Embargoed until 09:30 EDT July 4th 2016

RBC Canadian Manufacturing PMI™

compiled by markit

In association with the Supply Chain Management Association

Manufacturing PMI signals slowest improvement in business conditions for three months in June

Key findings:

- Output growth eases from May's 11-month high
- Marginal increase in new business volumes
- Stocks of finished goods fall at fastest pace since the survey began in October 2010

June data suggested that the Canadian manufacturing recovery stepped down a gear at the end of the second quarter, with output, new business and employment growth all easing slightly since May. Moreover, new export orders were virtually unchanged in June, which contrasted with the solid contribution to growth seen earlier in 2016. At the same time, stocks of finished goods dropped at a survey-record pace in June, with manufacturers noting that subdued client demand and uncertainty about the economic outlook had encouraged tighter inventory management at their plants.

The headline figure derived from the survey is the RBC Canadian Manufacturing *Purchasing Managers' Index*™ (*PMI*™), which is designed to provide timely indications of changes in prevailing business conditions in the Canadian manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

Adjusted for seasonal influences, the RBC Canadian Manufacturing PMI registered 51.8 in June, down from 52.1 in May. Although the index posted above the 50.0 no-change value for the fourth month running, the latest reading signalled only a marginal upturn in overall business conditions and the weakest pace of improvement since March.

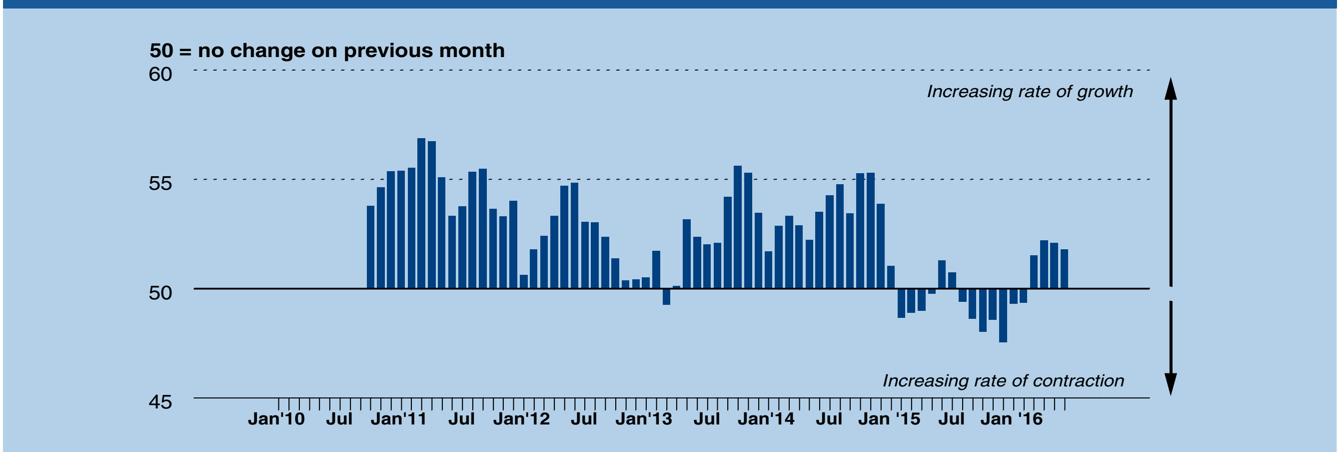
A slowdown in output growth from May's 11-month high was on of the key factors weighing on the headline PMI during June. The latest expansion of production volumes was the weakest since March, which manufacturers linked to softer client demand and efforts to reduce finished goods inventories at their plants. Post-production stocks have now fallen in each month since April and the latest reduction was the steepest for over five-and-a-half years.

Canadian manufacturers indicated a marginal upturn in overall new business volumes in June. The latest survey suggested that domestic sales were a key driver of growth, as new export work was broadly unchanged over the month. Higher levels of business underpinned further staff recruitment across the manufacturing sector in June, which extended the current period of net job creation to four months. However, the pace of employment growth eased slightly since May amid reports of heightened uncertainty about the business outlook and a lack of pressure on operating capacity.

