

News Release

RBC Canadian Manufacturing PMI™ hits six-month high in June

JULY 2, 2014 – The **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)** pointed to a solid rebound in the performance of the manufacturing sector in June, as output and new business growth picked up to the strongest recorded so far in 2014. 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 Canadian Manufacturing PMI registered 53.5 in June, up from 52.2 in May, to signal the sharpest overall improvement in business conditions since December 2013. The rise in the headline index was mainly driven by stronger rates of output and new business expansion.

*“The latest RBC PMI data indicates that in June, Canada’s manufacturers experienced the best conditions for growth in half a year,” said **Craig Wright, senior vice-president and chief economist, RBC.** “We expect that those conditions will further improve going forward supported by a strengthening global economy, increases in external demand for domestic goods and a depreciating Canadian dollar.”*

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

Key findings from the June survey include:

- Output and new orders rose at sharpest pace in 2014 to date
- Job creation strengthened
- Input cost inflation eased for the third month running

Manufacturing output growth picked up markedly from the nine-month low registered in May. The current period of rising production volumes stretches back to May 2013, with survey respondents attributing the latest expansion to greater client spending and new product launches.

In line with the trend for output, new business growth rebounded in June and reached a six-month high. Manufacturers mainly cited stronger domestic demand, as new export order growth remained only marginal, despite accelerating from the 14-month low registered in May. When a rise in new work from abroad was reported, survey respondents generally pointed to improved demand from clients in the United States.

Staffing levels increased at a solid pace in June, thereby extending the current period of manufacturing job creation to five months. Despite an upturn in payroll numbers, stronger demand resulted in the fastest rise in backlogs of work since March.

Greater production requirements boosted input buying across the manufacturing sector in June, with the latest expansion of purchasing activity the fastest seen in 2014 to date. Stocks of purchases nonetheless dipped slightly in June, which contrasted with a marginal rise in post-production inventory levels.

Canadian manufacturers indicated that input prices increased for the twenty-third consecutive month in June. The latest survey pointed to a sharp rise in average cost burdens, but the rate of inflation was the lowest since the start of the year. A number of firms cited exchange rate depreciation against the U.S. dollar as having pushed up prices for imported raw materials. There were also reports of rising oil-related costs in June. Meanwhile, factory gate price inflation eased for the second time in the past three months and was the lowest since December 2013.

[Regional highlights](#) include:

- Quebec posted the fastest overall improvement in **business conditions**...
- ...followed by Alberta & British Columbia
- All four regions registered a rise in **new export orders**
- **Employment growth** was strongest in Quebec and Ontario

*"The second quarter of 2014 ended on a positive note for the Canadian manufacturing sector," said **Cheryl Paradowski, president and chief executive officer, SCMA**. "Stronger business conditions were underlined by the fastest expansion of output so far this year, alongside a solid rebound in client spending. Manufacturers are continuing to recruit additional staff at a solid pace, highlighting strong confidence about the outlook for production volumes over the months ahead."*

The report is available at www.rbc.com/newsroom/pmi.

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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.

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.

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.

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.

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

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.

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