

News Release

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S&P Global Canada Services PMI®

Service sector activity falls in December

Key findings

First decline in new business for three months

Postal strikes exacerbate downturn

Price pressures rise at end of 2024

According to the latest PMI® data, Canada's services economy contracted for the first time in three months at the end of 2024. Market demand was reported to be subdued, with the downturn in the sector worsened by postal strikes. Firms nonetheless continued to fill long-held vacancies at their units, which meant that backlogs of work declined sharply. Cost pressures meanwhile intensified amid reports of higher wage bills. Output charges were raised in response to the greatest degree since May.

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 recorded 48.2 in December. That was down from 51.2 in November and indicative of a modest contraction in service sector output. It was the first time in three months that the index has posted below the crucial 50.0 no-change mark.

Panellists attributed the downturn in activity to a combination of falling new work and postal strikes during December. Overall new work fell markedly and for the first time in three months. Clients were reportedly unwilling to commit to new contracts due to budget concerns and broader worries about the economic climate in Canada. Similar factors weighed on incoming new export business, which fell at the steepest rate for four years.

Despite the downturns in activity and new work, a net increase in employment levels was recorded in December for a third successive month. Marginal growth was linked by

S&P Global Canada Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 5-18 December 2024.

panellists to filling long-held vacancies at their units. This helped firms to keep on top of their overall workloads. Latest data showed that work outstanding declined at the steepest pace in four years in December and have continuously fallen in each month since July 2022.

Higher wage costs were reportedly a key driver of an increase in overall operating expenses during December, with inflation picking up slightly since November to a level broadly in line with the 2024 average. Suppliers were also widely reported to have increased their prices. Service providers responded by raising their own charges to the greatest degree in seven months.

Looking to the year ahead, panellists typically expect activity to be higher than present levels in 12 months' time. Confidence was linked to forecasts of reduced interest rates, which should stimulate economic activity and therefore sales. However, with some concerns over federal government policy, optimism softened to its lowest level in four months at the end of 2024.

PMI®

by S&P Global

Comment

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

“Canada’s services economy ended 2024 on a subdued note, registering declines in both activity and new business for the first time in three months. The downturn was somewhat exacerbated by postal strikes, although underlying demand was nonetheless reported to have disappointed, with clients said to be cautious and unwilling to commit to new work as 2024 ended.

“A high degree of excess capacity was also apparent in the services economy, with firms easily able to keep on top of their workloads according to the latest PMI data. Following a 50-point cut to the overnight rate in December, this should provide further confidence amongst policymakers to enact a further loosening of monetary policy in 2025 – despite the mild upturn in price pressures seen during December. Moreover, panellists continue to see rate cuts as key to driving economic growth and sales in the coming year, although the outlook remains uncertain, with confidence in December down to its lowest level for four months.”

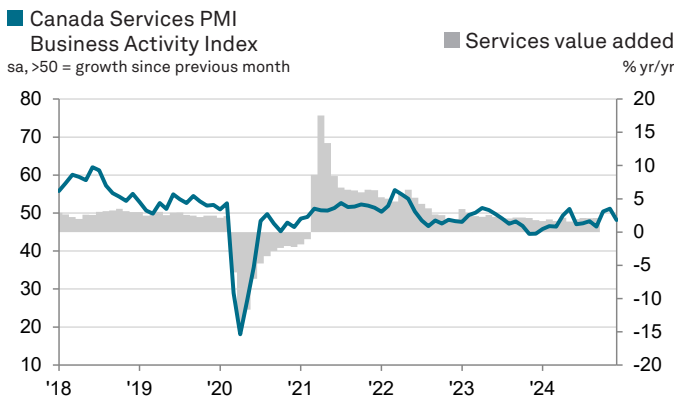
S&P Global Canada Composite PMI®

Services leads downturn of private sector activity in December

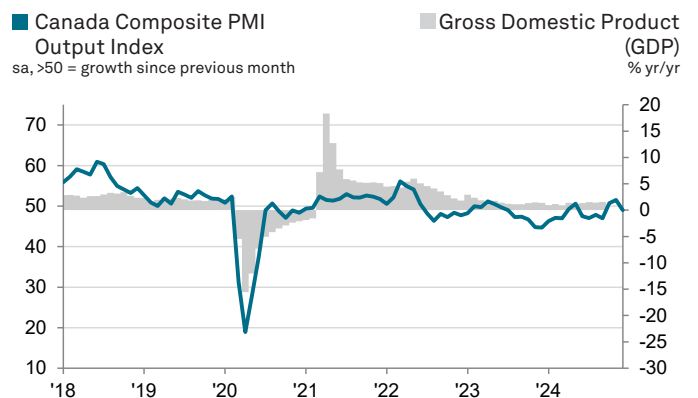
For the first time in three months, a decline in private sector output was signalled in December. After accounting for seasonal factors, the S&P Global Canada Composite PMI® Output Index* recorded 49.0, down from 51.5 in November. However, the latest data masked divergent trends at the sector level, with the downturn in overall activity centred on the services economy as manufacturing output rose for a third month in succession.

Similar trends were seen for new business, which overall also fell for the first time in three months. Firms were subsequently able to comfortably keep on top of their workloads, with backlogs of outstanding orders declining for a thirtieth successive month.

Price pressures meanwhile intensified, with both sectors experiencing stronger cost inflation during December. Output charges were overall raised to the greatest degree for four months at the end of 2024.



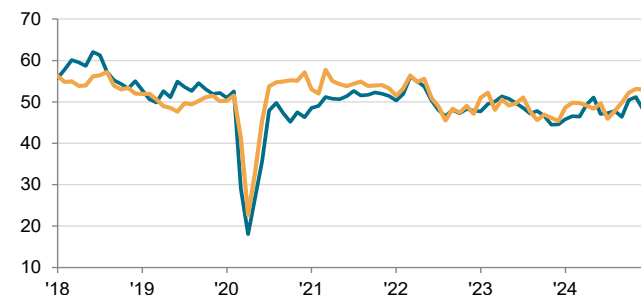
Sources: S&P Global PMI, Statistics Canada.



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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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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