

RBC Canadian Manufacturing PMI signals the fastest rise in export sales since September 2013

Key findings:

- Output growth hits three-month high
- New export orders rise for second month running
- Slowest increase in cost burdens since November 2013

Canadian manufacturers pointed to a further robust improvement in business conditions across the sector in November, supported by strong increases in output and new order volumes. Moreover, the latest survey highlighted a sharp rebound in export sales, with incoming new business from abroad rising at the fastest pace since September 2013. Meanwhile, input price inflation continued to soften in November, as manufacturers signalled that lower fuel and transportation costs helped offset rising prices for imported raw materials.

The headline figure derived from the survey is the RBC Canadian Manufacturing *Purchasing Managers' Index*™ (PMI™), which is designed to provide timely indications of changes in prevailing business conditions in the Canadian manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

At 55.3 in November, the seasonally adjusted RBC Canadian Manufacturing PMI held steady from October's 11-month peak and remained above the neutral 50.0 threshold for the twentieth consecutive month. As a result, the headline index signalled a robust overall improvement in manufacturing conditions in November. Moreover, the average PMI reading for Q4 so far (55.3) is the highest for any quarter since Q1 2011.

November data indicated a strong and accelerated expansion of Canadian manufacturing production. The latest upturn in output volumes was the fastest for three months and much stronger than

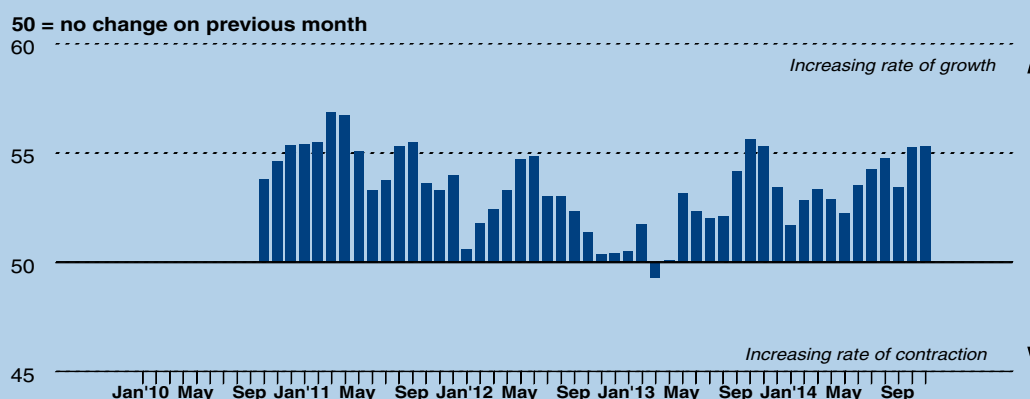
the average seen since the survey began in late-2010. New order volumes also increased at a robust pace in November, with the rate of growth easing only slightly from October's 11-month high. A number of survey respondents commented on improving demand from export clients, especially those based in the U.S. The latest upturn in overall new business from abroad was the steepest for just over a year.

Higher levels of new work resulted in some pressures on operating capacity across the Canadian manufacturing sector in November. Volumes of unfinished business have now increased for ten months in succession, but the rate of backlog accumulation eased slightly since October. Survey respondents also noted that greater workloads and optimism towards the business outlook supported job creation at their plants in November. Latest data signalled a solid rate of manufacturing employment growth that was the fastest since August.

Stocks of finished goods decreased during November, with the rate of decline the most marked for almost a year-and-a-half. Some manufacturers attributed the fall in post-production inventories to stronger than expected sales.

Improving demand conditions encouraged manufacturers to boost their pre-production stocks in November, which underpinned a further robust increase in input buying. Meanwhile, input cost inflation eased to a 12-month low in the manufacturing sector, leading to the slowest rise in factory gate charges since August 2013.

RBC Canadian *Purchasing Managers' Index*™ (PMI™)



Components of the RBC Canadian Manufacturing PMI™

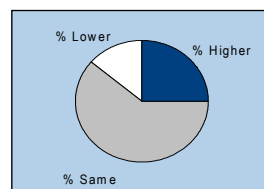
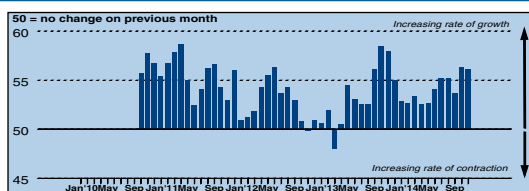
The RBC Canadian Manufacturing *Purchasing Managers' Index*™ (PMI™) is a composite index designed to show a convenient single-figure summary of the health of the manufacturing sector. The five individual indices used in the headline PMI and their weightings are:

New Orders	0.30
Output	0.25
Employment	0.20
Suppliers' Delivery Times (inverted)	0.15
Stocks of Purchases	0.10

In total, the RBC Canadian Manufacturing PMI survey covers eleven individual indicators that are presented as 'diffusion' indices. These are summary measures showing the prevailing direction of change. An index reading above 50.0 indicates an overall increase in that variable, whilst index readings below 50.0 signal an overall decrease. All data are seasonally adjusted.