Survey respondents pointed to ongoing supply chain pressures in June, with average lead-times from vendors lengthening to the greatest degree since December 2014. This was linked to unusually low stocks at suppliers and a marginal upturn in input buying among manufacturers. Despite a rise in purchasing activity, latest data signalled that pre-production inventories were broadly unchanged over the month, which firms mainly linked to cautious stock policies at their plants.

June data signalled a return to rising factory gate charges among Canadian manufacturers, although the rate of inflation was only marginal. A number of firms noted that subdued underlying demand had acted as a brake on output charge inflation and placed pressure on margins. Moreover, higher steel and fuel prices contributed to a robust rise in average cost burdens in June. The latest increase in overall input prices was the fastest recorded since March.

RBC Canadian *Purchasing Managers' Index™ (PMI™)*



In association with

Components of the RBC Canadian Manufacturing PMI™

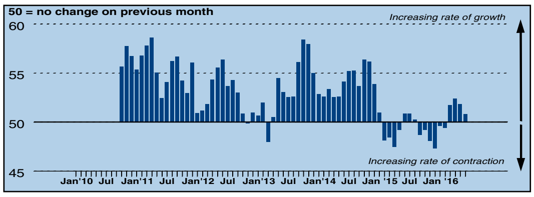
The RBC Canadian Manufacturing *Purchasing Managers' Index™ (PMI™)* is a composite index designed to show a convenient single-figure summary of the health of the manufacturing sector. The five individual indices used in the headline PMI and their weightings are:

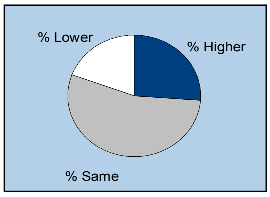
New Orders	0.30
Output	0.25
Employment	0.20
Suppliers' Delivery Times (inverted)	0.15
Stocks of Purchases	0.10

In total, the RBC Canadian Manufacturing PMI survey covers eleven individual indicators that are presented as 'diffusion' indices. These are summary measures showing the prevailing direction of change. An index reading above 50.0 indicates an overall increase in that variable, whilst index readings below 50.0 signal an overall decrease. All data are seasonally adjusted.

New Orders Index (0.30)

Q. Please compare the state of your new orders (in units) this month with one month ago.

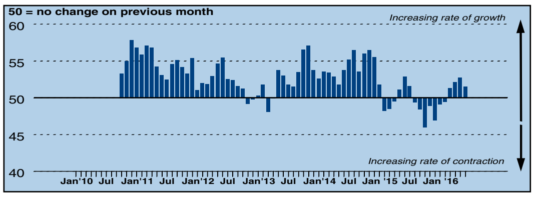


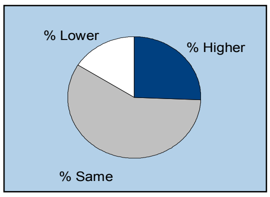


New business growth was maintained across the manufacturing sector in June, although the pace of expansion slowed further from April's 16-month peak. The seasonally adjusted New Orders Index has now posted above the 50.0 no-change mark for four months running, but the latest reading was the weakest seen over this period. Survey respondents mainly commented on subdued underlying business conditions in June.

Output Index (0.25)

Q. Please compare your production/output this month with the situation one month ago.

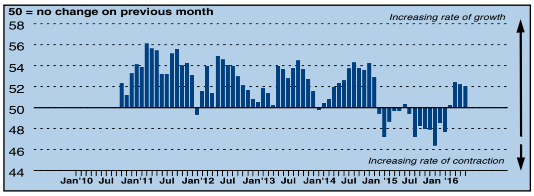


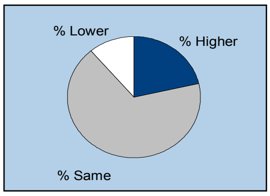


In line with the trend for new work, latest data signalled a rise in production volumes for the fourth consecutive month, but the pace of expansion slowed from May's recent peak. The seasonally adjusted Output Index eased to its lowest since March and indicated only a marginal increase in manufacturing production.

