

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC PMI™ falls to nine-month low, indicating only a modest manufacturing expansion in October

NOVEMBER 1, 2012 – Canada's manufacturing sector grew only modestly in October, with the rate of expansion the weakest since January, 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 – posted 51.4 in October, and was at a level indicative of only a modest expansion in Canada's manufacturing sector. Moreover, having fallen from 52.4 in September, the rate of growth signalled was the weakest for nine months.

The **RBC PMI** pointed to only modest increases in both output and new orders during October. In particular, the rate of total new order growth slowed over the month, posting the weakest expansion since January, despite a stronger rise in new export orders. Meanwhile, input prices continued to increase solidly, but the rate of inflation nonetheless remained weaker than the series average.

*“Canadian manufacturing continued to weaken in October though the PMI measure is still indicative of growth in the sector which is in contrast to flat to declining activity in most other countries,” said **Craig Wright**, senior vice-president and chief economist, RBC. “This weakening may in part be related to continuing uncertainty around how fiscal imbalances in the U.S. and the Euro area will be resolved. Greater strength in the Canadian manufacturing sector may hinge on some of this uncertainty easing as policy measures outside of Canada are implemented.”*

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 October survey include:

- lowest PMI reading since January;
- slower rates of output and new order growth; and
- input price inflation remains weaker than series average.

The volume of **new orders** received by Canadian manufacturers increased at the weakest pace in nine months in October. Although greater client demand, particularly from key **export** markets such as the U.S. and Asia, contributed to the rise in total new orders, the rate of growth was only modest overall.

Manufacturing **production** also increased at a weaker pace in the latest survey period. Output rose only modestly over the month, with the rate of increase at a nine-month low. Firms meanwhile accumulated **stocks of finished goods** for the first time since June 2011, and reduced the level of **outstanding business** at the fastest pace since January.

Employment in Canada's manufacturing sector continued to increase in October, with one-in-five surveyed firms hiring additional staff since September. Greater workloads were often cited by companies as the main factor behind the latest rise in employee numbers. However, the rate of job creation was modest overall and the slowest for six months.

The quantity of **inputs bought** by monitored companies increased further in the latest survey period, with some of the rise in purchasing volumes being used to build stocks. **Input inventories** have grown for seven consecutive months, although the latest expansion was weaker than that registered one month previously.

Concurrently, **suppliers' delivery times** lengthened again in October. Anecdotal evidence suggested that some vendors had capacity issues in the month. The latest increase in lead times was only modest and weaker than the series average.

Firms reported that a wide range of raw materials had increased in price in October, with resin, fuel and oil-related products particularly highlighted. That said, the rate of **input price** inflation slowed since September and remained weak in the context of historical data. The rate of increase for **output charges** also eased over the month, with average selling prices rising only modestly from September.

Regional highlights include:

- Three out of the four broad Canadian regions saw weaker manufacturing expansions in October, with **Ontario** the only exception.
- Incoming new work at manufacturers in **Alberta and British Columbia** fell marginally over the month.
- Manufacturing employment in **Quebec** was broadly unchanged from September, but staffing levels rose elsewhere.
- The rate of input price inflation slowed in all four regions during October.

"Growth of Canada's manufacturing sector slowed further in October, with both output and new orders seeing their weakest month-over-month increases since January," said Cheryl Paradowski, President and Chief Executive Officer, PMAC. "The latest data indicates a stronger expansion of new foreign orders, suggesting that soft domestic demand was offset by greater demand in key export markets such as the U.S. in October."

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 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.

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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 2,500 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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