

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC PMI™ signals moderate manufacturing expansion in June, with ongoing growth of output and new orders

JULY 2, 2013 – The Canadian manufacturing sector continued to expand in June, with sustained growth in output, new orders and employment, 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), the **RBC PMI** 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 – suggested a moderate improvement in Canadian manufacturing business conditions in June. At 52.4, the headline index remained above the 50.0 no-change mark and was at the second-highest level since last September, despite a dip from 53.2 in May.

The **RBC PMI** signalled ongoing growth of both output and new orders in June. Although having eased since May, the latest expansions were nonetheless stronger than those registered at the beginning of the year. Reflecting increased new work, manufacturers continued to add to their workforces, hiring staff at a faster rate than the series average. Meanwhile, a stronger rise in input costs added pressure to margins, especially as output charges were unchanged from one month earlier.

*“Canada’s manufacturing sector continued to expand in June – a sign that the slowdown earlier this year was in fact a temporary blip,” said **Craig Wright**, senior vice-president and Chief Economist, RBC. “Moving into the second half of 2013, an anticipated strengthening in international demand will help the sector shake off its relatively lacklustre performance it has recorded over the past year.”*

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

Key findings from the June survey include:

- both output and new orders increase solidly, but at weaker rates;
- suppliers’ delivery times shorten for first time in 33-month series history; and
- rate of input price inflation accelerates to three-month high.

Manufacturers received a larger volume of **new orders** in June, and generally attributed this to greater client demand. **New export work** also rose over the month, with firms particularly mentioning an increase in new orders from Europe. Overall, total new order growth was solid, but slower than the 11-month peak recorded in May.

Firms raised their production levels and depleted **stocks of finished goods** in light of higher new order requirements. **Output** increased for the second consecutive month in June, with the latest rise broadly in line with the series average. Meanwhile, **backlogs of work** fell, but the reduction mostly reversed an increase in May.

Concurrently, the quantity of **inputs bought** by manufacturing companies rose further during June. **Stocks of purchases** were meanwhile broadly the same as in May, with two-in-three panellists reporting no change in input inventories.

For the first time in the 33-month series history, lead times for inputs fell during June. A number of survey respondents suggested that vendors were less busy and were actively reducing the amount of work-in-hand. Nonetheless, **suppliers' delivery times** shortened only marginally.

Manufacturing **employment** in Canada continued to rise in June, with one-in-five surveyed firms hiring additional staff since May. Anecdotal evidence linked job creation to the recent expansion in new orders. Overall, the rate of employment growth was solid, but slightly weaker than the nine-month high recorded in the previous survey period.

Input costs faced by manufacturers increased in June, with higher raw material prices, particularly for steel, commonly reported by panellists. The rate of inflation was the strongest in three months, but remained weaker than the series average. Meanwhile, firms left their **output charges** unchanged from May. This ended a 14-month sequence of increases.

Regional highlights include:

- Manufacturing business conditions improved in three out of the four Canadian regions, with the exception of **Alberta and British Columbia**.
- Manufacturers in **Quebec** reported a strong rise in output during June.
- Manufacturing employment was largely unchanged in **Alberta and British Columbia**, but rose elsewhere.
- **Ontario** posted the weakest rise in input prices in June.

"Despite having eased since May, the Canadian manufacturing sector continued to grow moderately in June, representing an improvement from the marginal expansion registered at the beginning of the year. In fact, the average RBC PMI reading for Q2 was the highest since Q3 2012," said Cheryl Paradowski, president and chief executive officer, PMAC. "A further rise in new orders, partly reflecting greater client demand, continued to support growth of output and employment in June."

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 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.

About RBC

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RBC supports a broad range of community initiatives through donations, sponsorships and employee volunteer activities. In 2012, we contributed more than \$95 million to causes worldwide, including donations and community investments of more than \$64 million and \$31 million in sponsorships.

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 2,800 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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