Employment Index (0.20)

Q. Please compare the level of employment at your unit this month with the situation one month ago.

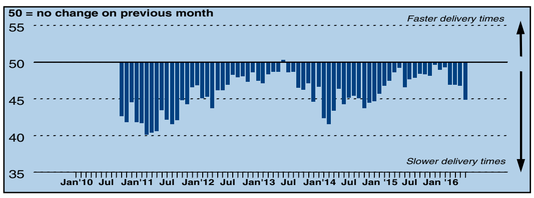


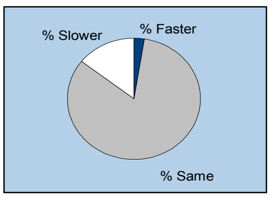


Canadian manufacturers added to their payroll numbers in June, which survey respondents linked to greater workloads and renewed efforts to boost operating capacity. The seasonally adjusted Employment Index was little-changed from May and remained close to its highest recorded over the past year-and-a-half.

Suppliers' Delivery Times Index (0.15)

Q. Please compare your suppliers' delivery times (volume weighted) this month with one month ago.

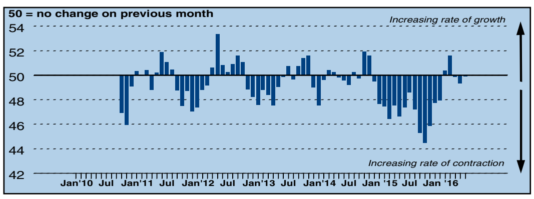


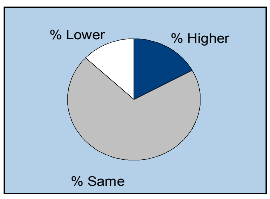


June data signalled a sharp and accelerated deterioration in vendor performance. Adjusted for seasonal influences, the Suppliers' Delivery Times Index indicated that vendor lead times lengthened to the greatest degree since December 2014. Longer delivery times were mainly linked to rising demand for manufacturing inputs and unusually low stocks among suppliers.

Stocks of Purchases Index (0.10)

Q. Please compare your stocks of purchases (in units) this month with the situation one month ago.

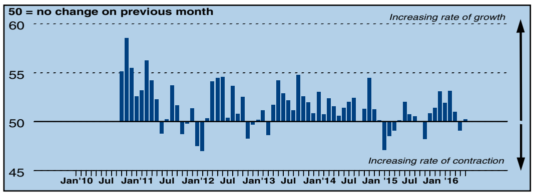


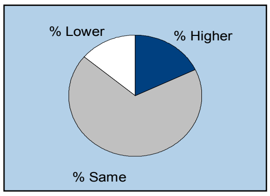


Input buying remained stable across the manufacturing sector in June, as highlighted by the seasonally adjusted Stocks of Purchases Index posting broadly in line with the 50.0 no-change value. Reports from survey respondents suggested that uncertainty about the demand outlook had contributed to cautious inventory management policies in recent months.

New Export Orders Index

Q. Please compare the state of your new export orders (in units) this month with one month ago.

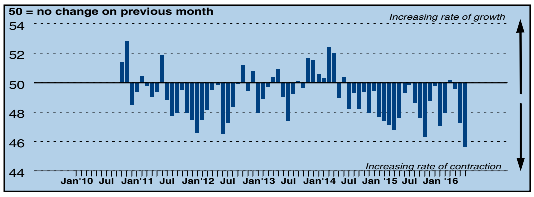


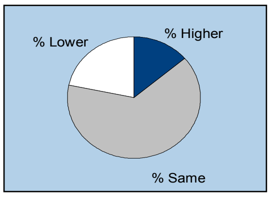


New export sales stabilized in June, following a slight reduction during the previous month. However, the seasonally adjusted New Export Orders Index remained well below the 16-month high recorded in March. While some manufacturers commented on greater sales to U.S. and European clients, there were also reports that subdued business conditions in emerging markets had weighed on new orders from abroad.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.

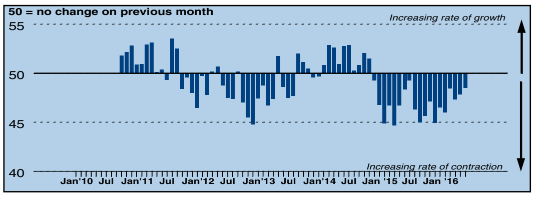


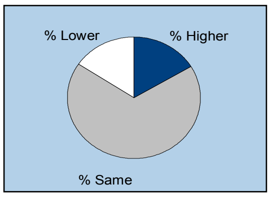


Manufacturers recorded a sharp and accelerated reduction in post-production inventories during June, which extended the current period of decline to three months. Adjusted for seasonal influences, the Stocks of Finished Goods Index pointed to the steepest rate of contraction since the survey began in October 2010. Panel members widely commented on deliberate stock reduction policies at their plants.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with one month ago.

