

In association with the Purchasing Management Association of Canada

PMI fell for third month running, as output and new order growth weakened further during June.

Key findings:

- Modest increase in new business volumes, but export orders fell slightly.
- Job creation at seven-month low.
- Rate of input price inflation eased since May.

Business conditions within the Canadian manufacturing sector improved only modestly in June. This partly reflected further new order and output growth, although both slowed since May. Notably, new export business fell during the latest survey period, with firms attributing the decrease to weak global demand and unfavourable exchange rates.

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.

At 52.8, the headline PMI remained above the 50.0 no-change level that separates growth from contraction for the ninth month running in June. That said, the PMI fell sharply from 54.8 in May, and signalled only a modest improvement in the Canadian manufacturing sector's operating conditions.

The volume of new work received by Canadian manufacturers increased for the ninth consecutive month in June. Out of the 31% of monitored companies that reported higher new order levels, a number of firms commented on new client wins. However, the rate of new order growth eased since May, as panellists received a lower amount of new export business. In particular, survey respondents commented on a slowdown in demand from US clients.

Reflective of larger new work intakes, surveyed companies stepped

up production in June. The rise in output remained modest, however, leading to a marginal accumulation of outstanding work during the latest survey period.

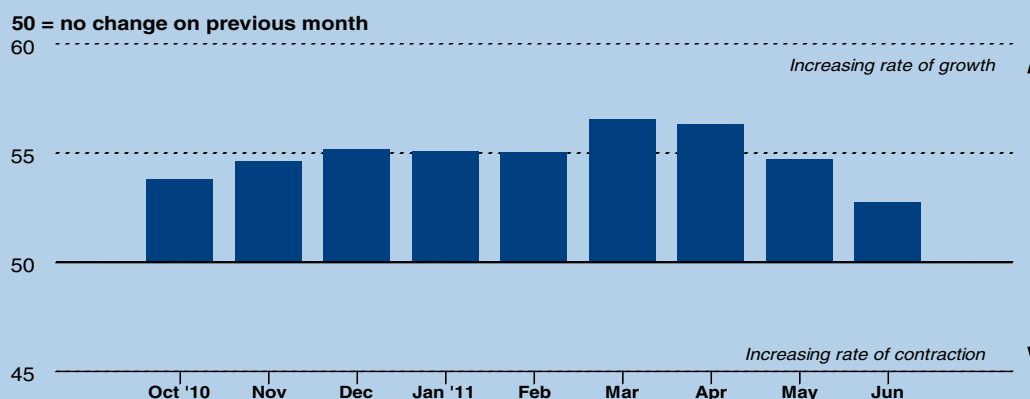
The amount of inputs purchased by Canadian manufacturing companies increased in June. Latest data signalled that purchases were raised both to fulfil higher production requirements and rebuild inventories. Meanwhile, suppliers' delivery times lengthened further during the latest survey period. Anecdotal evidence suggested that vendors struggled to cope with greater input demand, especially as limited spare capacity made it difficult to increase production in June.

In contrast to the depletion registered in May, firms accumulated stocks of finished goods during the latest survey period. The rise was modest, and the first in four months.

Employment in the Canadian manufacturing sector increased for the ninth successive month in June. However, job creation slowed since the previous survey period to a seven-month low.

Input prices faced by Canadian manufacturers increased markedly during the latest survey period. Survey respondents particularly mentioned fuel and other oil-related products as rising in cost. Monitored companies passed part of their greater cost burdens on to clients by raising their factory gate prices in June. The latest increase in output charges was solid, but remained weaker than the rise in input costs.

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



Components of the RBC Canadian Manufacturing PMI™

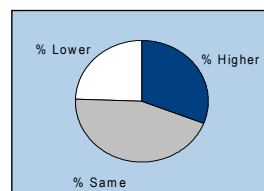
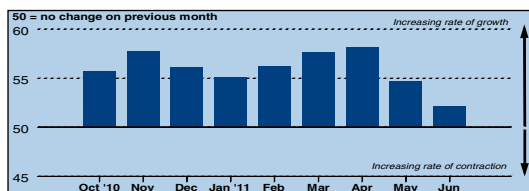
The RBC Canadian Manufacturing *Purchasing Managers' Index*™ (PMI™) is a composite index designed to show a convenient single-figure summary of the health of the manufacturing sector. The five individual indices used in the headline PMI and their weightings are:

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)

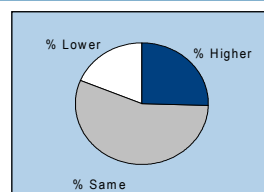
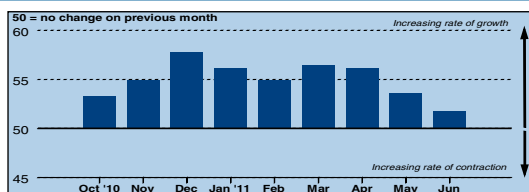
Q. Please compare the state of your new orders (in units) this month with one month ago.



