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RBC Canadian Manufacturing PMI™

compiled by markit

In association with the Supply Chain Management Association

Manufacturing PMI remains inside negative territory during April

Key findings:

- Manufacturing PMI signalled a moderate deterioration in business conditions
- Output declined at slower pace in April...
- ...but incoming new work fell at the sharpest rate since the survey began in October 2010

The latest survey indicated another difficult month for Canadian manufacturing companies, with output, new business and employment levels all decreasing during April. Meanwhile, the weaker exchange rate helped to stabilise the downturn in export sales, but the latest reduction in overall new order volumes was the fastest since the survey began in October 2010. Strong input cost inflation persisted in April, although competitive pressures and subdued client demand meant that manufacturers increased their output charges at only a marginal pace in April.

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 49.0 in April, up only fractionally from 48.9 in March and below the neutral 50.0 value for the third month running. The latest reading was also much weaker than the average since the survey began in late-2010 (53.1).

Weaker new business inflows was the main factor weighing on the headline PMI during the latest survey period. Overall new work decreased at a survey-record pace in April, which manufacturers mainly linked to lower demand from clients in the energy sector. However, the downturn in new business from abroad eased further from February's record low, with some firms commenting on a boost from exchange rate depreciation and improving U.S. economic conditions.

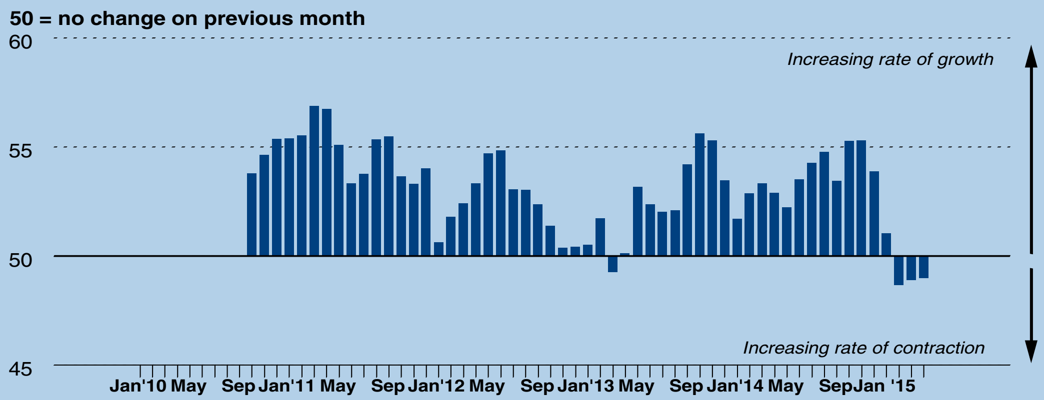
April data indicated a marginal reduction in production volumes across the Canadian manufacturing sector, and the rate of decline was the slowest in the current three-month period of contraction. Some survey respondents noted that efforts to lower their backlogs of work had helped support output levels. Unfinished business has now decreased for five months running, and the latest decline was the sharpest since the survey began in October 2010.

A lack of new work to replace completed projects contributed to increased levels of spare capacity at some manufacturing companies in April. As a result, payroll numbers dropped slightly during the latest survey period, which extended the current period of continuous job shedding to four months. However, the rate of workforce reduction remained slower than the survey-record pace seen in February.

Canadian manufacturers continued to lower their inventory volumes in April. Stocks of finished goods fell at the sharpest pace since June 2012, but pre-production inventories were pared back at the slowest rate for three months. Meanwhile, suppliers' delivery times lengthened to the least marked degree since August 2013, in part reflecting softer demand for raw materials.

Input prices increased again in April, with the rate of inflation unchanged since the previous month. Anecdotal evidence suggested that higher prices for imported raw materials remained the key factor leading to rising cost burdens. However, factory gate prices increased only slightly in April, and at the slowest pace since January.

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



In association with

Components of the RBC Canadian Manufacturing PMI™

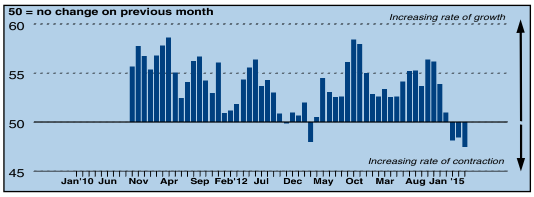
The RBC Canadian Manufacturing *Purchasing Managers' Index™ (PMI™)* is a composite index designed to show a convenient single-figure summary of the health of the manufacturing sector. The five individual indices used in the headline PMI and their weightings are:

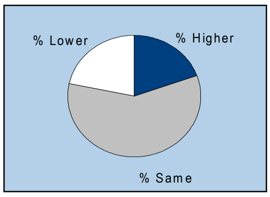
New Orders	0.30
Output	0.25
Employment	0.20
Suppliers' Delivery Times (inverted)	0.15
Stocks of Purchases	0.10

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.

