

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC Canadian Manufacturing *Purchasing Managers' Index*™ finds both production and new order growth strengthens during September

OCTOBER 3, 2011 – The volume of new work received by Canadian manufacturers continued to increase in September, 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 RBC PMI found that business conditions in Canada's manufacturing sector improved further in September. Both output and new order growth quickened since August, with panelists commenting on greater demand and new client wins. Meanwhile, the rate of job creation was strong and the fastest since March. However, supply-side pressures continued to build during the latest survey period, as firms reported further vendor delivery delays and a strong (albeit slower) rate of input price inflation.

The headline **RBC PMI** – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – registered 55.0 in September, up fractionally from 54.9 in August, and signalled a solid improvement in Canadian manufacturing sector business conditions. The latest RBC PMI reading was the highest since April, and reflected further expansions of both output and new orders.

*"Today's RBC PMI figures bode well for a rebound in the Canadian manufacturing sector in the third quarter, consistent with a rebound in the Canadian economy and in line with our latest forecast for real GDP growth in Canada of 2.4% this year," said **Craig Wright**, senior vice-president and chief economist, RBC.*

In addition to the [headline RBC PMI](#), the survey also tracks changes in output, new orders, employment, inventories, prices and supplier delivery times. Index readings above 50.0 signal expansion from the previous month, readings below 50.0 indicate contraction.

Key findings from the September survey include:

- Output increases at fastest pace since April
- Strong rise in new work intakes
- Rate of job creation quickens to six-month high

The latest expansion in the Canadian manufacturing sector partly reflected firms receiving a larger volume of new work in September. Over one-third of survey respondents reported **new order** growth, with the pace of increase strong and the fastest in five months. **Export orders** also rose in September. Panelists linked the rise in total new work to greater demand and new client wins.

Reflective of the further increase in new orders, Canadian manufacturing companies raised **production** during the latest survey period. Moreover, firms depleted **stocks of finished goods** in September to partly fulfill new order requirements. **Backlogs of work** increased nonetheless, although the latest rise was weaker than that registered in August.



Employment in Canada's manufacturing sector rose further in September, with almost 21 per cent of firms hiring additional staff. The rate of **job creation** quickened since the previous survey period and was the fastest in six months.

The amount of **inputs purchased** by surveyed firms increased during the latest survey period. Meanwhile, **input inventories** were depleted for the first time since April. Panelists generally linked the rise in purchasing activity to higher production requirements in September. Subsequently, the average time it took for suppliers to deliver inputs lengthened at a marked pace. Anecdotal evidence provided by panelists attributed slower **lead times** to backlogs at vendors.

Monitored companies reported higher **input prices** in September, reflecting increased costs for certain raw materials. Subsequently, the rate of input price inflation remained strong, despite easing further from April's peak. Firms passed on greater cost burdens to clients by raising their **output charges** during the latest survey period. However, the latest rise in factory gate prices was only moderate and the weakest in 11 months.

Regional highlights include:

- Regional PMI data signalled that manufacturing sector business conditions improved in all four broad Canadian regions in September. **Alberta & British Columbia** led the latest expansion.
- Similarly, **Alberta & British Columbia** registered the fastest rate of new order growth.
- **Quebec** was the only region to record job losses in September. Employment fell only marginally, however.
- Input costs increased to the greatest extent in the **Alberta & British Columbia** region.

*"Canadian manufacturers generally commented on greater demand and new client wins in September," said **Cheryl Paradowski**, President and Chief Executive Officer, PMAC. "Subsequently, the rate of new order growth quickened to the fastest since April. Moreover, firms raised production and expanded their workforces. Rising input prices are still a concern for a number of companies, but the rate of input cost inflation eased further from April's peak."*

The report is available at 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.

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 2,200 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.

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