

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC Manufacturing PMI remained in negative territory during April

MAY 1, 2015 – the **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)** 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 stabilize 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.

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 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 average since the survey began in late-2010 (53.1).

*"The Canadian manufacturing sector continued to exhibit weakness in the month of April with deteriorating business conditions and weak new business inflows," said **Craig Wright, senior vice-president and chief economist, RBC.** "On a more positive note, the weakness in the PMI was narrowly based in Alberta and BC with all of the other regions accelerating from the previous month and moving into, or remaining in, expansionary territory. The regional breakdown suggests that outside of the energy weakness, prospects for manufacturing are improving from the conditions evident earlier in the year."*

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

Key findings from the April survey include:

- 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

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.

Regional highlights include:

- Steep and accelerated manufacturing sector downturn in Alberta and British Columbia
- Ontario posted a solid upturn in overall manufacturing business conditions
- New export orders rebounded in both Ontario and Quebec...
- ...helping to offset the rapid decline recorded across Alberta & British Columbia

*“Weaker demand from the energy sector continues to cast a shadow over the Canadian manufacturing sector, but there are signs that the clouds are lifting in other product categories” said **Cheryl Paradowski, president and chief executive officer, SCMA**. “Reflecting this, a regional breakdown of the PMI survey highlights solid overall export sales momentum outside of Alberta & British Columbia, helped by the weaker exchange rate and improving demand in areas such as automotive and consumer non-durables. Across the Canadian manufacturing sector as a whole, new business volumes dropped to the greatest degree since the survey began in October 2010, highlighting the ongoing impact of weaker investment spending from energy sector clients, which in turn contributed to further manufacturing job cuts and squeezed operating margins in April.”*

The report is available at www.rbc.com/newsroom/pmi.

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Notes to Editors:

The RBC Canadian Manufacturing *PMI*TM 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

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.

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.

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 3,500 people in 10 countries. Markit shares are listed on NASDAQ under the symbol MRKT. For more information, please see 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.

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