

## News Release

### RBC PMI™ shows slower manufacturing growth rate in July

**AUGUST 1, 2012** – After registering strong growth in [May](#) and [June](#), Canada's manufacturing sector slowed to a four-month low in July, 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 Purchasing Management Association of Canada (PMAC), which offers a comprehensive and early indicator of trends in the Canadian manufacturing sector.

The headline **RBC PMI** – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – signalled a solid improvement in Canadian manufacturing business conditions during July. However, at 53.1, down from 54.8 in June and below the series average of 54.2, the headline index indicated the weakest improvement since March.

The RBC PMI found that the volume of new orders received by Canadian manufacturers rose in July, with this generally linked to greater client demand. However, new orders, as well as output, grew at sharply reduced rates compared to June. Employment increased at the slowest pace since April, though the rate of job creation remained solid overall, while the average price paid for inputs fell for the first time since October 2010.

*"Canada's manufacturing sector continued to grow in July, albeit at a slower pace, suggesting global growth worries are weighing on the economy. Employment improved for the sixth consecutive month in the sector, with 21 per cent of firms hiring additional staff, largely driven by increased production," said **Craig Wright**, senior vice-president and chief economist, RBC. "As manufacturing conditions remain positive overall, we anticipate that further gains in employment and a pick-up in exports will support Canada's GDP growth in 2012."*

In addition to the [headline RBC PMI](#), the survey also tracks changes in output, new orders, employment, inventories, prices and supplier delivery times.

Key findings from the July survey include:

- New orders and output grow, albeit at sharply reduced rates;
- Solid increase in headcounts, but rate of job creation at three-month low; and
- Average input costs fall for first time in 22-month series history.

The volume of **new orders** received by Canadian manufacturers increased in July, continuing the trend that has been recorded in each month since the inception of the survey. Approximately 32 per cent of firms reported an increase in new work, with this generally linked to greater client demand. However, **new export orders** rose only marginally, partly reflecting weakness in the global economy. Subsequently, total new work intakes grew at a sharply reduced rate during the latest survey period.

Reflective of the rise in new orders, **production** increased further during July. Although moderate, output growth was the slowest in four months. Meanwhile, firms depleted their **stocks of finished goods**, with a number of companies using existing inventories to fulfil some new order requirements. Concurrently, **backlogs of work** fell for the second month running and to a greater extent than in June.

Manufacturers raised their **purchases** and increased their **input inventories** in July. Firms have accumulated stocks of purchases for four months running, but the latest increase was the weakest in this sequence. **Suppliers' delivery times** meanwhile lengthened further during July. Panellists suggested that vendors struggled with capacity issues. The latest increase in lead times was moderate, but to a lesser extent than in the previous survey period.

**Employment** in Canada's manufacturing sector rose for the sixth consecutive month in July. Approximately 21 per cent of firms hired additional staff since June, largely citing the increase in production. Although remaining solid, the rate of job creation nonetheless slowed to a three-month low.

The average **price paid for inputs** fell for the first time in the 22-month series history during July, albeit marginally. Survey respondents reported lower prices for raw materials such as steel and resin. **Output charges** meanwhile rose for the fourth consecutive month in July, but the increase in selling prices was the weakest in the current sequence of inflation.

**Regional highlights** include:

- Manufacturing operating conditions improved in all four Canadian regions in July. **Quebec** posted the strongest month-on-month improvement, while the weakest was reported in **Ontario**.
- The volume of new orders received by manufacturers based in **Ontario** was unchanged from that recorded one month previously, but growth was recorded elsewhere.
- Staffing levels increased in all four regions during July. The weakest rate of job creation was reported in **Ontario**.
- July data indicated that average input costs fell in three regions. The only exception was **Alberta & British Columbia**, which saw a slight increase.

*"Although the survey data pointed to a slower manufacturing expansion in July, with new export orders rising only marginally over the month, this can partly be attributed to weakness in the global economy," said **Cheryl Paradowski**, President and Chief Executive Officer, PMAC. "Average input prices, meanwhile, fell for the first time in the 22-month series history, as surveyed firms reported lower prices for raw materials such as steel, aluminum, resin and packaging."*

The report is available at [www.rbc.com/newsroom/pmi](http://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 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. 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 (RY on TSX and NYSE) and its subsidiaries operate under the master brand name RBC. We are Canada's largest bank as measured by assets and market capitalization, and among 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, corporate and investment banking and investor services on a global basis. We employ approximately 80,000 full- and part-time employees who serve more than 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 51 other countries. For more information, please visit [rbc.com](http://rbc.com).

#### About Purchasing Management Association of Canada

The Purchasing Management Association of Canada (PMAC) is the leading, and the largest, association in Canada for supply chain management professionals. With 7,000 members working across private and public sectors, PMAC is the principal source of supply chain training, education and professional development in the country, requiring all members to adhere to a Code of Ethics. Through its 10 Provincial and Territorial Institutes, PMAC grants the SCMP (Supply Chain Management Professional) designation, the highest achievement in the field and the mark of strategic leadership. For more information please see [www.pmac.ca](http://www.pmac.ca).

#### About Markit

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information, see [www.markit.com](http://www.markit.com).

#### About PMIs

*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 [www.markit.com/economics](http://www.markit.com/economics).

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