

News Release

RBC Canadian Manufacturing *Purchasing Managers' Index*[™] finds output and new order growth remain modest in February

MARCH 1, 2012 – Production and new orders increased further in February, albeit modestly, 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 – posted 51.8 in February, up from 50.6 in January, and signalled a modest improvement in Canadian manufacturing business conditions. Index readings above 50.0 signal expansion from the previous month; readings below 50.0 indicate contraction.

The RBC PMI found that both new orders and output increased in February. The rates of growth were modest, however, and the second-weakest in 17 months of data collection. Meanwhile, Canadian manufacturers hired additional staff in February, in contrast to job losses in January, and the rate of input price inflation strengthened to a six-month high.

*“While we observed a modest improvement from January’s sharp slowing, the Canadian manufacturing sector’s growth rate remained tepid in February,” said **Craig Wright**, senior vice-president and chief economist, RBC. “On a more promising note, the slight uptick in manufacturing employment is in line with our view that Canada’s broader labour market will shake off its recent slump and start to ramp up again in the months ahead.”*

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 February survey include:

- Production growth strengthens, but still second-slowest in 17-month survey history
- Manufacturers hire additional staff, in contrast to job losses in January
- Rate of input price inflation fastest since last August

Firms largely linked the improvement in Canadian manufacturing business conditions to greater client demand. Approximately 22 per cent of panellists received a larger volume of **new orders** during the latest survey period, with growth modest overall. In contrast, **new export orders** fell for the second month running, with the rate of decline the sharpest since the survey began in October 2010.

Reflective of larger new order requirements, Canadian manufacturers raised production and depleted **stocks of finished goods** in February. **Output** rose modestly, and at a rate stronger than that registered in the previous survey period. Concurrently, **outstanding business** was broadly unchanged in February, with the majority of respondents (almost two-thirds) reporting no-change from January.

Monitored companies bought a larger amount of inputs during the latest survey period. Moreover, **input inventories** were reduced for the sixth month running. Anecdotal evidence generally attributed gains in **purchases** to higher new work intakes. Meanwhile, **suppliers’ delivery times** lengthened in February, and to the greatest extent in three months. Firms suggested that vendors had difficulty in sourcing key raw materials during the latest survey period.

In contrast to job losses reported in January, Canadian manufacturers hired additional staff in February. Where job creation was reported, panellists generally commented on increases in new work intakes. Overall, **employment** growth was modest, and weaker than the series average.

Input costs faced by Canadian manufacturing companies increased further during February. Raw materials such as steel and fuel were particularly mentioned by panellists as having increased in price. The rate of **input price** inflation was marked and the strongest since August 2011. Firms passed greater cost burdens on to clients by raising their **output charges**. Factory gate prices grew solidly, and at a rate broadly similar to that recorded in January.

Regional highlights include:

- PMI data signalled that manufacturing business conditions improved in three regions during February, with **Quebec** the only exception.
- Incoming new work increased to the greatest extent in **Ontario**.
- **Alberta & British Columbia** reported the fastest rate of employment growth in February.
- Rates of input price inflation strengthened in all four regions, with the strongest rise in input costs reported by firms based in **Alberta & British Columbia**.

*“Although both output and new orders increased in February, and at faster rates than in January, the expansions were modest and the second-weakest in the survey’s history. Panellists particularly mentioned higher costs for steel and fuel, with the overall rate of input price inflation the strongest since August 2011,” said **Cheryl Paradowski**, President and Chief Executive Officer, PMAC. “Better news came from the Employment Index that indicated a rise in net jobs, reversing some of the losses reported previously.”*

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*TM (RBC *PMI*TM) 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.

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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*TM (*PMI*TM) 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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