

# News Release

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## S&P Global Canada Services PMI<sup>®</sup>

### Service sector activity falls in November to greatest degree since June 2020

#### Key findings

Challenging economic conditions hit activity and sales

Marginal job losses signalled

Inflation rates soften

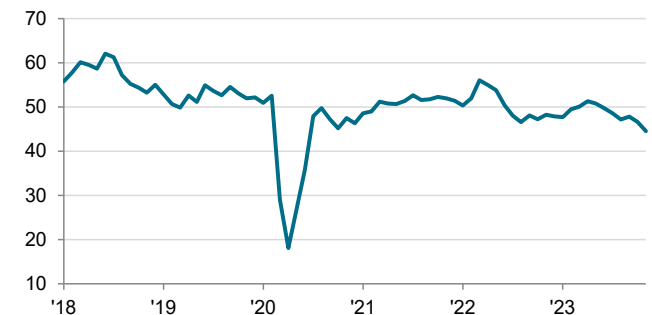
Canada's services economy remained in a downturn during November. Activity, new business, and employment all fell since the previous month amid reports of slower market conditions and demand. Whilst inflation rates eased to their weakest in over two years, prices continued to rise markedly, in part reflective of a tight labour market which again pushed up wages. Confidence in the future remained positive as firms signalled hopes of an underlying improvement in the economy over the next year, though worries persist over the impact on activity of high interest rates.

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. November's index reading came in at 44.5, down from 46.6 in October. It was the lowest level since June 2020 and consistent with a steep decline in activity. Moreover, the index has now posted below 50.0 for six months in a row.

Panellists widely commented that market activity was slow and securing new sales challenging. Overall, new business was down for a fourth successive month, and to the greatest degree for nearly three years. There were some reports that market activity was being negatively impacted by elevated interest rates. New export business was also down, falling to the greatest degree since April 2021.

A lack of new work enabled firms to comfortably keep on top of their existing workloads. November's survey showed that work outstanding was cut to the greatest extent since the end of 2020. Such evidence of excess capacity weighed

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



Source: S&P Global PMI.  
Data were collected 09-27 November 2023.

on employment, which fell slightly for the first time in three months. Some panellists noted difficulties in finding suitable staff to replace leavers.

There was also evidence from the survey panel of the need to pay higher wages both for retention purposes and to help workers with the high cost of living. Rising salary payments, alongside price increases throughout the supply chain, meant that overall operating expenses continued to increase sharply. That said, inflation did ease during the month, slipping to its lowest level since September 2021. Similarly, output charges rose to a softer degree, with inflation dropping to its weakest for 27 months. Where charges increased, this was linked to efforts to protect margins from rising input costs.

Finally, service providers retained some confidence about the future, and firms are hopeful of an improvement in economic conditions over the next 12 months. There were suggestions, however, that high interest rates and the possibility of economic recession could weigh on activity. Confidence subsequently dropped to a three-month low and remained below trend during November.

PMI<sup>®</sup>

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### Comment

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

*“The downturn in Canada’s service sector intensified during November, with activity and new business volumes deteriorating to greater degrees than in the previous month. Market conditions are soft, characterised by squeezed budgets and a degree of reticence amongst market participants to commit to new business given an uncertain economic outlook.*

*“High interest rates were again reported as a factor depressing market activity, and there are some concerns that the economy could drop into recession in 2024. However, there was more positive news on inflation, with both price indices dropping since October. That said, inflation rates remain uncomfortably high, and firms continue to report that operating expenses are being driven up by increased wages amid the continuation of a tight labour market. This suggests that there remains some way to go before inflation has been squeezed sufficiently to a level that policymakers will be more comfortable with.”*

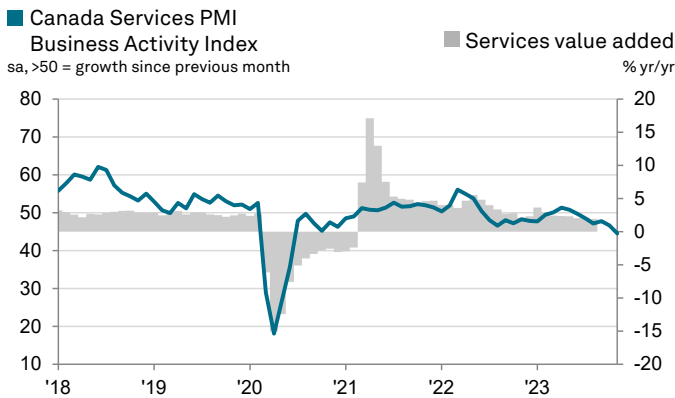
## S&P Global Canada Composite PMI®

### Private sector downturn intensifies in November

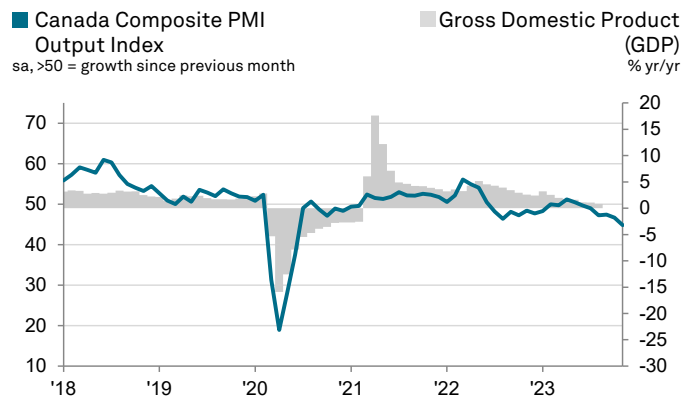
Latest PMI data showed output declines across the manufacturing and services sectors during November. In both cases, rates of contraction accelerated, and overall private sector output fell to the greatest degree since June 2020. This was highlighted by the S&P Global Canada Composite PMI Output Index\* which fell to 44.8, down from 46.7 in the previous month. November marked the sixth successive month that the index has posted below the 50.0 no-change mark.

Concurrent declines in new orders were also recorded, and there was evidence of spare capacity with backlogs of work falling to the greatest degree for nearly three-and-a-half years. Private sector employment fell slightly for the first time in three months, although the contraction was centred on services as manufacturing staffing levels increased.

Cost inflation remained elevated, though eased to a six-month low. Output charge inflation was little-changed but remained well below that of input costs and thereby pointing to continued margin pressure for private sector companies in November.



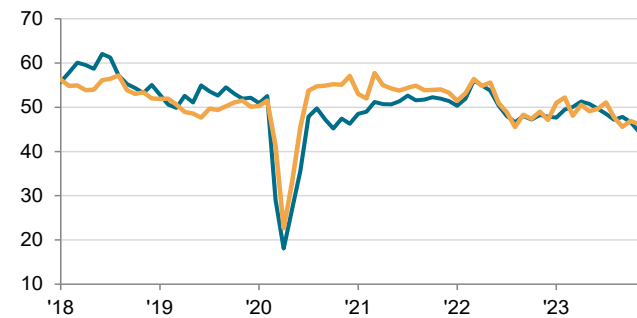
Sources: S&P Global PMI, Statistics Canada.



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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)