

# News Release

## RBC PMI™ signals solid output growth in February

### New orders rise at a slower pace

**MARCH 3, 2014** – February data signalled that the Canadian manufacturing sector remained in expansion mode, with output, new orders and employment all rising during the month. That said, the latest increase in new work was the slowest since August 2013, 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 Supply Chain Management Association (SCMA), the **RBC PMI** offers a comprehensive and early indicator of trends in the Canadian manufacturing sector.

Adjusted for seasonal influences, the headline RBC PMI registered 52.9 during February, up slightly from a nine-month low of 51.7 in January. The index has now posted above the neutral 50.0 value for eleven successive months and the latest reading pointed to a solid improvement in overall business conditions.

*“Canada’s manufacturing sector grew at a notably stronger pace in February relative to January,” said Craig Wright, senior vice-president and chief economist, RBC. “As we move through 2014, we’ll see a strengthening in exports relative to imports, with trade contributing more than it has to Canada’s growth over the past decade. This should encourage a rebound in investment activity, particularly amongst manufacturers.”*

The [headline RBC PMI](#) reflects changes in output, new orders, employment, inventories, prices and supplier delivery times.

Key findings from the February survey include:

- Production levels increased for the tenth successive month
- Weaker new business growth partly reflected softer export order expansion
- Input cost inflation was at its strongest level since May 2011

A stronger overall performance by the Canadian manufacturing sector in February partly reflected an acceleration of **output** growth from the five-month low during January. Although **new business** volumes increased for the eleventh successive month, the latest rise was the slowest since last August. New orders from abroad increased only marginally, with February data highlighting the weakest trend in export sales since March 2013.

Manufacturers indicated a return to **jobs growth** in February, following a slight reduction in staffing levels during the previous month. However, the pace of employment growth was only marginal and a number of firms noted that weaker new business gains had led to cautious staff hiring policies. Meanwhile, **backlogs of work** rose only slightly, albeit for the first time in three months.

In line with greater production requirements, manufacturers signalled a moderate rise in their levels of **input buying** during February. Despite the relatively subdued trend for purchasing activity, the latest data signalled a steep deterioration in **supplier performance**. Average lead-times from vendors lengthened to the greatest degree since September 2011, which survey respondents widely linked to adverse weather conditions (especially those receiving deliveries from suppliers in the U.S.).

February data indicated that manufacturers remained cautious about their **stock levels**, largely due to weaker new business growth. As a result, post-production inventories increased at the slowest pace in the current four-month period of expansion while stocks of inputs dropped for the third month running.

Meanwhile, manufacturers signalled a sharp and accelerated pace of **input cost inflation** during February, which led to a robust rise in **factory gate charges**. The latest increase in average input prices was the fastest since May 2011. Survey respondents commented on higher underlying raw material costs, alongside inflationary pressures from exchange rate movements against the U.S. dollar.

**Regional highlights** include:

- Output growth was recorded in all four regions and was again strongest in **Ontario**.
- Only **Alberta & British Columbia** recorded faster new business gains in February.
- **Quebec** registered the strongest rise in new export orders.
- **Alberta & British Columbia** remained the best performing region in terms of job creation.

*“Solid output growth and a return to net job creation were the main positive findings in February’s survey,” said Cheryl Paradowski, president and chief executive officer, SCMA. “However, a much slower rate of new export order growth weighed on the Canadian manufacturing sector. Meanwhile, there were reports that recent currency depreciation had helped push up input cost inflation to its fastest for almost three years.”*

The report is available at [www.rbc.com/newsroom/pmi](http://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](mailto:economics@markit.com).

## ABOUT RBC

Royal Bank of Canada is Canada's largest bank, and one of 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, investor services and capital markets products and services on a global basis. We employ approximately 79,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 42 other countries. For more information, please visit [rbc.com](http://rbc.com).

RBC supports a broad range of community initiatives through donations, sponsorships and employee volunteer activities. In 2013, we contributed more than \$104 million to causes worldwide, including donations and community investments of more than \$69 million and \$35 million in sponsorships. Learn more at [www.rbc.com/community-sustainability](http://www.rbc.com/community-sustainability).

## About Supply Chain Management Association

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. For more information, please visit [scmanational.ca](http://scmanational.ca).

## About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 11 countries. For more information, please see [www.markit.com](http://www.markit.com).

## About PMI

*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 [markit.com/economics](http://markit.com/economics).

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