The volume of new orders received by Canadian manufacturers increased further in June. Almost 31% of respondents registered new order growth, with a number of firms reporting new client wins during the survey period. Nevertheless, the latest rise was slower than that recorded in May, as signalled by a lower index reading. Panellists suggested that global demand showed signs of weakness during June.

Output Index (0.25)

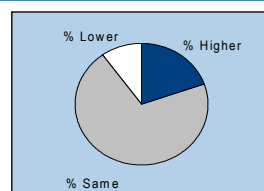
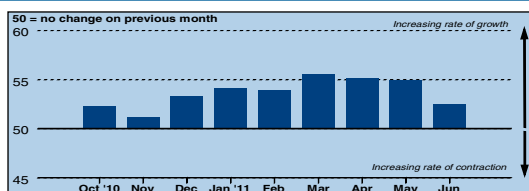
Q. Please compare your production/output this month with the situation one month ago.



Reflective of further new order growth, Canadian manufacturing companies stepped up production for the ninth consecutive month in June. This was signalled by the seasonally adjusted Output Index remaining above the 50.0 no-change level that separates growth from contraction. However, the latest index posting was lower than that registered in May, and indicated only a moderate increase in output.

Employment Index (0.20)

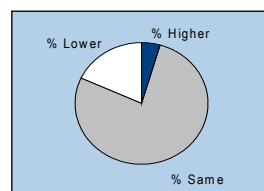
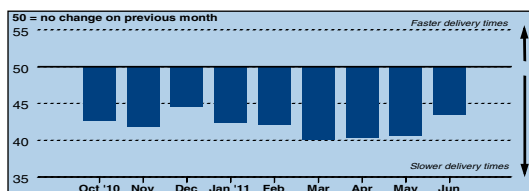
Q. Please compare the level of employment at your unit this month with the situation one month ago.



Firms operating in the Canadian manufacturing sector employed additional staff during June. Nearly 20% of monitored companies enlarged their workforces, compared to the 10% that reduced staff headcounts. Panellists attributed job creation to greater production requirements. However, mirroring the slowdown in output, employment growth eased since the previous survey period.

Suppliers' Delivery Times Index (0.15)

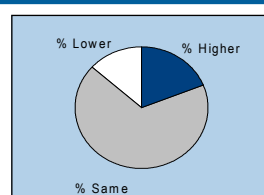
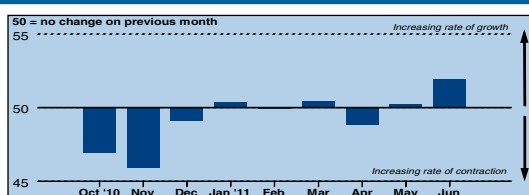
Q. Please compare your suppliers' delivery times (volume weighted) this month with one month ago.



The seasonally adjusted Suppliers' Delivery Times Index posted below the 50.0 no-change level in June, and indicated a further deterioration in vendor performance. Surveyed firms suggested that suppliers had low inventories and struggled to fulfil increased orders. Moreover, a number of respondents commented that vendors had limited spare capacity to raise production levels in June.

Stocks of Purchases Index (0.10)

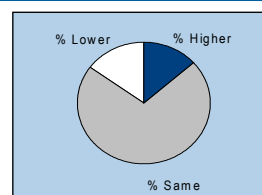
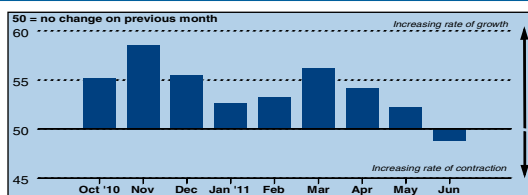
Q. Please compare your stocks of purchases (in units) this month with the situation one month ago.



Canadian manufacturers continued to rebuild their input inventories in June. The rate of accumulation was faster than that registered in May, as signalled by the seasonally adjusted Stocks of Purchases Index rising during the latest survey period. Firms increased their holdings of inputs in an attempt to mitigate against longer delivery times and higher input costs.

