, and marginal job losses were seen in the private sector economy overall. That was despite an improvement in business confidence to a four-month high.

Input cost inflation accelerated meanwhile and was above its trend level. Output charge inflation accelerated in response to higher costs, rising to its highest level for over a year.



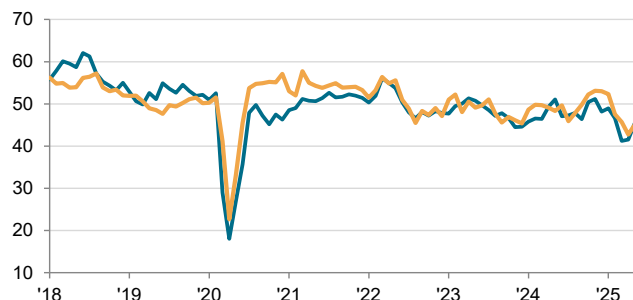
Sources: S&P Global PMI, Statistics Canada.



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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.

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