

News Release

**Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC Canadian Manufacturing PMI™ hits eight-month high in July

AUGUST 1, 2014 – Canadian manufacturers experienced a further improvement in overall business conditions during July, according to the **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)**, driven by faster rises in output, new orders and employment at the start of the third quarter. Meanwhile, input cost inflation continued to moderate, which in turn contributed to the slowest rise in manufacturers' output charges so far this year. 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.

At 54.3 in July, up from 53.5 in June, the headline seasonally adjusted RBC Canadian Manufacturing PMI posted above the neutral 50.0 value for the sixteenth consecutive month. The latest reading was the highest since November 2013 and signalled a robust overall improvement in manufacturing sector business conditions.

*"Canada's manufacturers kicked off the second half of 2014 on stronger footing, clearly benefiting from improving global economic activity – it's encouraging to see the momentum," said **Paul Ferley, assistant chief economist, RBC.** "With the U.S. economy pushing ahead, we expect this trend to continue."*

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

Key findings from the July survey include:

- Sharpest improvement in business conditions since November 2013
- A pick up in output and new orders growth
- Staffing levels rose for the sixth successive month

Stronger rates of output and new business growth were the key positive influences on the headline index in July. Latest data signalled that production growth across the manufacturing sector accelerated for the second month running and was the fastest since November 2013. New business growth also regained momentum so far this summer, with the latest rise in incoming new work the steepest it has been in eight months. Reports from survey respondents cited improving underlying demand and greater confidence among clients. Moreover, new business intakes were also supported by stronger export sales during July, with the rate of new export order growth the most marked since March.

Increased demand patterns contributed to an increase in backlogs of work across the manufacturing sector for the sixth consecutive month in July. The current period of rising volumes of unfinished work is the longest recorded by the survey for three years, which in turn supported further manufacturing job creation. Latest data pointed to a solid rise in payroll numbers with the rate of employment growth reaching its strongest since September 2013.

July data indicated that manufacturers continued to boost their volumes of input buying during July, and the latest expansion of purchasing activity was the steepest recorded in 2014 to date. Despite a solid increase in input buying, pre-production inventory volumes dipped for the third month running. Meanwhile, stocks of finished goods also decreased in July. The latest reduction in post-production inventories was the sharpest for 12 months, with some firms citing stronger than expected sales at their plants.

Meanwhile, input cost inflation eased further from the near-three year high seen during March. Although still sharp, the latest rise in average cost burdens was the least marked since January. A softer rise in input prices during July contributed to the weakest increase in manufacturers' output charges since December 2013.

[Regional highlights](#) include:

- Quebec continued to register the strongest upturn in overall **business conditions**
- All four regions signalled an increase in manufacturing **employment** levels...
- ...led by Quebec and Ontario
- **New export orders** rose in all four regions monitored by the survey

"Canadian manufacturers have made a bright start to the third quarter of 2014, as highlighted by stronger production growth and another improvement in sales volumes during July," said Cheryl Paradowski, president and chief executive officer, SCMA. "Therefore, the latest survey suggests a decisive shift towards faster growth across the manufacturing sector this summer, with output, new business and employment all rising at the fastest rates seen so far this year. Moreover, business conditions are improving against a backdrop of softening cost pressures, which in turn contributed to the slowest increase in manufacturers' output charges since the end of 2013."

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

For further information, please contact:

Royal Bank of Canada

Elyse Lalonde, Communications Manager, Canada
RBC Capital Markets
Telephone +001-416-842-5635
Email elyse.lalonde@rbc.com

Supply Chain Management Association

Cheryl Paradowski, President and CEO

Telephone +001-416-542-9120
Email cparadowski@scmanational.ca

Amanda Cormier, Acting Director, Public Affairs & Communications

Telephone +001-416-542-3860
Email acormier@scmanational.ca

Markit

Tim Moore, Senior Economist
Telephone +44-1491-461-067
Email tim.moore@markit.com

Joanna Vickers, Corporate Communications
Telephone: +44-207-260-2234
Email: joanna.vickers@markit.com

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

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 services, insurance, investor services and capital markets products and services on a global basis. We employ approximately 79,000 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 42 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 2013, we contributed more than \$104 million to causes worldwide, including donations and community investments of more than \$69 million and \$35 million in sponsorships. Learn more at www.rbc.com/community-sustainability.

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 3,000 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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