New Orders Index (0.30)

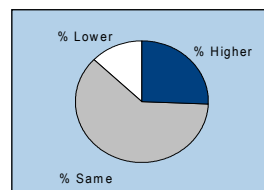
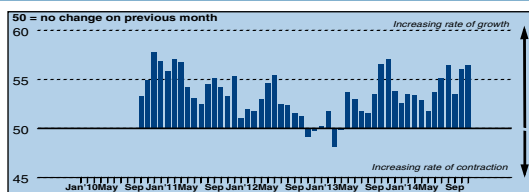
Q. Please compare the state of your new orders (in units) this month with one month ago.



November data indicated a further robust expansion of incoming new business received by Canadian manufacturing companies. Adjusted for seasonal influences, the New Orders Index registered above the 50.0 no-change threshold for the twentieth successive month. A number of firms cited improving demand from export clients, especially those based in the U.S.

Output Index (0.25)

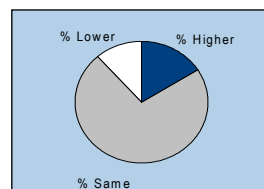
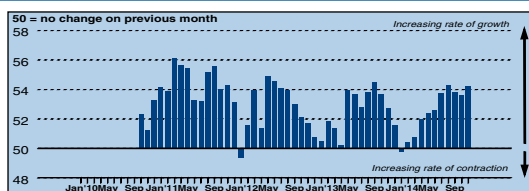
Q. Please compare your production/output this month with the situation one month ago.



Manufacturers in Canada signalled a sharp and accelerated rise in production levels during November. The seasonally adjusted Output Index pointed to the fastest rate of expansion since August. Anecdotal evidence attributed increased output volumes to stronger demand conditions and the launch of new products.

Employment Index (0.20)

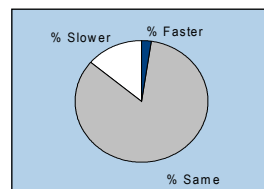
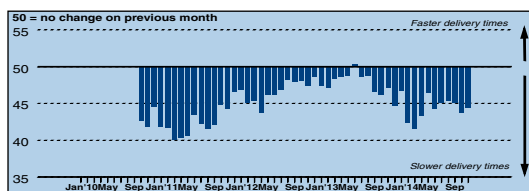
Q. Please compare the level of employment at your unit this month with the situation one month ago.



Payroll numbers increased across the Canadian manufacturing sector for the tenth consecutive month in November. Adjusted for seasonal factors, the Employment Index highlighted that the rate of job creation accelerated to its strongest since August. Panel members noted that improving new business intakes and efforts to increase operating capacity had contributed to an upturn in staff recruitment.

Suppliers' Delivery Times Index (0.15)

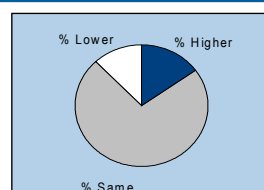
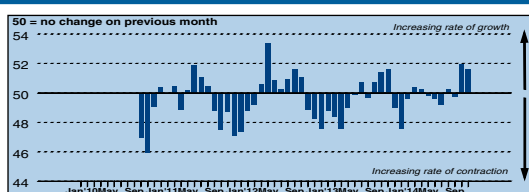
Q. Please compare your suppliers' delivery times (volume weighted) this month with one month ago.



The seasonally adjusted Suppliers' Delivery Times Index registered below the neutral 50.0 threshold in November, to signal a further deterioration in vendor performance. Average lead-times have lengthened in each month since July 2013. Survey respondents noted pressure on supply chains as a result of strong demand for inputs in November.

Stocks of Purchases Index (0.10)

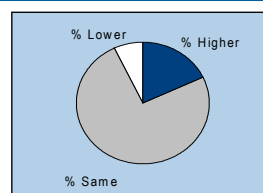
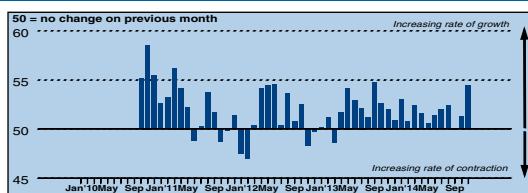
Q. Please compare your stocks of purchases (in units) this month with the situation one month ago.



Pre-production inventories were accumulated for the third time in the past four months in November. Although the seasonally adjusted Stocks of Purchases Index signalled a marginal pace of inventory building, the latest reading was still comfortably above the historical survey average (49.7).

New Export Orders Index

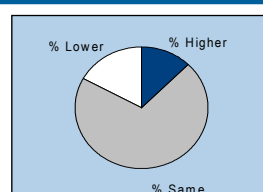
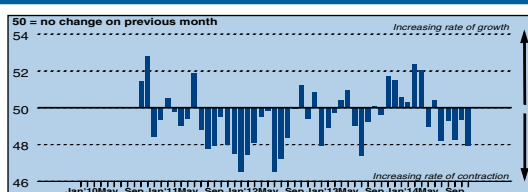
Q. Please compare the state of your new export orders (in units) this month with one month ago.



