

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC Canadian Manufacturing *Purchasing Managers' Index*™ finds new order and output growth slows further in November

DECEMBER 1, 2011 – Both output and new orders rose at slower, albeit still solid, rates in November, 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 53.3 in November, down from 53.7 in October, and indicated the weakest improvement in Canadian manufacturing business conditions in four months. Index readings above 50.0 signal expansion from the previous month; readings below 50.0 indicate contraction.

The RBC PMI found that Canadian manufacturing business conditions improved further in November. New orders and output both increased solidly, with firms generally linking growth to greater client demand. Nevertheless, the rates of increase eased since October to five- and four-month lows respectively. New export orders also fell for the second month running. Meanwhile, the rate of input price inflation slowed further from April's peak to the weakest in the 14-month survey history.

*"The latest RBC PMI numbers show that global uncertainty is weighing on the Canadian Manufacturing sector," said **Craig Wright**, senior vice-president and chief economist, RBC. "Although the Canadian numbers continue to point to an expansion in the sector compared to declines in other parts of the globe, the trend over the last couple of months has been one of slowing growth."*

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 November survey include:

- New work intakes increase at weakest pace since June
- Job creation remains solid
- Slowest rate of input price inflation in 14-month survey history

Firms partly attributed the latest improvement in operating conditions to greater client demand. Subsequently, the volume of **new orders** received by Canadian manufacturers rose solidly in November. That said, new order growth eased since October and was the weakest in five months. Meanwhile, **new export orders** fell for the second month running, albeit the latest decline was only marginal.

Reflective of larger new orders, monitored companies raised **production** further in November. Output growth was nonetheless the slowest since July. **Backlogs** of work fell for the second consecutive month, while **stocks of finished goods** decreased modestly.



Panellists bought a larger amount of inputs in November, as has been the case since data collection began 14 months ago. Anecdotal evidence attributed the increase in **purchasing activity** to greater new order requirements. That said, **input inventories** were depleted for the third month running, as some firms introduced leaner stock holding policies. Concurrently, **suppliers' delivery times** lengthened during the latest survey period. A number of respondents suggested that vendors were also working with lower stocks.

Employment in Canada's manufacturing sector increased further during November. Approximately one-fifth of surveyed firms hired additional staff, compared with 12 per cent that reduced their headcounts, and generally linked job creation to further output growth.

Higher **input costs** were recorded by Canadian manufacturers during the latest survey period. Fuel and steel were particularly mentioned as having increased in price. Although the rate of input price inflation was solid overall, it slowed further from April's peak to the weakest in the 14-month series history.

Respondents attempted to pass on greater cost burdens to clients by raising their output charges in November. However, average **selling prices** rose only fractionally, with a number of monitored companies commenting on stronger competitive pressures.

Regional highlights include:

- Regional PMI data indicated that manufacturing business conditions improved in all four broad Canadian regions in November. The latest expansion was led by **Alberta & British Columbia**.
- **Alberta & British Columbia** registered the fastest increase in new work intakes.
- **Quebec** was the only region to register job losses during November.
- Manufacturers based in **Alberta & British Columbia** reported the strongest rate of input price inflation.

"Although the overall improvement in business conditions was solid in November, the latest report highlighted a further easing in the rate of growth of the Canadian manufacturing sector," said Cheryl Paradowski, President and Chief Executive Officer, PMAC. "New orders received by Canadian manufacturers continued to increase, which reflected greater demand, but the rate of expansion was the slowest since June. Moreover, new export orders fell for the second month running, albeit only marginally. That said, inflationary pressures eased further, making the latest rise in input prices the weakest in the survey's history."

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

For further information, please contact:

Royal Bank of Canada

Rina Cortese, Director, Media Relations
RBC
Telephone +001-416-974-5506
Email rina.cortese@rbc.com

Gillian McArdle, Head of Communications, Canada
RBC Capital Markets
Telephone +001-416-842-4231
Email gillian.mcardle@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 +44-20-7264-6283 / +44-782-7891-072
Email rachel.harling@markit.com

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.

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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™ (*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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