

# News Release

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## S&P Global Canada Services PMI®

### Service sector downturn sustained at end of 2025

#### Key findings

Activity and new business volumes down markedly

Further cut in employment registered

Cost inflation remains high

Canada's service sector ended 2025 on a subdued note, according to December's PMI® survey data. Activity and new business continued to contract amid a subdued business climate, whilst firms reduced employment volumes for a fourth successive month. Price indices again pointed to sharp cost inflation, whilst selling prices were raised at a below-trend pace. Confidence in the outlook improved though uncertainty remained prevalent amongst survey providers.

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.

After accounting for seasonal factors, the Business Activity Index recorded 46.5 in December. That was up from 44.3 in the prior month but, despite improving, still signalled a marked contraction of service sector output. Apart from marginal growth in October, the index also posted below the critical 50.0 no-change mark throughout 2025.

The decline in business activity was again closely linked by panellists to lower volumes of incoming new work which fell in December for a thirteenth successive month. There were reports from service providers that market demand remained subdued, and that clients were unwilling or unsure whether to commit to new contracts. In some instances, client budgets were reported to have been cut. New export business remained especially weak, with latest data showing another severe monthly fall in foreign demand.

Given the subdued trends in activity and new business volumes, service providers continued to reduce their employment numbers. This was broadly achieved via the non-

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



Source: S&P Global PMI.  
Data were collected 4-18 December 2025.

replacement of leavers and December's data marked the fourth successive month that staffing levels have been cut. The rate of contraction was solid albeit slightly weaker than in November. Moreover, firms were still able to comfortably keep on top of workloads, with the survey showing another contraction in work outstanding – albeit to a much lesser degree than in recent months.

Wage expenses nonetheless remained a key factor driving up operating expenses at the end of 2025. With supplier charges also reported to be higher, sometimes linked to tariffs, overall operating expenses again rose steeply. Firms sought to pass on these increased costs wherever possible, with selling prices rising for an eighth successive month. Inflation was also a little firmer, though lagged levels seen earlier in 2025 as firms noted a degree of pricing restraint given the subdued business climate.

Looking ahead to the next year, companies were optimistic about the outlook for activity. Some firms are hopeful of an improvement in the economic environment, whilst some noted that upcoming sporting events like the FIFA World Cup will support growth. However, sentiment remains well below its historical trend, indicative of ongoing economic uncertainty especially in relation to tariffs and government policies.

## Comment

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

*“Canada’s services economy struggled again in December amid ongoing reports by service providers of a challenging market environment, characterised by ongoing uncertainty and a reluctance to spend amongst clients. Latest data rounded off a difficult year overall as the spillover impact on confidence and activity from tariffs and trade policies weighed heavily on the economy.*

*“This has recently led to an increasingly soft labour market, with December data showing a fourth successive monthly cut in employment as firms sought to maintain lean operations in the face of the testing business climate.*

*“On the inflation front, price pressures remained broadly contained. Operating expenses rose at their trend rate despite reports of ongoing wage increases and suppliers raising prices in response to tariffs. More importantly from a policymakers’ perspective, selling price inflation increased, but it remains well below trend suggesting limited pass through to broader price measures at year end.”*

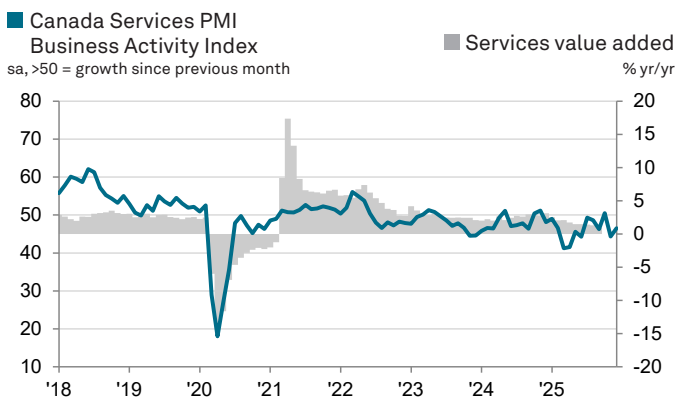
## S&P Global Canada Composite PMI®

### Private sector output declines markedly in December

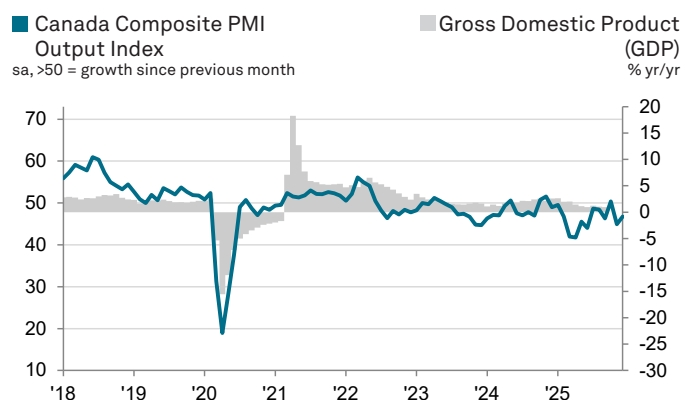
The seasonally adjusted S&P Global Canada Composite PMI Output Index\* remained mired below the critical 50.0 no-change mark in December for a second successive month – and for the eleventh time of 2025 overall. After accounting for seasonal factors, the index recorded 46.7, up from 44.9 in November. Concurrent contractions in output were seen across both broad sectors covered by the PMI survey.

New business volumes continued to deteriorate markedly, and with signs of ongoing spare capacity, companies reduced employment numbers for a fourth successive month. Confidence in the outlook improved but remained well below trend.

Prices data meanwhile showed that input cost inflation remained elevated and little-changed since November. Selling prices increased solidly, but at a pace that remained below par.



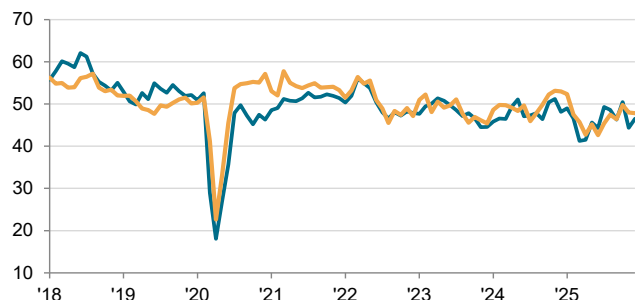
Sources: S&P Global PMI, Statistics Canada.



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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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