

# News Release

**Purchasing Managers' Index™  
MARKET SENSITIVE INFORMATION  
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## RBC PMI™ signals only slight growth of output and new orders in January

**FEBRUARY 1, 2013** – The RBC Canadian Manufacturing **Purchasing Managers' Index™ (RBC PMI™)** pointed to only marginal increases in both output and new orders in January; however, this marks the first rise in production levels since last October. 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 – signalled only a marginal improvement in Canadian manufacturing business conditions in January. At 50.5, the RBC PMI was only slightly higher than the survey-low of 50.4 recorded in both November and December.

The **RBC PMI** found that output increased for the first time in three months in January, albeit only slightly, but new order growth slowed since December and was only marginal. The rate of job creation also weakened, easing to a 12-month low, while the rate of input price inflation strengthened to its fastest since last September.

*"The Canadian manufacturing sector experienced a relatively lacklustre start to the New Year amid ongoing global economic uncertainty," said **Craig Wright**, senior vice-president and chief economist, RBC. "As some of the more extreme downside risk scenarios look less likely now, we should see confidence in the global economy improve, paving the way for a stronger recovery in Canadian manufacturing."*

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 January survey include:

- RBC PMI only slightly higher than the survey lows reported in November and December;
- output increases for first time in three months, albeit only marginally; and
- slowest rate of job creation in 12 months.

Although the volume of **new orders** received by Canadian manufacturers rose further in January, with one-in-four panellists reporting an increase since December, the rate of growth was only marginal. Firms generally cited weak client demand. **New export orders**, meanwhile, were broadly unchanged in the latest survey period, but this was nonetheless an improvement from the declines recorded in the previous two months.

After having fallen for two consecutive months, manufacturing **production** increased in January. However, output growth was only slight. Meanwhile, **stocks of finished goods** decreased at the sharpest rate since last July, and **backlogs of work** fell solidly and for the fourth month running.

Reflective of higher output requirements, the **quantity of inputs** bought by manufacturers increased in January. Purchasing activity rose modestly, but growth remained weaker than the series average. **Input inventories**, meanwhile, fell for the third consecutive month and at the strongest rate in a year.

**Suppliers' delivery times** lengthened further in the latest survey period. Panellists suggested that the combination of low inventories and capacity issues at suppliers contributed to the latest deterioration in vendor performance.

**Employment** in Canada's manufacturing sector increased in January, taking the current sequence of job creation to 12 months. However, the rate of growth has slowed continually since reaching a peak last May, with the latest expansion only marginal.

Firms reported higher **input costs** in January, with raw materials such as resin, chemicals and metals particularly mentioned as having increased in price. Overall, the rate of inflation was the strongest in four months, but slower than the series average. Companies passed greater costs on to clients by raising their charges, but **selling prices** nonetheless rose at a weaker pace than costs overall.

#### Regional highlights include:

- Manufacturing business conditions in both **Alberta and British Columbia** and **Ontario** improved in January.
- Reduced levels of new business only posted in **Quebec**, with growth signalled elsewhere.
- Strongest rate of job creation recorded by manufacturers in **Ontario**.
- All four regions recorded faster rates of input price inflation in January, with the strongest rise posted in **Alberta and British Columbia**.

*"The January RBC PMI rose only slightly from the survey low recorded at the end of last year, with the improved reading partly reflective of a return to marginal growth for manufacturing output," said Cheryl Paradowski, president and chief executive officer, PMAC. "Meanwhile, new order and employment expansion rates both weakened over the month, with the rate of job creation, in particular, the slowest since January 2012."*

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

Gillian McArdle, Head of Communications, Canada  
 RBC Capital Markets  
 Telephone +001-416-842-4231  
 Email [gillian.mcardle@rbc.com](mailto:gillian.mcardle@rbc.com)

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

##### Purchasing Management Association of Canada

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

Cori Ferguson, Director, Public Affairs & Communications  
 Telephone +001-416-542-9129  
 Email [cferguson@pmac.ca](mailto:cferguson@pmac.ca)

##### Markit

Mark Wingham, Economist  
 Telephone +44-1491-461-004  
 Email [mark.wingham@markit.com](mailto:mark.wingham@markit.com)

Rachel Harling, Corporate Communications  
 Telephone +001-917-441-6345 / +001-646-351-3584  
 Email [rachel.harling@markit.com](mailto: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 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 (RY on TSX and NYSE) and its subsidiaries operate under the master brand name RBC. We are Canada's largest bank as measured by assets and market capitalization, and among 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 wholesale banking on a global basis. We employ approximately 80,000 full- and part-time employees who serve more than 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 49 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 2012, we contributed more than \$95 million to causes worldwide (more than \$64 million in donations, and \$31 million in sponsorships).

#### 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](http://www.pmac.ca).

#### About Markit

Markit is a leading, global financial information services company with over 2,800 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](http://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](http://www.markit.com/economics).

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