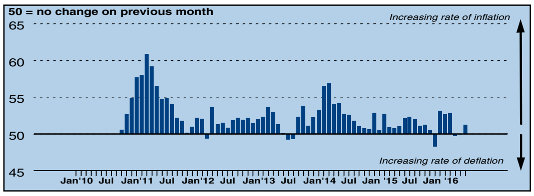


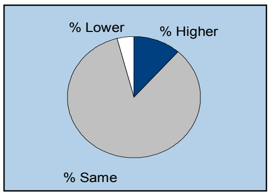


June data highlighted another reduction in outstanding work among Canadian manufacturers. The seasonally adjusted Backlogs of Work Index has registered below the 50.0 no-change mark in each month since December 2014, but the latest reduction was only marginal and the weakest for three months.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with one month ago.

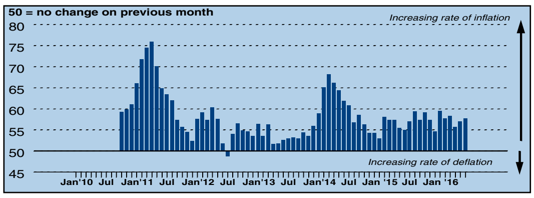


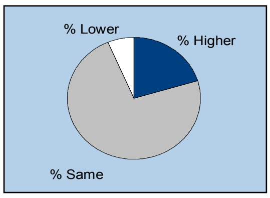


The seasonally adjusted Output Prices Index signalled a return to rising factory gate prices across the manufacturing sector in June, although the rate of inflation was only marginal. Anecdotal evidence suggested that subdued client demand continued to place pressure on operating margins.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation with one month ago.

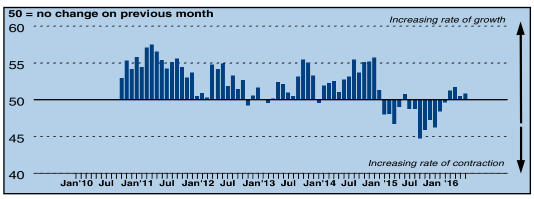


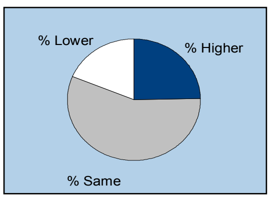


The latest survey indicated a robust and accelerated increase in average cost burdens at manufacturing firms. Adjusted for seasonal influences, the Input Prices Index picked up to a three-month high. Survey respondents widely reported higher prices for steel and fuel in particular. A number of firms also cited exchange rate depreciation as a factor behind higher raw material prices.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.





Adjusted for seasonal influences, the Quantity of Purchases Index registered above the 50.0 no-change mark for the fourth consecutive month in June. The latest reading signalled a marginal rise in input buying among manufacturing firms, which was mainly linked to greater production volumes. Some panel members noted that efforts to streamline inventories had acted as a headwind to purchasing activity.

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, insurance, investor services and capital markets products and services on a global basis. We have over 80,000 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 36 other countries. For more information, please visit rbc.com.

RBC helps communities prosper, supporting a broad range of community initiatives through donations, community investments, sponsorships and employee volunteer activities. In 2015, we contributed more than $121 million to causes around the world.

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 contact:
Amanda Cormier
416 542-3860
acormier@scmanational.ca
www.scmanational.ca

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 approximately 4,000 people in 11 countries. Markit shares are listed on NASDAQ under the symbol MRKT. For more information, please see www.markit.com

Purchasing Managers' Index™ (*PMI™*) surveys are now available for over 30 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 www.markit.com/economics

Markit Economics
Henley on Thames
Oxon RG9 1HG, UK
Tel: +44 1491 461000
Fax: +44 1491 461001
e-mail: economics@markit.com

The RBC Canadian Manufacturing Purchasing Managers' Index™ (PMI™), produced by Markit and in association with PMAC, is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by company workforce size and by Standard Industrial Classification (SIC) group, based on industry contribution to Canadian GDP.

Survey respondents 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 reporting '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 50.0 indicates an overall increase in that variable, below 50.0 an overall decrease. All data are seasonally adjusted.

Markit do 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.