Canadian manufacturers pointed to a solid upturn in new orders from abroad in November, and the rate of expansion accelerated markedly since the previous month. The seasonally adjusted New Export Orders Index signalled that the latest increase in new export business was the fastest since September 2013. Survey respondents mainly cited strengthening sales to clients in the U.S.

Stocks of Finished Goods Index

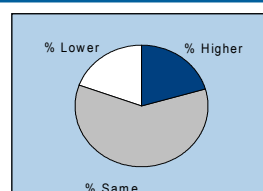
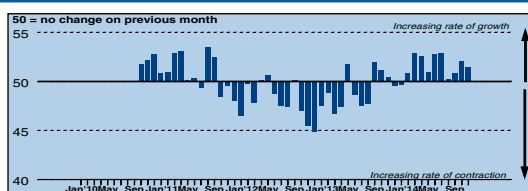
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The seasonally adjusted Stocks of Finished Goods Index registered below the 50.0 no-change mark for the fifth month running in November. Moreover, the latest reading signalled the fastest reduction in post-production inventories since July 2013. A number of panel members linked lower stocks of finished goods to stronger than expected sales in November.

Backlogs of Work Index

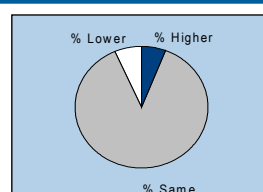
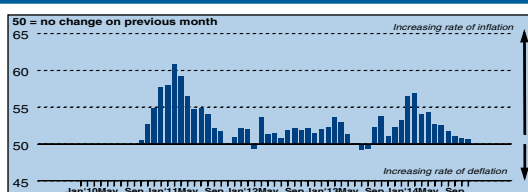
Q. Please compare the level of outstanding business in your company this month with one month ago.



Volumes of work outstanding increased across the Canadian manufacturing sector in November, thereby extending the current period of backlog accumulation to 10 months. However, the seasonally adjusted Backlogs of Work Index signalled only a moderate rise in unfinished work, with the pace of expansion slower than in the previous month.

Output Prices Index

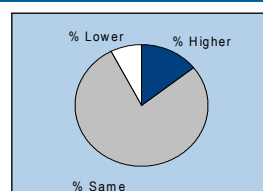
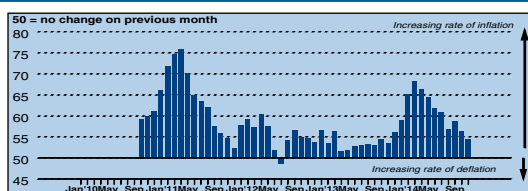
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with one month ago.



Average prices charged by Canadian manufacturers increased only marginally in November. The seasonally adjusted Output Prices Index has now signalled a moderation in factory gate price inflation in each of the past six months and the latest reading was the lowest since August 2013.

Input Prices Index

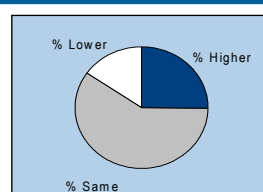
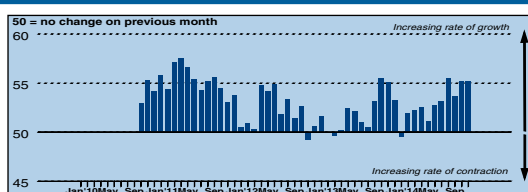
Q. Please compare the average price of your purchases (volume weighted) this month with the situation with one month ago.



Input cost pressures continued to ease in November. Adjusted for seasonal influences, the Input Prices Index pointed to the weakest rate of cost inflation for 12 months. Anecdotal evidence suggested that lower fuel and transportation costs had helped offset upward pressure on imported raw material prices from the weaker exchange rate.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



November data pointed to another robust increase in purchasing activity across the Canadian manufacturing sector. The seasonally adjusted Quantity of Purchases Index has now posted above the 50.0 no-change level for ten months running. Greater volumes of input buying were widely linked to rising production levels and efforts to boost inventories.



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As the leading and largest association in Canada for supply chain management professionals, the Supply Chain Management Association (SCMA) is the national voice for advancing and promoting the profession. SCMA sets the standard of excellence for professional skills, knowledge and integrity and was the first supply chain association in the world to require that all members adhere to a Code of Ethics.

With nearly 8000 members working across the private and public sectors, SCMA is the principal source of supply chain training, education and professional development in the country. Through its 10 Provincial and Territorial Institutes, SCMA grants the Supply Chain Management Professional (SCMP) designation, the highest achievement in the field and the mark of strategic supply chain leadership.

SCMA was formed in 2013 through the amalgamation of the Purchasing Management Association of Canada and Supply Chain and Logistics Association of Canada. With a combined history of more than 140 years, today the association embraces all aspects of strategic supply chain management, including: purchasing/procurement, strategic sourcing, contract management, materials/inventory management, and logistics and transportation.

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The RBC Canadian Manufacturing Purchasing Managers' Index™ (PMI™), produced by Markit and in association with PMAC, 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 respondents 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 reporting '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 50.0 indicates an overall increase in that variable, below 50.0 an overall decrease. All data are seasonally adjusted.

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.

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