

## News Release

### RBC PMI™ signals a further improvement in business conditions during April

**MAY 1, 2014** – April data pointed to another positive month for the Canadian manufacturing sector, with the latest survey pointing to higher levels of output, new business and employment, according to the **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)**. A monthly survey, conducted in association with Markit, a leading global financial information services company, and the Supply Chain Management Association (SCMA), the **RBC PMI** offers a comprehensive and early indicator of trends in the Canadian manufacturing sector.

Adjusted for seasonal influences, the headline RBC PMI registered 52.9 in April, down slightly from 53.3 in March but above the neutral 50.0 value for the thirteenth successive month. All five component indices had a positive influence on the RBC PMI in April. The drop in the index since March mainly reflected slower rates of output and new business growth.

Nevertheless, supply chain disruptions persisted, leading to longer delivery times and another rise in backlogs of work. Meanwhile, manufacturers noted that input costs were pushed up by the weaker Canadian dollar, which in turn contributed to a solid increase in factory gate charges during the latest survey period.

*“Though we saw a slight dip in April, it is encouraging to see Canada’s manufacturing sector continued to grow for what is now the thirteenth month in a row,” said **Craig Wright, senior vice-president and chief economist, RBC.** “Our bottom line continues to be that a strengthening U.S. economy alongside a more competitive Canadian dollar will support improving conditions for Canada’s manufacturers in the near-term.”*

The [headline RBC PMI](#) reflects changes in output, new orders, employment, inventories, prices and supplier delivery times.

Key findings from the April survey include:

- Output expanded in April, but at a slower pace than in the previous month.
- Job creation hit a five-month high.
- There was a sharp rise in average cost burdens.

Manufacturers in Canada signalled that growth in production eased for the second month running in April and was slightly slower than the average since the survey began in late 2010. The moderation in output growth reflected a slight slowdown in the pace of new business expansion in April.

Volumes of new work from abroad increased only marginally in April and the rate of expansion eased over March. Companies that reported a rise in new export orders generally cited exchange rate depreciation and stronger underlying demand from the U.S.

Delivery times from suppliers lengthened in April, which manufacturers attributed to logistics bottlenecks and, in some cases, ongoing disruptions from adverse weather conditions. The latest deterioration in vendor performance was one of the sharpest seen over the past two-and-a-half years. As a result, backlogs of work accumulated for the third month running and some manufacturers sought to increase their pre-production inventories in April. Stocks of finished goods also rose during the latest survey period.

Greater production requirements and resilient confidence about the economic outlook supported job creation across the manufacturing sector. The latest rise in employment levels was the fastest since November 2013, but still slightly weaker than the historical average.

April data indicated a further sharp rise in average cost burdens within the manufacturing sector. The rate of input price inflation eased since March, but was still one of the fastest recorded over the survey history. Meanwhile, the latest survey pointed to a solid rise in factory gate charges, which extended the current period of output charge inflation to eight months. Manufacturers widely linked higher output prices to strong cost inflation in recent months.

Regional highlights include:

- All regions posted an increase in manufacturing output in April.
- **Quebec** was the only region to register a decline in new order volumes.
- **Ontario** reported the sharpest lengthening of supplier delivery times.
- **Alberta & British Columbia** continued to record the fastest pace of input price inflation.

*“April’s survey highlights that the manufacturing sector is experiencing improving business conditions, although output growth moderated slightly since the previous month” said **Cheryl Paradowski, president and chief executive officer, SCMA.** “Exchange rate depreciation has helped support export sales, but higher import prices are pushing up cost burdens, while adverse weather conditions and logistics bottlenecks have placed pressures on supply chains in recent months.”*

The report is available at [www.rbc.com/newsroom/reports/rbc-purchasing-managers-index.html](http://www.rbc.com/newsroom/reports/rbc-purchasing-managers-index.html).

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## Notes to Editors:

The RBC Canadian Manufacturing *PMI™* Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Canadian GDP.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The RBC Canadian Manufacturing *Purchasing Managers' Index™* (RBC *PMI™*) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index (PMI)* survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Markit does not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

## ABOUT RBC

Royal Bank of Canada is Canada's largest bank, and one of the largest banks in the world, based on market capitalization. We are one of North America's leading diversified financial services companies, and provide personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. We employ approximately 79,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 42 other countries. For more information, please visit [rbc.com](http://rbc.com).

RBC supports a broad range of community initiatives through donations, sponsorships and employee volunteer activities. In 2013, we contributed more than \$104 million to causes worldwide, including donations and community investments of more than \$69 million and \$35 million in sponsorships. Learn more at [www.rbc.com/community-sustainability](http://www.rbc.com/community-sustainability).

## About Supply Chain Management Association

As the leading and largest association in Canada for supply chain management professionals, the Supply Chain Management Association (SCMA) is the national voice for advancing and promoting the profession. SCMA sets the standard of excellence for professional skills, knowledge and integrity and was the first supply chain association in the world to require that all members adhere to a Code of Ethics.

With nearly 8000 members working across the private and public sectors, SCMA is the principal source of supply chain training, education and professional development in the country. Through its 10 Provincial and Territorial Institutes, SCMA grants the Supply Chain Management Professional (SCMP) designation, the highest achievement in the field and the mark of strategic supply chain leadership.

SCMA was formed in 2013 through the amalgamation of the Purchasing Management Association of Canada and Supply Chain and Logistics Association of Canada. With a combined history of more than 140 years, today the association embraces all aspects of strategic supply chain management, including: purchasing/procurement, strategic sourcing, contract management, materials/inventory management, and logistics and transportation. For more information, please visit [scmanational.ca](http://scmanational.ca).

## About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 11 countries. For more information, please see [www.markit.com](http://www.markit.com)

## About PMI

*Purchasing Managers' Index™* (*PMI™*) surveys are now available for 32 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. To learn more go to [markit.com/economics](http://markit.com/economics).

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