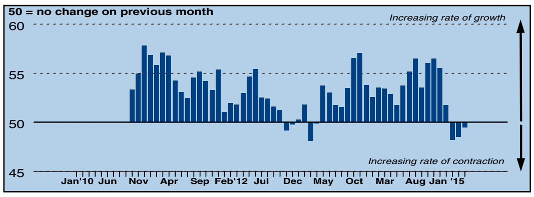


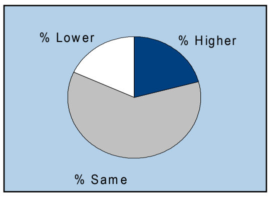


The seasonally adjusted New Orders Index posted below the neutral 50.0 threshold in April, thereby extending the current period of falling new business volumes to three months. Although only moderately below the no-change mark, the latest reading pointed to the fastest rate of decline since the survey began in October 2010. Weaker new order levels were overwhelmingly linked to lower demand from clients in the energy sector.

Output Index (0.25)

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

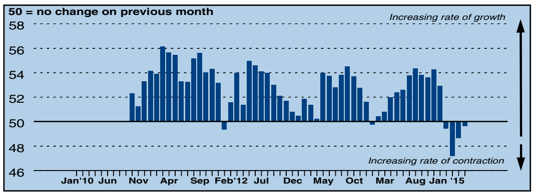


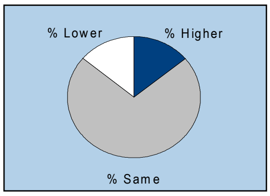


Mirroring the trend for new work, the seasonally adjusted Output Index signalled a third consecutive monthly reduction in production volumes across the Canadian manufacturing sector. However, the rate of decline was the least marked over this period. Some firms noted that efforts to clear backlogs had helped support output levels in April.

Employment Index (0.20)

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

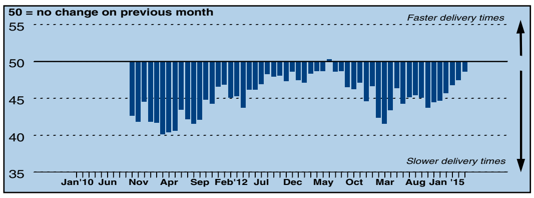


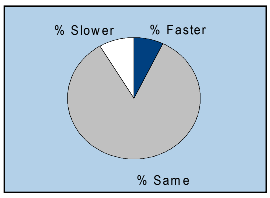


April data pointed to a fractional drop in staffing levels at Canadian manufacturing firms, which they generally attributed to lower workloads and weaker client spending patterns. The seasonally adjusted Employment Index has registered below the 50.0 no-change mark throughout the year to date, but the latest reading signalled the slowest rate of job cutting since the downturn began in January.

Suppliers' Delivery Times Index (0.15)

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

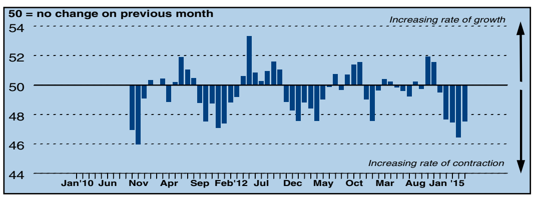


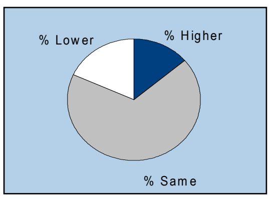


Adjusted for seasonal influences, the Suppliers' Delivery Times Index registered below the neutral 50.0 threshold for the twenty-second successive month in April, thereby signalling a further deterioration in vendor performance. However, the latest lengthening of supplier lead times was the least marked since August 2013.

Stocks of Purchases Index (0.10)

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

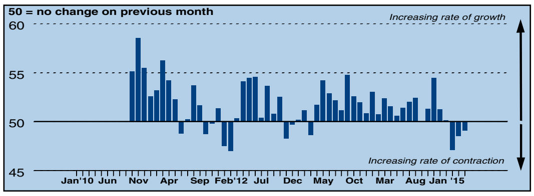


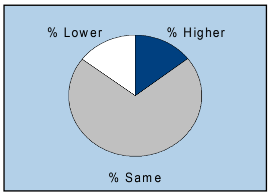


Canadian manufacturing companies indicated a decline in their pre-production inventories for the fifth consecutive month in April. That said, the seasonally adjusted Stocks of Purchases Index picked up from March's recent low and signalled the least marked pace of inventory reduction since January.

