

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

## Service sector returns to marginal growth in May

### May 2026

#### Higher activity despite slight drop in new business

Economic uncertainty weighs on sales, employment and confidence

#### Operating costs rise at fastest rate in four years

Service sector activity in Canada rose slightly in May, although growth was marginal and limited by a drop in new business volumes.

Firms continued to report a challenging operating environment, characterised by general economic uncertainty, and this weighed on sales and business sentiment. Employment numbers were reduced marginally in response.

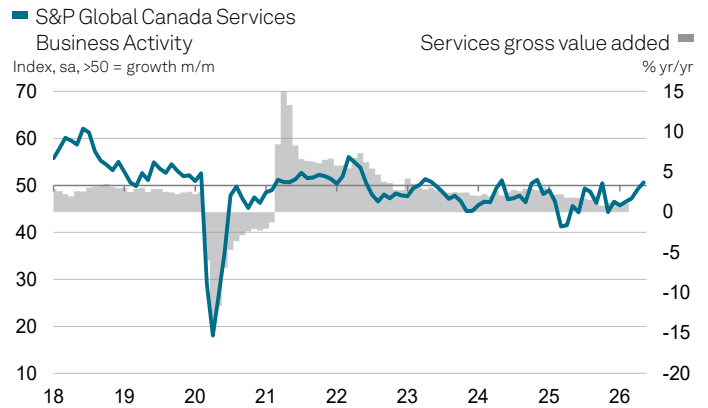
Latest data also showed a noticeable acceleration of input price inflation, with costs rising at their fastest rate for four years on the back of increased fuel and wage expenses. Service providers raised their own selling prices, with inflation the highest since July 2023.

The headline S&P Global Canada Services PMI<sup>®</sup> Business Activity Index recorded 50.6 in May. That was up from 49.2 and signalled a return to marginal growth in business activity. It was the first time since last October that the index has posted above the critical 50.0 no-change mark.

Growth in activity was limited however by a net reduction in new business volumes. Although marginal, the decline in new work contrasted with April's slight rise. Panellists noted that economic uncertainty, especially in relation to the conflict in the Middle East, was weighing on market activity. This was the case for both domestic and international clients: new export business fell again in May, albeit to the softest degree since July 2024 and to a much lesser extent than typically seen in 2025 and earlier this year.

Service providers own confidence in the outlook was also adversely impacted by geopolitical uncertainty, especially in relation to tariffs and the conflict in the Middle East. Sentiment regarding future activity fell to its lowest level in four months during May, despite some hopes of a stabilisation in sales in the coming year.

Rising prices also remained a concern for many firms, and in May they reported a steep acceleration in input price inflation to its highest level for four years. Elevated fuel prices were widely reported, but firms also noted that increased wage expenses were driving up their overall operating costs.



Data were collected 12-26 May 2026.

Sources: S&P Global PMI, StatCan via S&P Global Market Intelligence. © 2026 S&P Global

### Comment

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

“Canada’s service sector experienced a net rise in activity during May, but growth was fragile and masked a challenging business environment. Companies reported that new business fell marginally as clients expressed a high degree of uncertainty in the outlook, largely due to the ongoing crisis in the Middle East. This resulted in a minor pullback of demand in May, and risks in the near-term are clearly tilted to the downside, albeit with the recognition that geopolitical challenges are fluid and could dissipate quickly.

“But more immediately, cost pressures are lifting steeply higher, with firms not only reporting sharply rising fuel prices, but also higher wage expenses. That will raise red flags for policymakers who will be alert to the emergence of second-round price effects, though they will perhaps be assuaged by the fact that, despite picking up to a near three-year high, output price inflation remains well below that of input costs and has not shown to date anywhere near the same degree of acceleration.”

Service providers raised their own selling prices in response, with inflation picking up for a fourth successive month to its highest level since July 2023. Selling prices have now increased on a continuous basis for 13 months.

The challenging business environment, and ongoing uncertainty in the outlook, meant that employment numbers declined slightly in May. It was the eighth time in the past nine months in which staffing numbers have fallen, although the rate of contraction in May was marginal.

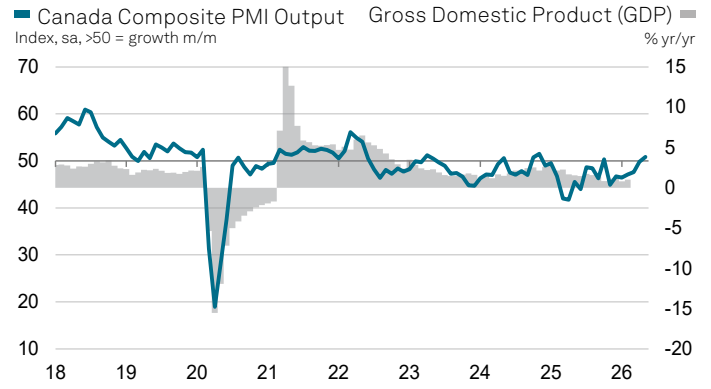
Despite the drop in staffing levels, firms were nonetheless able to keep on top of their workloads. Business outstanding declined solidly in May and this extended the current period of falling backlogs to just under four years.

## S&P Global Canada Composite PMI®

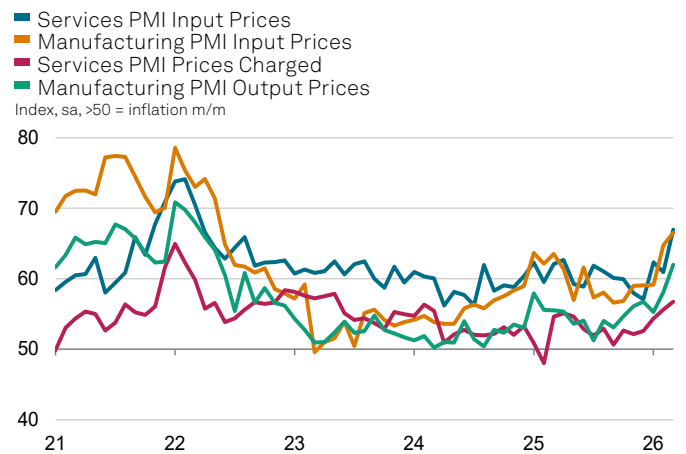
The S&P Global Canada Composite PMI® registered 50.8 in May, up from 49.9 in April. Growth reflected concurrent increases in both manufacturing and service sector output.

New order growth was sustained, albeit was only marginal, whilst there was a slight reduction in employment. Confidence in the outlook was the lowest for four months.

On the price front, input cost inflation accelerated to its highest level in nearly four years. Selling charges rose to their strongest degree since February 2023.



Sources: S&P Global PMI, StatCan via S&P Global Market Intelligence. © 2026 S&P Global



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## 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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