

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC PMI™ continues to climb in April with output and new order growth accelerating to fastest rates in 2012 to date

MAY 1, 2012 – Canadian manufacturing business conditions in April improved to the greatest extent in 2012 so far, 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 – signalled a solid improvement in Canadian manufacturing business conditions in April. At 53.3, up from 52.4 in March, the PMI was the highest in four months, but nonetheless remained below the average for the series.

The RBC PMI found that both output and new orders increased in April, with firms generally citing greater client demand. Notably, new export orders grew solidly and at the fastest pace for a year. Canadian manufacturers hired additional staff in April; however job creation was the slowest in three months. The rate of input price inflation was the strongest since last August.

*“Favourable manufacturing conditions have been a prevailing force in Canada so far this year thanks, in part, to strong output and new export order growth in particular which accelerated in April at the fastest pace in a year,” said **Craig Wright**, senior vice-president and chief economist, RBC. “As the economy south of the border strengthens, we expect the Canadian manufacturing sector will continue to reap the benefits of increasing U.S. demand for key Canadian exports such as autos, machinery and lumber.”*

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 April survey include:

- RBC PMI at four-month high, but still below the series trend
- Greater client demand supports further increases in both total and export orders
- Employment growth the weakest in three months

Firms largely linked improved business conditions to greater client demand and new contract wins in April. Approximately 35 per cent of firms received a larger volume of **new orders** compared with March, with the rate of growth accelerating to a four-month high. New work intakes from abroad also increased solidly in April, with **new export orders** from the U.S. particularly mentioned by survey respondents.

Reflective of the increase in new orders, Canadian manufacturers raised production and depleted **stocks of finished goods** in April. **Output** has increased in each month since data collection began in October 2010, with the latest rise the strongest since last December, while inventories of post-production goods declined for the tenth month running. Concurrently, **backlogs of work** were broadly unchanged since March.

The amount of **inputs bought** by Canadian manufacturing companies increased solidly during the latest survey period. **Input inventories** also rose, increasing for the first time since August 2011. **Suppliers' delivery times** meanwhile lengthened further in April, with the latest deterioration in vendor performance the greatest in seven months.

Employment in Canada's manufacturing sector rose for the third consecutive month in April. Firms that hired additional staff generally commented on larger production requirements. That said, the rate of **job creation** eased since March, was slower than the series average, and the weakest in the current sequence of growth.

Input costs rose further in April, with panellists particularly mentioning fuel and raw materials as having increased in price. The rate of **input price inflation** was marked and the strongest in eight months. Firms passed parts of their greater cost burdens on to clients by raising their **selling prices**. Output charges rose solidly over the month, in contrast to a slight reduction reported in March.

Regional highlights include:

- April data signalled that manufacturing business conditions improved in all four Canadian regions. The strongest monthly improvement was posted in **Quebec**.
- The fastest rate of new order growth was reported by manufacturers based in **Quebec**, while the slowest expansion was recorded by firms in **Alberta & British Columbia**.
- Job creation was reported in three regions in April, with the only exception being **Alberta & British Columbia**.
- **Ontario** posted the strongest increase in both input prices and output charges in April.

*"Encouraging signs came from the latest RBC PMI report, with both new orders and output increasing solidly in April. Manufacturers reported a pick up in new export orders, with greater demand from the U.S. particularly highlighted," said **Cheryl Paradowski**, President and Chief Executive Officer, PMAC. "The increase in output contributed to higher input purchases and the first accumulation of input inventories since August 2011, which added to suppliers' delivery delays. Although the RBC PMI signalled the strongest improvement in business conditions so far in 2012, it still remained below the series average 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*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.

About RBC

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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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