

## News Release

### Improved manufacturing conditions in March boost RBC PMI™ to highest level so far this year

**APRIL 2, 2012** – Operating conditions in Canada's manufacturing sector strengthened in March, 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 – registered 52.4 in March, up from 51.8 in February, signalling 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 new orders and output both increased further in March, reflective of greater client demand. However, production growth was nonetheless the second-weakest in the 18-month survey history. Job creation was at a four-month high in March, while the rate of input price inflation eased since February.

*“Activity in the Canadian manufacturing sector has been bucking the general trend of softening conditions, particularly in Europe and Asia,” said **Craig Wright**, senior vice-president and chief economist, RBC. “Canadian manufacturers will continue to benefit from the strengthening U.S. economy, which started 2012 on a much more promising note. We expect to see continued demand for key Canadian exports, such as autos, machinery and lumber, south of the border, with real exports returning to pre-recession peak levels in 2013.”*

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 March survey include:

- Output and new orders both increase modestly in March
- Fastest rate of job creation since last November
- Average selling prices fall for first time in 18-month series history

Firms generally linked the latest improvement in business conditions to greater client demand. **Incoming new work** rose modestly in March, with the latest expansion the strongest in three months. Moreover, **new export orders** also increased over the month, albeit fractionally, in contrast to declines reported in January and February.

Reflective of greater client demand, Canadian manufacturers raised **production** during the latest survey period. Output has increased in each month since data collection began in October 2010, but the latest rise was nonetheless the second-weakest in this sequence of growth. Panellists also depleted **stocks of finished goods** to help fulfil new order requirements, while **backlogs of work** fell moderately overall.

The amount of **inputs purchased** by monitored companies increased in March, albeit marginally and at the weakest pace in the 18-month series history. Meanwhile, **input inventories** were depleted for the seventh consecutive month. A number of panellists cited leaner stock holding policies. Concurrently, **suppliers' delivery times** lengthened further in March. Anecdotal evidence suggested that vendors struggled to meet greater demand for inputs during the latest survey period.

Employment in Canada's manufacturing sector rose solidly in March. Approximately one-fifth of respondents hired additional staff (while 11 per cent reduced their workforces), with the overall rate of **job creation** the strongest since last November.

Canadian manufacturers reported higher input costs in March, with fuel, steel and resin all particularly mentioned as having increased in cost. Although the rate of **input price inflation** remained strong, it was nonetheless the weakest in three months. Meanwhile, firms reduced their **selling prices** during the latest survey period, largely commenting on stronger competitive pressures. Notably, this was the first reduction in factory gate prices in 18 months of data collection.

**Regional highlights** include:

- PMI data signalled that manufacturing business conditions improved in all four regions in March. The weakest monthly improvement was registered in **Alberta & British Columbia**, however.
- New order volumes increased at the fastest pace in **Quebec**, but were broadly unchanged in **Alberta & British Columbia**.
- Job creation was registered in all four regions during March.
- The fastest rate of input price inflation was reported by manufacturers in **Ontario**.

*"Following the sharp slowdown in January, growth in the Canadian manufacturing sector continued to recover in March. New orders increased at the fastest pace in 2012 so far, helped by greater client demand. However, the latest improvement in overall business conditions was modest, with output growth the second-slowest in 18 months of data collection," said Cheryl Paradowski, President and Chief Executive Officer, PMAC. "Input cost inflation eased in March, while Canadian manufacturers reduced their selling prices slightly."*

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™* 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 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](mailto:economics@markit.com).

### About RBC

Royal Bank of Canada (RY on TSX and NYSE) and its subsidiaries operate under the master brand name RBC. We are Canada's largest banks as measured by assets and market capitalization, and are among 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, corporate and investment banking and transaction processing services on a global basis. We employ approximately 74,000 full- and part-time employees who serve close to 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 51 other countries. For more information, please visit [rbc.com](http://rbc.com).

### 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](http://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](http://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](http://www.markit.com/economics).

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