News Release

Embargoed until 0930 EST (1430 UTC) 4 February 2026

S&P Global Canada Services PMI®

Canadian service sector remains in downturn at start of 2026

Key findings

Activity and new business both decline at slightly quicker rates

Modest job losses sustained

Cost inflation softens to lowest in 16 months

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 January 2026

Canada's service sector experienced further deteriorations in both activity and new business during January amid ongoing weakness in market demand. Tariffs and general uncertainty continued to weigh on sector performance, with firms again registering a fall in employment on the month. Operating cost concerns were noted in some instances although there was some relatively positive news on this front as input price inflation softened to its lowest level since September 2024. Competitive pressures and soft market demand meanwhile continued to limit firms' ability to raise their own charges.

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 January, the Business Activity Index registered 45.8, down from 46.5 and signalling a third successive monthly decline in service sector output. The fall in the index also indicated an accelerated rate of contraction that was again notably steeper than the survey average.

Panellists again linked the fall in activity to a deterioration in incoming new business volumes which overall declined for a fourteenth successive month. Moreover, the latest contraction was the steepest recorded by the survey since last April. Firms commented on ongoing market uncertainty, primarily linked to tariffs, and that clients remained reluctant to spend. Some survey respondents noted a weakness in public sector demand.

New export business also contracted in January, with some companies reporting that tariffs made it unprofitable to trade with the neighbouring United States. Despite easing to its softest since last July, the degree to which new export business deteriorated was again considerable.

The ongoing weakness in overall sales meant firms were easily able to keep on top of their workloads in January, with backlogs of work declining markedly again. This was also achieved despite a drop in employment, which contracted for a fifth successive month in January albeit modestly. Firms reported not replacing leavers or having to think about reducing labour expenses to help with cost management.

Regarding operating expenses, service providers recorded another steep increase in overall input costs during January. Suppliers were reported to be raising their prices, with tariffs again mentioned as a contributory factor. However, price competition amongst vendors served to limit their ability to raise prices and this meant that input price inflation softened in January to a 16-month low.

Similarly, price competition and weak market demand meant service providers were also restricted in their ability to increase charges in January. Whilst solid, output price inflation weakened in January and remained below its historical trend level.

Finally, confidence in the outlook remained positive at the start of 2026 amid hopes of a pick-up in economic activity in the year ahead and a resolution to trade uncertainties. However, concerns over tariffs and government economic policies persisted for many respondents, and this served to limit sentiment about the outlook in January. Overall, confidence softened since December and remained well below its trend level.

Comment

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

“The downturn in Canada’s service sector unfortunately gathered pace during January with both activity and new business volumes declining to greater degrees than at the end of last year. As has been the case for many months now, tariffs and trade uncertainty, plus broader market instability, remained dominant themes amongst survey participants when considering reasons for their ongoing subdued business performance.

“Inevitably, weakness in output and demand fed through to employment decisions, with firms reluctant to replace leavers or forced to trim headcount on the back of cost concerns. However, in a macro sense, price pressures seem well contained, with input price inflation dropping back to a 16-month low and service providers signalling only limited pass through to clients at the start of 2026.”