New Export Orders Index

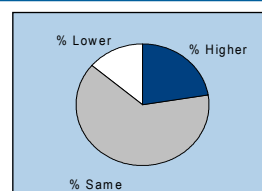
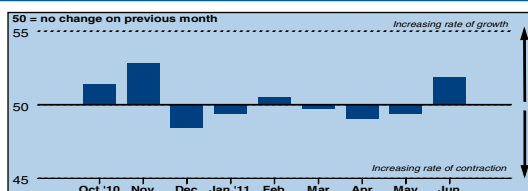
Q. Please compare the state of your new export orders (in units) this month with one month ago.



In contrast to the growth registered in May, the volume of new export orders received by Canadian manufacturers decreased in June. The seasonally adjusted New Export Orders Index posted below the 50.0 no-change level and signalled a modest fall in new business from abroad. Firms attributed the decline in new export orders to unfavourable exchange rates and weak demand, particularly from the US.

Stocks of Finished Goods Index

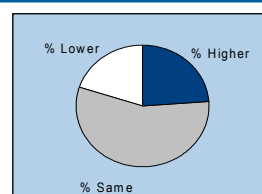
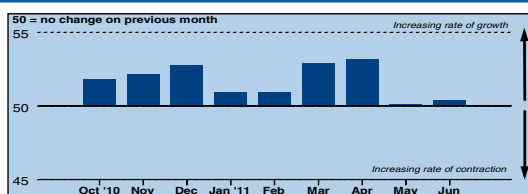
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Following three months of depletion, monitored companies accumulated stocks of finished goods in June. Inventories of post-production goods increased moderately, with over 22% of survey respondents reporting higher stock levels. Anecdotal evidence suggested that inventory levels rose as new order growth slowed during the latest survey period.

Backlogs of Work Index

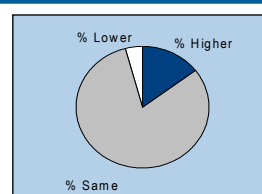
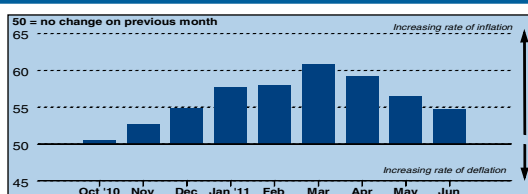
Q. Please compare the level of outstanding business in your company this month with one month ago.



The amount of incomplete work at Canadian manufacturing companies increased for the ninth month running in June. Panellists commented that this reflected greater new work intakes during the latest survey period. That said, backlogs of work were only accumulated at a marginal pace during June.

Output Prices Index

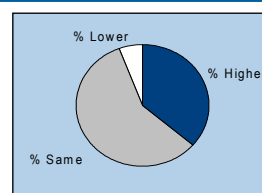
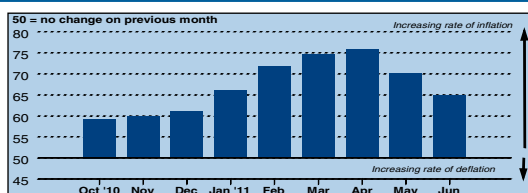
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with one month ago.



Average prices charged by manufacturing firms based in Canada increased for the ninth consecutive month during June. Although easing to a seven-month low, the seasonally adjusted Output Prices Index posted above the 50.0 no-change level that separates inflation from deflation. Respondents reported that factory gate prices increased as their greater cost burdens were partly passed on to clients.

Input Prices Index

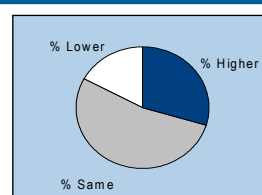
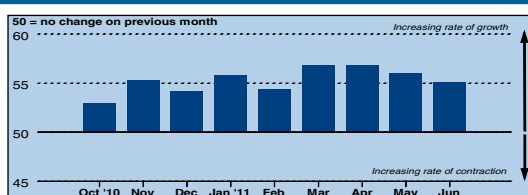
Q. Please compare the average price of your purchases (volume weighted) this month with the situation with one month ago.



Input costs faced by Canadian manufacturers rose markedly in June. Over 36% of panellists registered greater cost burdens during the latest survey period, with a wide range of inputs increasing in price. Fuel and other oil-related products were particularly highlighted by monitored companies. Nevertheless, the rate of input price inflation slowed to the weakest since last December.

Quantity of Purchases Index

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



In June, the amount of inputs purchased by firms operating in the Canadian manufacturing sector increased solidly. Monitored companies bought a greater volume of pre-production items as output growth continued. However, reflective of the easing in production growth, the pace of expansion of purchasing activity slowed since May.



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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.

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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 geographically and by Standard Industrial Classification (SIC) group, based on the regional and industry contribution to 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.

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