News Release

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S&P Global Canada Services PMI®

Further contraction of service sector signalled in August

Key findings

Activity and new business both fall again

Business confidence softens but staffing levels rise

Inflationary pressures ease

S&P Global Canada Services PMI Business Activity Index

sa, >50 = growth since previous month

Source: S&P Global PMI.

Data were collected 12-26 August 2025.

The recent downturn in Canada's service sector was sustained in August, with activity and new business both continuing to decline. Market conditions remained unfavourable, characterised by uncertainty caused by tariffs. Business confidence also moderated and remained well below trend. Firms nonetheless added to their staffing levels (albeit marginally) for a fourth month running.

Cost inflation meanwhile softened to a seven-month low but remained strong amid reports of tariff-induced price rises. Output charge inflation similarly softened and was the weakest for four months.

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 adjustment for seasonal factors, the Business Activity Index once again posted below the critical 50.0 no-change mark in August, recording 48.6. It was the eighth successive month that the index has signalled a contraction in private sector services output. Moreover, falling from 49.3, the degree to which activity fell was steeper than in July, albeit only modest.

Lower levels of new business continued to weigh on business activity during August. The rate of contraction was similarly sharper, reflecting a combination of limited client budgets and the noticeable uncertainty created by tariffs. New export business was again most notably affected. Latest data showed that new export sales declined to the steepest degree since April amid a widespread reluctance amongst international clients to commit to new contracts.

Uncertainty over tariffs also showed up in the latest business expectations data. Whilst positive overall, confidence in the outlook was weaker than in July and below its long-term trend amid worries amongst service providers over the impact of tariffs on economic activity. Where growth is forecast this was linked in some instances to hopes of reduced interest rates.

Companies retained sufficient confidence to add to their staffing levels in August for a fourth successive month, albeit marginally. Efforts to keep on top of workloads were noted as a reason for recruiting new workers. Latest data on work outstanding suggested these efforts paid off, with a fall in backlogs reported in August again and thereby extending the current downturn to well over three years. The rate of contraction was also the steepest since April.

Finally, on the price front, operating expenses continued to rise sharply, despite the rate of inflation softening to its lowest since January. Companies reported that tariffs were leading to higher supplier charges. Increased employee costs were also noted to have led to a rise in operating expenses.

Service providers sought to pass on higher costs to clients wherever possible, resulting in a fourth successive monthly increase in output charges. However, the rate of inflation softened to its lowest in this sequence. Competitive market conditions limited pricing power, according to panellists.

PMI® by S&P Global

Comment

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

"August marked another challenging month for the Canadian services economy with both activity and new work declining to greater degrees than in July. Uncertainty, especially related to tariffs, continued to have a noticeable detrimental impact on market activity and demand, according to service providers. Unsurprisingly, tariff uncertainty also weighed on firms' own confidence regarding the future, and the outlook for the sector clearly remains heavily contingent on how trade policies evolve in the coming months.

"Indeed, tariffs also continued to raise supplier prices, and with that, firms' operating expenses. Labour-related costs also added to overall cost burdens and with pricing power somewhat limited by competitive pressures, company profitability inevitably remained under some pressure heading into the final months of the year."

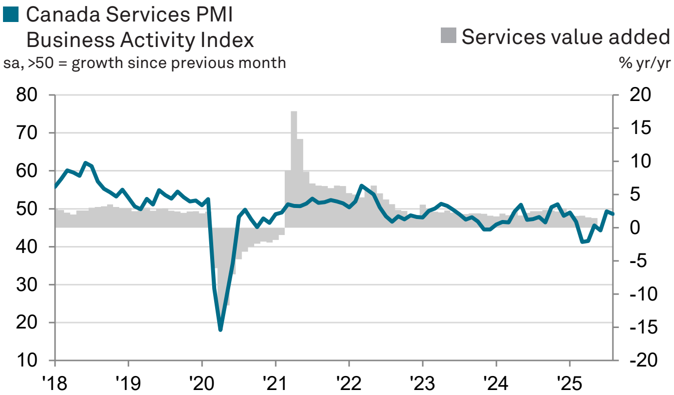
S&P Global Canada Composite PMI®

Contraction of private sector output continues in August

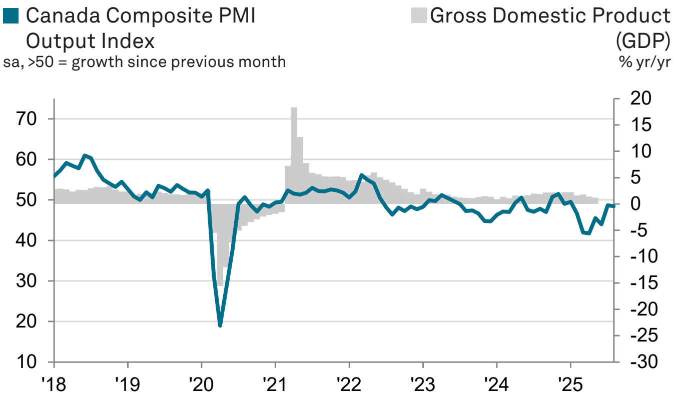
For the ninth successive month, a net fall in private sector output was recorded. This was highlighted by the S&P Global Canada Composite PMI Output Index* which recorded 48.4 in August. That was down from 48.7 in July and reflected concurrent contractions of output in the manufacturing and service sectors.

The downturn in overall activity reflected reduced private sector sales, also for a ninth month running. Confidence in the outlook remained historically subdued but employment numbers were stable, enabling firms to comfortably keep on top of workloads.

Price data showed that operating expenses continued to rise sharply, but competitive pressures and weak demand meant output charges rose to the weakest degree in four months.



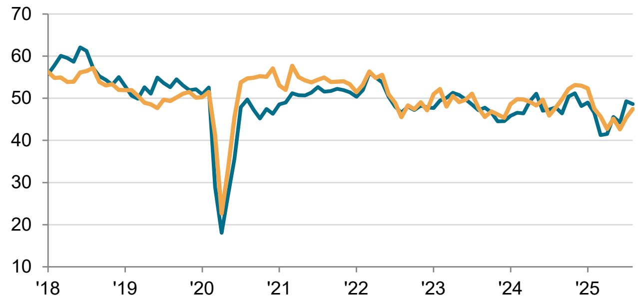
Sources: S&P Global PMI, Statistics Canada.



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.

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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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

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