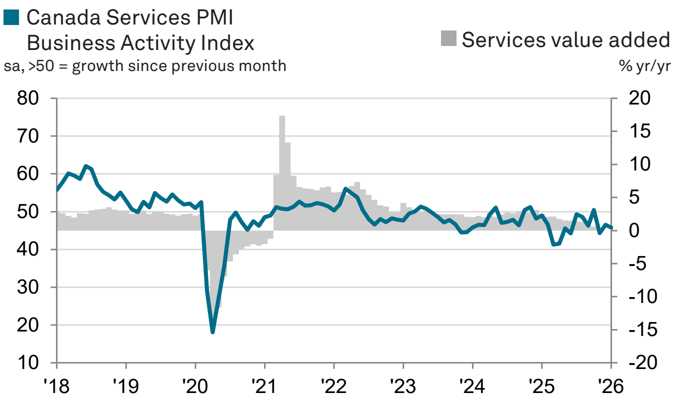
S&P Global Canada Composite PMI®

Services leads steeper downturn of private sector economy

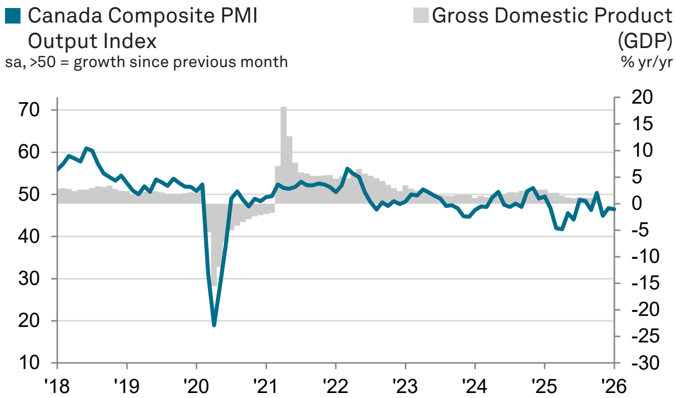
The seasonally adjusted S&P Global Canada Composite PMI Output Index* posted below the critical 50.0 no-change mark for a third successive month in January. Posting 46.4, down from 46.7 in December, the index also signalled an accelerated contraction in output.

However, the downturn was driven by services as manufacturing production stabilised in January. New orders also fell at a noticeably slower rate in the goods-producing sector, which also experienced a rise in employment. Services providers in contrast recorded a steeper fall in new work and another contraction in staffing levels.

Prices data meanwhile showed the softest rise in operating costs since November 2024. Output price inflation was again solid, and little-changed compared to December.



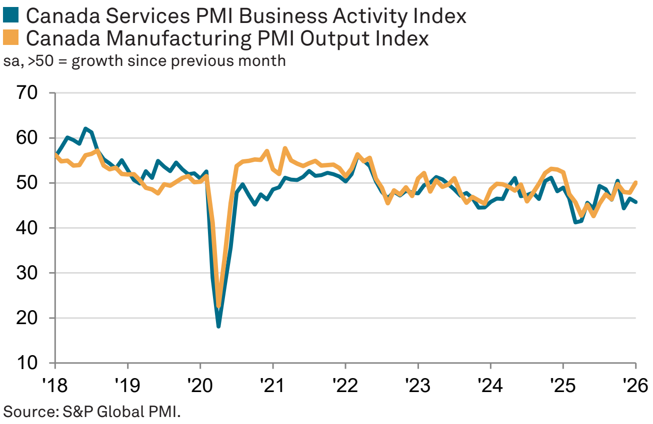
Sources: S&P Global PMI, Statistics Canada.



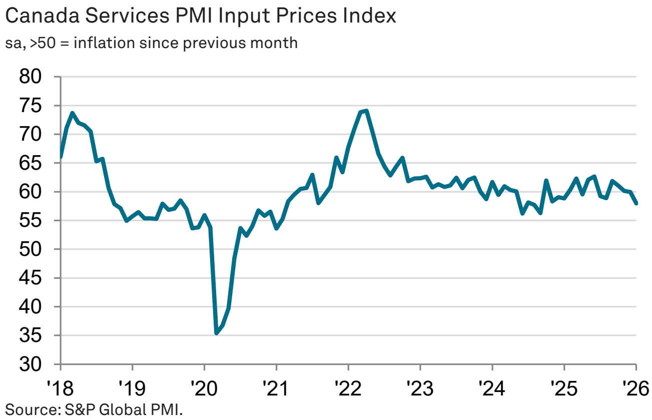
Sources: S&P Global PMI, Statistics Canada.

*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.

PMI®
by S&P Global



Source: S&P Global PMI.



Source: S&P Global PMI.

Contact

Paul Smith
Economics Director
S&P Global Market Intelligence
T: +44 1491 461 038
paul.smith2@spglobal.com

Florence Bogitsh
Senior Communications Manager, Americas
S&P Global Market Intelligence
T: +1-646-460-7204
florence.bogitsh@spglobal.com
press.mi@spglobal.com

If you prefer not to receive news releases from S&P Global, please email press.mi@spglobal.com To read our privacy policy, click here.

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com

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

PMI® by S&P Global