

## News Release

### RBC Canadian Manufacturing PMI™ at three-month low as output and new orders rise at weaker rates

**JANUARY 2, 2015** – Business conditions at Canadian manufacturing companies continued to improve at the end of the year, with output and new orders rising further, according to the **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)**. Companies hired additional workers and increased their buying activity in order to meet higher demand. Cost inflation remained relatively weak by historical standards, while factory gate prices increased at the sharpest rate in seven months.

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.

The seasonally adjusted RBC Canadian Manufacturing PMI remained in firm expansion territory at the end of the year, signalling a further improvement in manufacturers' operating conditions. However, the headline PMI fell from November's 55.3 to a three-month low of 53.9 in December, suggesting that operating conditions improved at a slightly weaker rate. The average PMI reading for the fourth quarter (54.8) was the joint-best since the third quarter of 2011.

*"The PMI continues to register improvement in manufacturing business conditions, though it finished the year slightly lower than the last few months – at 53.9 – indicating some moderation in the pace of improvement in December," said **Paul Ferley, assistant chief economist, RBC.** "Despite the recent fluctuation in commodity prices, particularly for oil, we continue to be constructive on the overall economic environment in Canada, including exports, which should mean good things for manufacturing going forward."*

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

Key findings from the December survey include:

- Production and new order growth maintained, but rates of expansion weakened
- Rate of job creation was the lowest in six months
- Purchasing activity increased at strongest rate in over three-and-a-half years

December data signalled a further increase in new business placed with Canadian manufacturing firms. However, the rate of growth eased since November to the weakest in three months. The slowing of new order growth largely reflected an easing in the rate of expansion of new export business. New export orders rose for the third month running, albeit only marginally overall. Where companies reported a rise in new export work, they commented on stronger demand from U.S., Mexican and Brazilian markets.

Production growth also slowed in December, but remained above the survey's average. Much of the rise in output was linked by Canadian manufacturers to increased new order intakes.

With output and new order rising, companies hired additional workers and increased their buying activity. The rate of job creation eased to a six-month low, while input buying rose at the strongest rate since May 2011.

The latest survey data indicated that Canadian manufacturers were cautious about their stock policies in December. Pre- and post-production inventories both declined, but the rates of depletion were only marginal. Meanwhile, backlogs of work fell for the first time since January, signalling spare capacity in the sector.

Following the trend observed throughout most of the survey history, input costs faced by Canadian manufacturers increased in December. The rate of inflation was little-changed from November and relatively weak by historical standards. Companies passed higher input costs on to their clients, resulting in a further rise in factory gate prices.

Finally, vendor performance in Canada's goods-producing sector deteriorated further in December. The rate at which suppliers' delivery times lengthened was the weakest in three months.

Regional highlights include:

- Ontario recorded the strongest increase in manufacturing output...
- ...while only Quebec experienced a decline in production
- All regions registered an upturn in export sales in December, except Quebec
- Alberta & British Columbia experienced the fastest rise in employment

*"December's survey highlights a solid overall performance for the Canadian manufacturing sector" said **Cheryl Paradowski, president and chief executive officer, SCMA.** "Production levels increased at a robust pace at the end of the year, although new business growth moderated further from October's recent peak amid a weaker contribution from export sales. Looking ahead, falling cost pressures and the ongoing recovery in U.S. economic conditions should act as tailwinds to growth for Canadian manufacturers."*

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

**For further information, please contact:**

#### **Royal Bank of Canada**

Elyse Lalonde, Manager, Corporate Communications, Canada  
RBC Capital Markets  
Telephone +001-416-842-5635  
Email [elyse.lalonde@rbc.com](mailto:elyse.lalonde@rbc.com)

#### **Supply Chain Management Association**

Cheryl Paradowski, President and CEO  
Telephone +001-416-542-9120  
Email [cparadowski@scmanational.ca](mailto:cparadowski@scmanational.ca)

Amanda Cormier, Director, Public Affairs & Communications  
Telephone +001-416-542-3860  
Email [acormier@scmanational.ca](mailto:acormier@scmanational.ca)

#### **Markit**

Tim Moore, Senior Economist  
Telephone +44-1491-461-067  
Email [tim.moore@markit.com](mailto:tim.moore@markit.com)

Joanna Vickers, Corporate Communications  
Telephone: +44-207-260-2234  
Email: [joanna.vickers@markit.com](mailto:joanna.vickers@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 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 78,000 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 38 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 \$38 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 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". 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).

The intellectual property rights to the RBC Canadian Manufacturing PMI provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are either registered trade marks of Markit Economics Limited or are licensed to Markit Economics Limited. RBC uses the above marks under licence. Markit is a registered trade mark of Markit Group Limited.