New Export Orders Index

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

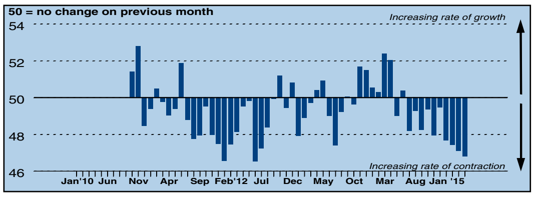


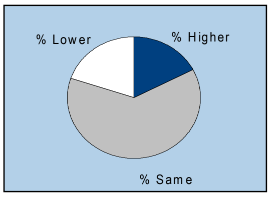


Adjusted for seasonal influences, the New Export Orders Index remained below the 50.0 no-change value for the third month running in April. However, the rate of decline was only marginal and the least marked recorded over this period. Anecdotal evidence suggested that improving U.S. economic conditions and stronger demand across the automotive sector had partially helped offset lower export sales.

Stocks of Finished Goods Index

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

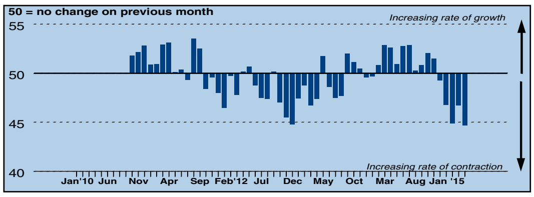


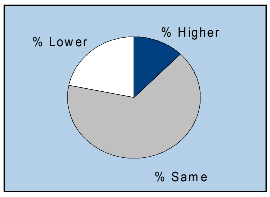


April data indicated that manufacturing companies continued to pare back their post-production inventories. The seasonally adjusted Stocks of Finished Goods Index registered below the neutral 50.0 threshold for the tenth month running and the latest reading signalled the sharpest rate of decline since June 2012.

Backlogs of Work Index

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

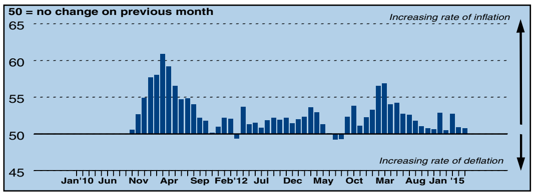


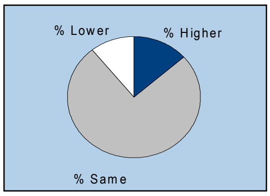


Volumes of unfinished work decreased at a sharp and accelerated pace in April, as highlighted by the seasonally adjusted Backlogs of Work Index falling to its lowest level since the survey began in October 2010. Reports from panel members indicated that lower levels of new business had contributed to spare capacity at their plants in recent 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.

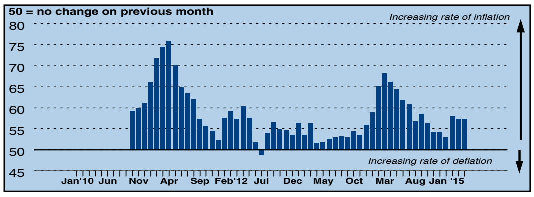


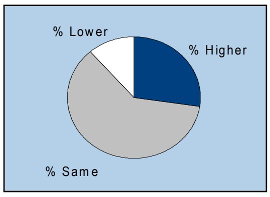


The seasonally adjusted Output Prices Index remained in positive territory during April, but the latest reading was the lowest for three months and signalled only a marginal rate of prices charged inflation across the manufacturing sector. A number of firms noted that strong competition for new work had weighed on their pricing power during the latest survey period.

Input Prices Index

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

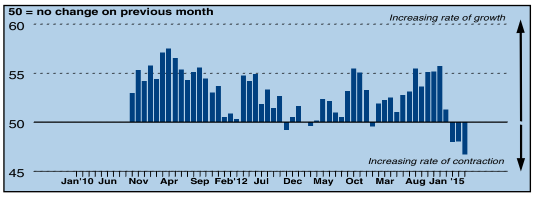


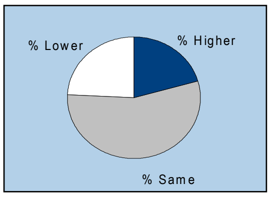


Strong input price inflation persisted in April, with more than twice as many manufacturers reporting a rise in their costs burdens as those that signalled a reduction. Adjusted for seasonal influences, the Input Prices Index has registered above the 50.0 no-change mark in each month since August 2012. The latest increase in input costs was widely linked to the weaker exchange rate.

Quantity of Purchases Index

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





Lower levels of new work and reduced production requirements contributed to a further decline in input buying across the manufacturing sector in April. The seasonally adjusted Quantity of Purchases Index has now posted in negative territory for three months running, with the latest reading signalling the fastest pace of decline since the survey began in October 2010.

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 employ approximately 78,000 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 39 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 2014, we contributed more than $111 million to causes worldwide, including donations and community investments of more than $76 million and $35 million in sponsorships.

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.

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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

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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 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.