News Release

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S&P Global Canada Services PMI®

Service sector activity declines at quicker pace in June

Key findings

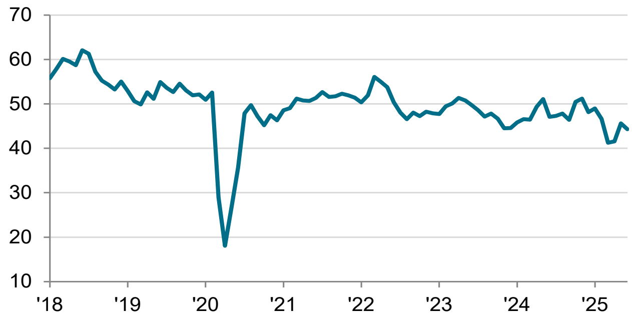
Lack of new business weighs on activity

Costs and selling prices rise at greater rates

Confidence in outlook remains subdued

S&P Global Canada Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-25 June 2025.

Canada's services sector endured a challenging month in June, with activity and new business both continuing to decline amid widespread market uncertainty. Confidence in the outlook also remained subdued, although firms added to their staffing levels modestly. This helped them to comfortably keep on top of overall workloads.

Meanwhile, prices data showed stronger inflationary pressures. Input costs rose to the greatest degree since October 2022, driven by tariffs, higher supplier prices and increased staffing expenses. In response, service providers increased their own prices at the fastest pace in just over a year.

The headline figure derived 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. June's index reading was 44.3, down from 45.6 in May and again indicative of a historically steep reduction in activity – albeit not to the extent seen in March and April.

Service sector activity has now declined for seven successive months and the latest downturn was again linked to reduced volumes of new work, which similarly has been falling since last December. The rate of contraction was again solid, although the decline was the softest since January. Panellists again reported on widespread market uncertainty, with client uneasiness related to US trade policy and tariffs noted. Broader global instability also served to undermine market activity. These factors also impacted international sales, which fell again in June at a marked pace.

Confidence in the outlook was subdued in June, with sentiment dropping noticeably since May to reach a three-month low. Uncertainty over US trade policies continued to limit optimism. The recent change in the Canadian government and broader economic instability were also noted as factors weighing on confidence.

Some service providers were nonetheless sufficiently optimistic to add to their staffing levels in June, with employment rising for second month running. Although modest, the rate of growth was the best since last November with firms adding jobs to keep on top of workloads and anticipated gains in new business. That said, in several instances, new workers were often recruited in a part-time capacity.

With sales down and capacity expanded, levels of work outstanding were reduced again during June extending the current downturn to three years. The latest contraction was solid, and quicker than the survey average.

Finally, latest prices data indicated an acceleration in cost inflation to its highest level since October 2022. Panellists reported that tariffs remained a source of higher prices, and that suppliers were generally increasing their charges. Labour expenses were also noted as a factor driving up operating expenses in the latest survey period.

In response, service providers increased their own selling prices during June, with the rate of inflation picking up to its highest level since May 2024.

Comment

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

“Canada’s services economy remained deep inside contraction territory during June, as uncertainty caused in the main by US trade policies continued to weigh heavily on activity and new business volumes. International demand was again especially hard hit, and the outlook remains subdued given widespread uneasiness and challenges in forecasting business trends in the months ahead.

“Positively, firms added to their staffing levels in June although, reflective of the uncertain outlook and rising labour expenses, recruitment tended to be for part-time workers. On the price front, operating costs rose to the greatest degree since October 2022 which served to push up selling prices at a faster pace despite the challenging business environment.”

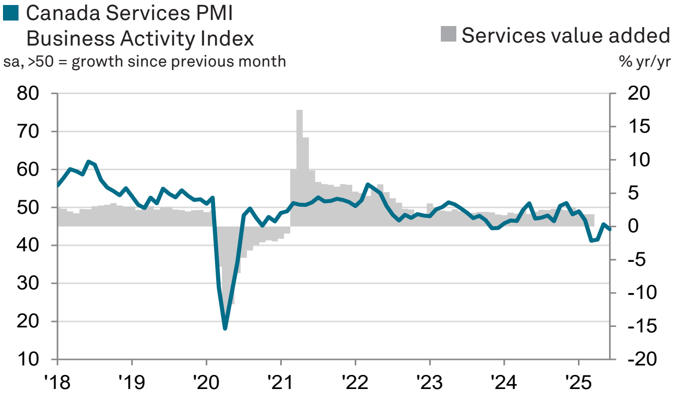
S&P Global Canada Composite PMI®

Private sector activity contracts markedly again

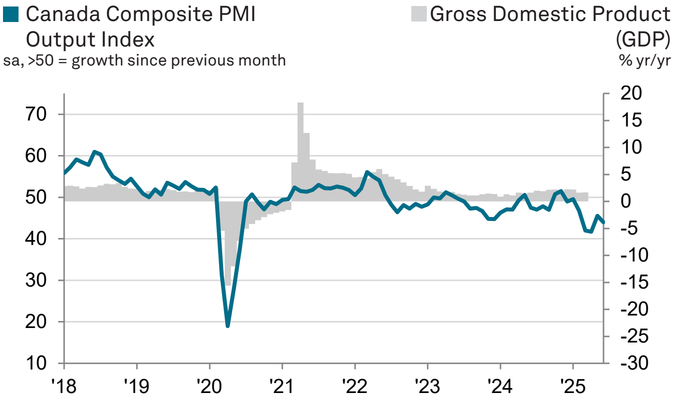
Latest PMI data showed a further decline in output in the combined manufacturing and services economy during June. After accounting for seasonal factors, the S&P Global Canada Composite PMI Output Index* recorded 44.0. That was down from 45.5 in May and represented another marked reduction in activity that extended the current downturn to seven months.

Although new business volumes declined noticeably in June, they did so to the softest degree since January. Moreover, jobs growth was recorded, although gains were broadly centred on the services economy. Firms were able to comfortably keep on top of their workloads with another drop in backlogs registered.

Finally, latest prices data showed another round of steep input price inflation, which edged up to a three-month high in June. Composite selling prices rose to the greatest degree since April 2024.



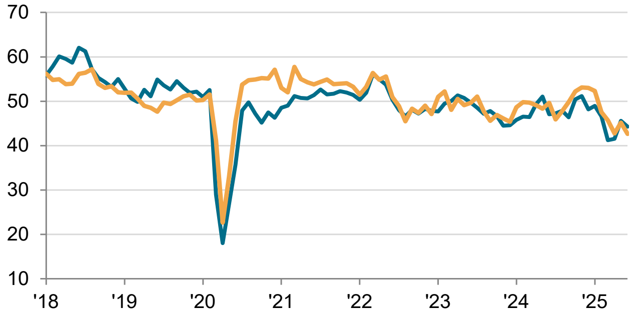
Sources: S&P Global PMI, Statistics Canada.



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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