

News Release

RBC PMI™ inches higher as new order growth strengthens to nine-month high

JULY 3, 2012 – June saw a further robust improvement in Canadian manufacturing business conditions, 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 – indicated a further strong improvement in Canadian manufacturing business conditions in June. At 54.8, up fractionally from 54.7 in May, the RBC PMI recorded the strongest improvement since September 2011. Moreover, the average PMI reading for the second quarter as a whole was 54.3, up from 51.6 in the first three months of 2012.

The RBC PMI found that both output and new orders rose strongly over the month, with firms generally citing greater client demand. Notably, the rates of growth strengthened to six- and nine-month highs respectively. Manufacturing employment increased for the fifth successive month in June, while the rate of input price inflation slowed sharply to its weakest pace since data collection began in October 2010.

“The strong performance in the manufacturing sector so far this year has been led by medium-sized companies – those with 50 to 199 employees, with more recent improvements also noted for smaller companies,” said Craig Wright, Senior Vice-President and Chief Economist, RBC. “Conditions across the sector are favourable, and we expect that continued gains in employment and an uptick in exports will help contribute to further economic expansion 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 June survey include:

- The strongest rise in new work intakes since September 2011;
- The fourth consecutive month of export demand expansion; and
- The slowest rate of input price inflation since data collection began in October 2010.

Canadian manufacturers received a larger volume of **new orders** in June, with greater client demand often cited. Approximately 37 per cent of survey respondents reported an increase in new work intakes since May, while 18 per cent recorded a decline. Overall, the rate of new order growth was strong and the fastest since last September. **New export orders** also increased for the fourth consecutive month, with incoming new work from the U.S. particularly mentioned by panellists.

Reflective of the increase in new orders, firms raised production during June. **Output** has increased in each month since data collection began in October 2010, with the latest rise the strongest since last December. **Backlogs of work**, meanwhile, fell during the latest survey period, and **stocks of finished goods** were depleted at the sharpest rate in the 21-month series history.

The **quantity of inputs** bought by manufacturers increased strongly in June. **Input inventories** also rose, albeit marginally. Anecdotal evidence attributed the increase in purchases to larger output requirements. Concurrently, **suppliers' delivery times** lengthened further, with a number of monitored companies citing transportation problems.

Manufacturing employment in Canada increased for the fifth successive month in June, with one in every four panellists hiring additional staff since May. Although the rate of **job creation** slowed over the month, the latest increase in staff headcounts nonetheless remained strong overall.

Input costs faced by Canadian manufacturing firms rose further in June. However, the rate of **input price** inflation eased sharply to its weakest pace since data collection began in October 2010. Lower oil prices partly offset the overall rise in cost burdens in June. Firms passed higher input costs on to clients by raising their **selling prices**. Although charges rose modestly during the latest survey period, the increase was slower than the series average.

[Regional highlights](#) include:

- Manufacturing business conditions improved in all four Canadian regions in June. **Quebec** posted the strongest improvement, continuing the trend that has been registered in each of the past three months.
- The fastest rate of new order growth was reported in **Quebec**, while the slowest expansion of incoming new work was registered in **Alberta & British Columbia**.
- June data indicated employment growth across all four regions, with the strongest rise in staffing levels recorded for **Quebec**.
- Lower input prices were reported by manufacturers based in **Quebec**.

*"Canada's manufacturing sector continued to be supported by a strong increase in new orders in June. New export orders were also up, with a solid improvement in Canadian export market conditions reported," said **Cheryl Paradowski**, President and Chief Executive Officer, PMAC. "Manufacturers recorded the weakest increase in input prices since we started collecting data in October 2010. Lower prices for oil-related products offset the overall rise in other input costs during the month of June."*

[Company size analysis](#)

The strong performance of the Canadian manufacturing sector in June was led by medium-sized companies – firms that have between 50 and 199 employees. Moreover, the latest improvement in business conditions faced by **medium-sized manufacturers** was the strongest since April 2011. Overall, medium-sized companies have led the manufacturing expansion in each month of 2012 so far.

Firms that have less than 49 staff and are deemed to be 'small' also recorded a strong improvement in manufacturing business conditions in June. Although the latest improvement was to a lesser extent than in May, the rate of growth remained above the series average for the third month running. The strong performance of **small manufacturing companies** in recent months contrasted with only modest growth between October 2011 and March 2012 (including a slight deterioration in January).

Large manufacturing firms that employ more than 200 employees were the worst performing company-size group in June. Although the PMI rose to a six-month high and signalled a solid improvement of operating conditions faced by large manufacturers, the index remained below its series average. Notably, the weak performance of large manufacturing firms contrasted with strong growth in the second half of 2011.

[Export analysis](#)

The Exporters' Climate Index utilises PMI data from other national surveys. The Output Index for each country covered by PMI data is weighted based on official Canadian exports to that country and summed to produce a single index reading which suggests an overall improvement or deterioration in Canada's export market as a whole.

The **Exporters' Climate Index** posted above the 50.0 no-change mark in May (the latest month for which data are available), indicating an improvement in Canadian export market conditions. An improvement in Canada's export market has been recorded in each month since the series first started in October 2010. At 54.6, the index signalled a solid improvement in Canadian export market conditions over the month. However, down from 54.8 in April, the index was at a six-month low and below the series average of 56.7.

The report is available at 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.

About RBC

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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.

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.

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.

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