

News Release

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S&P Global Canada Services PMI®

Activity falls at slowest rate since June 2023

Key findings

Stable inflows of new business

Marginal rise in employment

Sharpest increase in output charges for nine months

The performance of Canada's service sector remained subdued during April, with activity falling for an eleventh successive month. However, the rate of contraction was marginal as new business volumes stabilised, whilst employment increased marginally. Cost pressures persisted, and firms were able to increase their own charges to the steepest degree since last July. Confidence in the future remained positive, although sentiment softened to a three-month low and remained below its historical trend.

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 headline index recorded 49.3 in April to signal an eleventh successive monthly fall in business activity. However, with the index improving from 46.4 in March to its highest since June 2023, the rate of contraction signalled was only marginal and noticeably weaker.

The slower decline in activity in part reflected a stabilisation of incoming new business volumes. Latest data showed no change in new work, thereby putting an end to an eight-month period of contraction. Panellists indicated that new projects and some unexpected client wins had led to some growth in new work. However, high interest rates and subdued underlying demand limited any gains. Moreover, new export sales continued to fall (albeit only marginally) amid reports of a lack of enquiries from foreign clients.

Despite broadly underwhelming trends in activity and new business, a marginal increase in employment was recorded

S&P Global Canada Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 11-25 April 2024.

for the third time in the past four months. Companies that took on additional workers generally did so to support new projects or sales efforts. Extra workers also helped firms to comfortably keep on top of their workloads, with business outstanding down for a twenty-second successive month in April, though only marginally.

Positive projections for activity also helped to support a rise in employment. Latest data showed that firms retained confidence in the outlook amid hopes that improved market conditions will support higher sales and activity. That said, elevated interest rates remain a concern for many panellists, with several signalling that recession risks in the outlook persist. Subsequently, confidence slipped in April to its lowest level for three months.

On the price front, typical operating costs increased sharply again during April. Wages remained a key source of higher operating expenses, although there were also reports that changes to carbon pricing had driven up fuel costs. More generally, vendors were said to be raising their prices. Service providers responded by increasing their own charges to the greatest degree since July 2023.

PMI®

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Comment

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

"Another fall in activity during April reinforced the general underlying weakness that pervades the Canadian services economy. Panellists noted that subdued market conditions, reflective of high interest rates and worries about the outlook, continued to undermine sales.

"But there was some positivity to be found in the survey data. Activity was only down slightly, whilst new business volumes stabilised after a protracted downturn. Companies added to their employment numbers (though only slightly) as they looked to support new projects and sales efforts.

"Inflation rates remain too high, however. Costs are in part being driven up by higher salary demands, whilst firms are raising their own charges at a faster rate. Despite recently exhibiting a more dovish tone, the latest prices data from the PMI survey will perhaps give policymakers a little more food for thought before they embark on their expected loosening of monetary policy in the coming months."

S&P Global Canada Composite PMI®

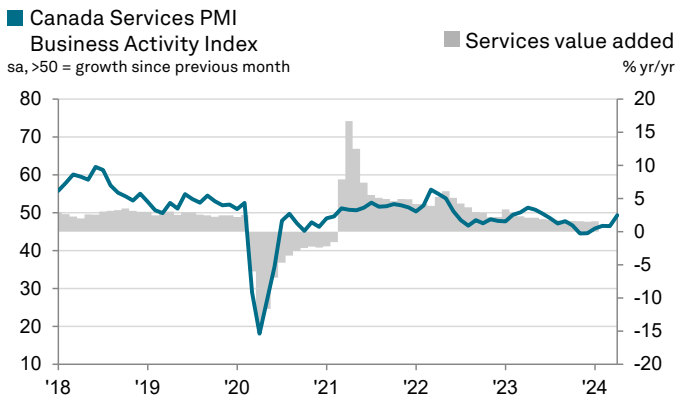
Private sector contracts again, but only marginally in April

Private sector economic output in Canada fell in April, as reflected in the S&P Global Canada Composite PMI Output Index* which remained below the crucial 50.0 no-change mark for an eleventh successive month. That said, with only slight declines in output seen in the manufacturing and service sectors, the overall decline was slight and the weakest since last June. A similar trend was seen for new orders, with the overall contraction the softest in nine months.

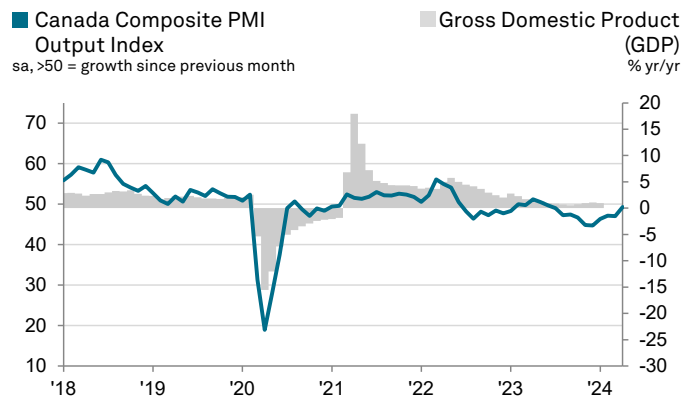
Employment growth was sustained for a fourth successive month, with marginal gains seen across both manufacturing and services economies. Firms were able to keep on top of their overall workloads, with a slight fall in unfinished business signalled.

Meanwhile, input cost inflation remained elevated, despite softening slightly since March. Output charges increased at a stronger pace, with inflation accelerating to a nine-month high.

Finally, companies are confident that activity will rise over the coming year, although optimism softened slightly to a three-month low.



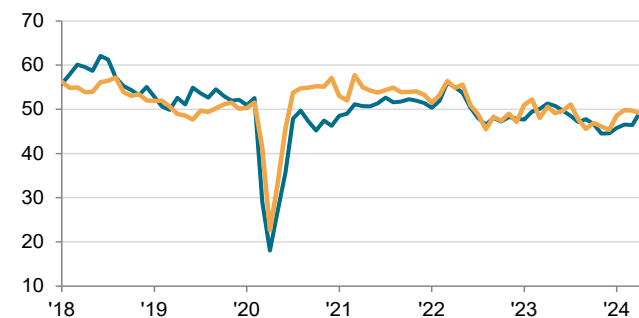
Sources: S&P Global PMI, Statistics Canada.



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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