

## News Release

### Canada's manufacturing sector gains momentum in August

**SEPTEMBER 2, 2014** – August data pointed to a robust upturn in the performance of the Canadian manufacturing sector, according to the **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)**, with overall business conditions improving at the fastest pace since November 2013. 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 54.8 in August, up from 54.3 in July and comfortably above the neutral 50.0 value. The latest reading was the highest for nine months and indicated a robust improvement in overall operating conditions across the manufacturing sector. Output and new business growth both accelerated during August, while job creation picked up markedly to its strongest for 11 months. Meanwhile, cost pressures subsided to their weakest so far this year, which contributed to a further moderation in factory gate price inflation during the latest survey period.

*"The momentum in Canada's manufacturing sector is clearly being sustained with the index registering the ninth consecutive month of improvement," said **Craig Wright, senior vice-president and chief economist, RBC.** "We expect that Canadian manufacturers will continue to directly benefit from the strengthening U.S. economy, which has made and will continue to make positive strides."*

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

Key findings from the August survey include:

- RBC Manufacturing PMI hits nine-month high
- Sharpest rises in output and new orders since November 2013
- Job creation strongest for almost a year

Canadian manufacturers signalled a robust and accelerated expansion of production levels in August, thereby extending the current period of growth to 16 consecutive months. Moreover, the latest increase in output levels was the fastest since last November.

A strong pace of new order growth helped support rising production volumes during August, with the latest increase in new work being the steepest since November 2013. Anecdotal evidence cited stronger domestic spending patterns during the latest survey period, alongside a boost to order books from higher export sales. August data pointed to the most marked increase in new work from abroad since March, with a number of manufacturers attributing the rise to greater spending by clients in the U.S.

A sustained improvement in new business inflows continued to encourage job creation across the manufacturing sector in August. The latest survey highlighted that employment numbers rose for the seventh month in a row, and at the strongest rate since September 2013. In turn, increased staffing levels helped slow the pace of backlog accumulation at manufacturing companies in August.

Greater production schedules resulted in a robust expansion of input buying within the manufacturing sector during August. Pre-production stocks were accumulated for the first time in four months, while finished goods inventories were depleted at a marginal pace. Strong demand for raw materials contributed to a further lengthening of suppliers' delivery times in August.

August data provided positive news on the inflation front, with average input prices increasing at the slowest pace since December 2013. Reduced cost pressures in turn contributed to the weakest rise in factory gate charges for nine months.

Regional highlights include:

- Alberta & British Columbia recorded the sharpest improvement in **business conditions**
- Manufacturing **employment** numbers continued to increase in all four regions
- **New export order** gains were strongest in Alberta & British Columbia, followed by Ontario
- **Input cost inflation** eased in all four regions during August

*“August’s survey provides an upbeat assessment of the Canadian manufacturing sector” said **Cheryl Paradowski, president and chief executive officer, SCMA.** “Sustained output growth is driving a strong improvement in underlying business confidence, and in turn bolstering manufacturing job creation. There are signs that the resurgent U.S. economy is having an appreciable impact on export sales, as Canadian manufacturers saw one of the fastest rises in new orders from abroad so far this year.”*

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 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 40 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 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". 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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