

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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### Manufacturing sector recovery slows in July: RBC PMI

**AUGUST 4, 2015** – The latest RBC PMI survey highlighted sustained expansion of production and new business volumes in July, which underpinned an improvement in operating conditions for the second month running. Increased export sales continued to support the manufacturing sector rebound, though the overall speed of recovery slowed from the six-month high recorded in June.

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 50.8 in July, the seasonally adjusted **RBC Canadian Manufacturing PMI** dipped from June's six-month high of 51.3 but remained above the neutral 50.0 threshold. The latest reading was still stronger than the average for 2015 so far (49.9), and signaled a marginal upturn in manufacturing sector business conditions.

*"The RBC PMI indicates a second consecutive month of improving business conditions in July though still at a very modest pace and slightly below that achieved in June," said **Paul Ferley assistant chief economist, RBC.** "As we enter the second half the year, a strengthening U.S. economy and weaker Canadian dollar should provide a greater boost to exports and business conditions for manufacturers."*

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

Key findings from the July survey included:

- RBC Canadian Manufacturing PMI remained above the crucial 50.0 no-change mark
- Output growth moderated from June's six-month high
- Renewed fall in employment levels

A modest increase in production volumes kept the headline index above the critical 50.0 no-change mark in July. Manufacturing output has now expanded for three months running, which firms mainly linked to a slight rebound in client spending.

July data pointed to a marginal increase in overall new business volumes; however, the rate of expansion was unmoved from the marginal pace recorded in June. A further modest upturn in new export work continued to boost manufacturers' order books. Anecdotal evidence mainly cited stronger demand from U.S. clients, helped in part by the weaker exchange rate. Manufacturers of consumer goods, especially those in the automotive sector, generally pointed to improving inflows of new work. That said, a number of manufacturers in the investment goods sector suggested that lower energy sector capital spending remained a drag on growth.

Despite rising levels of production and new work in July, the latest survey pointed to a renewed fall in staffing numbers across the manufacturing sector as a whole. Survey respondents that lowered their payroll numbers mostly pointed to the non-replacement of voluntary leavers in response to excess capacity. Backlogs of work meanwhile decreased for the eighth consecutive month in July, which is the longest continuous period since the survey began in October 2010.

Manufacturers in Canada remained cautious in terms of their inventory holdings in July, as highlighted by further slight falls in pre-production stocks and finished goods inventories. However, the latest reductions were slower than

those recorded in June. Meanwhile, suppliers' lead-times continued to lengthen during July, which some manufacturers attributed to reduced stock holdings at vendors.

On the prices front, the latest survey highlighted a robust and accelerated increase in average cost burdens across the manufacturing sector. The rate of input price inflation was the fastest for three months, with a number of manufacturers noting higher prices for imported components and raw materials. Increased cost burdens in turn contributed to the most marked rate of factory gate price inflation since February.

Regional highlights include:

- Ontario recorded the fastest upturn in overall manufacturing sector conditions in July
- Alberta and British Columbia remained the worst performing region...
- ...but the latest deterioration in operating conditions was the least marked since February
- Manufacturing jobs growth was strongest in Ontario, followed by Quebec

*"July's survey highlights another steady upturn in manufacturing production and new order volumes, which leaves the sector well placed to remain on a recovery footing through the third quarter of 2015" said **Cheryl Paradowski, president and chief executive officer, SCMA.** "Exchange rate depreciation and stronger U.S. consumer spending continue to help shore up demand for Canadian manufactured goods, in turn offsetting some of the momentum lost from weaker energy sector spending patterns."*

The report is available at [www.rbc.com/newsroom/pmi](http://www.rbc.com/newsroom/pmi).

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**Notes to Editors:**

The RBC Canadian Manufacturing *PMI*<sup>™</sup> 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*<sup>™</sup> (RBC PMI<sup>™</sup>) 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](mailto: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](http://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](http://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 approximately 4,000 people in 11 countries. Markit shares are listed on NASDAQ under the symbol MRKT. For more information, please see [www.markit.com](http://www.markit.com).

#### **About PMI**

*Purchasing Managers' Index*<sup>™</sup> (PMI<sup>™</sup>) surveys are now available for over 30 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](http://markit.com/economics).

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