

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION

RBC PMI™ suggests a slightly weaker expansion of Canada's manufacturing sector in August

SEPTEMBER 4, 2012 – Canada's manufacturing sector grew in August, although at its weakest pace in five months, 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), the **RBC PMI** 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 – indicated a solid improvement in Canadian manufacturing business conditions in August. However, having fallen slightly from 53.1 in July to 53.0, the PMI remained below the series average of 54.2 and signalled the weakest manufacturing expansion in five months.

The **RBC PMI** indicated further increases in both output and new orders in August. However, the rate of output growth was unchanged from July's four-month low, while the expansion for new orders remained below the series average. Employment also increased over the month, but the rate of job creation slowed slightly to its weakest since April. Input prices meanwhile increased in August, reversing the marginal decline in July.

*"In contrast to declining manufacturing conditions around the world, particularly in the U.S., Euro area and China, the Canadian manufacturing sector is continuing to grow, albeit at a moderately slower pace," said **Craig Wright**, senior vice-president and chief economist, RBC. "It is encouraging to see that new export orders rebounded and manufacturing firms reported that they continued to hire employees in August, which may provide a favourable early indication in advance of the broader Canadian employment report due out on Friday."*

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 August survey include:

- growth of output unchanged from July's four-month low;
- new orders increase solidly, partly reflecting an uptick in new export work; and
- input prices rise solidly, reversing marginal decline recorded one month previously.

The volume of **new orders** received by Canadian manufacturers increased in August, with firms generally linking this to greater client demand. **New export orders** also rose over the month, with an increase in new work from the U.S. particularly mentioned by panellists. Overall, total new orders rose solidly from July, although the rate of growth remained slower than the series average.

Reflective of the rise in new work intakes, manufacturers across Canada raised their **production** levels in August. Output has risen in each month since data collection began in October 2010, but the rate of increase was unchanged from the four-month low recorded in July. Firms also depleted **stocks of finished goods**, albeit to a lesser extent than one month previously, and reduced the level of **outstanding business** for the third month running.

The amount of inputs bought by surveyed companies increased in August, with firms largely linking the rise in **purchases** to greater output requirements. **Input inventories** also rose over the month; however, the rate of stock accumulation was only slight overall. Concurrently, **suppliers' delivery times** lengthened further during the latest survey period. However, the increase in input lead times was only marginal and the weakest in the 23-month series history.

Manufacturing **employment** in Canada increased for the seventh consecutive month in August, with approximately 18 per cent of firms hiring additional staff compared to July. Panellists generally attributed this to recent increases in new orders. Although remaining solid overall, the rate of job creation nonetheless slowed to its weakest since April.

In contrast to the marginal reduction recorded in July, **input costs** faced by Canadian manufacturers increased in August. Increased prices for fuel, wood and steel were all particularly mentioned by respondents. Overall, the rate of inflation was the strongest in three months. Firms partially passed on the increase in cost burdens to clients by raising their **output charges**. However, selling prices rose only modestly, despite the rate of increase hitting a four-month high.

Regional highlights include:

- **Alberta & British Columbia** and **Quebec** saw weaker manufacturing expansions in August.
- All four regions posted increases in new orders; however, the slowest rate of growth was reported by firms operating in **Ontario**.
- **Ontario** posted the weakest rise in employee headcounts during August.
- **Alberta & British Columbia** posted the strongest rate of input price inflation in August.

*“Although the Canadian manufacturing sector grew at its weakest pace since March, the slowdown was less severe than in July and the pace of expansion remained solid overall,” said **Cheryl Paradowski**, President and Chief Executive Officer, PMAC. “An uptick in new export orders, reflecting greater demand from the U.S., contributed to a faster expansion in total new orders in August. However, the increase in new work did not translate into a stronger rise in production, with output growing at the same rate as in July.”*

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

For further information, please contact:

Royal Bank of Canada

Gillian McArdle, Head of Communications, Canada
RBC Capital Markets
Telephone +001-416-842-4231
Email gillian.mcardle@rbc.com

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

Purchasing Management Association of Canada

Cheryl Paradowski, President and CEO
Telephone +001-416-542-9120
Email cparadowski@pmac.ca

Cori Ferguson, Director, Public Affairs & Communications
Telephone +001-416-542-9129
Email cferguson@pmac.ca

Markit

Mark Wingham, Economist
Telephone +44-1491-461-004
Email mark.wingham@markit.com

Rachel Harling, Corporate Communications
Telephone +001-917-441-6345 / +001-646-351-3584
Email rachel.harling@markit.com

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™* (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 (RY on TSX and NYSE) and its subsidiaries operate under the master brand name RBC. We are Canada's largest bank 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 investor services on a global basis. We employ approximately 80,000 full- and part-time employees who serve more than 15 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.

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™ (*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.

The intellectual property rights to the RBC Canadian Manufacturing PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, RBC uses the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.