

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC PMI™ points to strongest improvement in manufacturing business conditions for almost a year in May

JUNE 3, 2013 – Operating conditions in Canada's manufacturing sector improved at the strongest pace in 11 months in May, partly reflecting a sharp acceleration in the rate of new order growth, 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), 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 – rose to an 11-month high in May. At 53.2, up sharply from 50.1 in April to a level broadly in line with the series average, the headline PMI index was above the 50.0 no-change mark that separates growth from contraction and consistent with a solid improvement in Canadian manufacturing operating conditions.

The **RBC PMI** found that manufacturing output increased for the first time in three months during May. The solid rise in production levels was supported by a much faster expansion of new orders, which also contributed towards the first increase in backlogs of work for eight months and encouraged firms to hire additional staff. On the price front, input costs rose modestly in May, with the rate of inflation little-changed from April's nine-month low.

*“Following the relatively slow pace of expansion recorded in March and April, the Canadian manufacturing sector perked up considerably in May, thanks to renewed vitality in new orders and job creation,” said **Craig Wright**, senior vice-president and Chief Economist, RBC. “As we navigate through the remainder of 2013, we expect the sector's performance to improve further, boosting Canadian growth.”*

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

Key findings from the May survey include:

- new order growth accelerates sharply to 11-month high;
- first increase in output for three months; and
- strongest rate of job creation since last August.

The volume of **new work** received by Canadian manufacturers rose for the second month running in May. Firms generally reported greater client demand and new contract wins, as well a further increase in **new export order** volumes. Overall, the rate of total new order growth accelerated sharply since April to an 11-month high.

The solid rise in incoming new work contributed to an increase in **production** during May. Notably, this was the first rise in output in three months, with the rate of growth faster than the series average.

Concurrently, both the levels of work-in-hand and **stocks of finished goods** at manufacturing companies increased in the latest survey period. Although the rate of accumulation was modest, it was the first increase in **backlogs of work** for eight months.

The **quantity of inputs bought** by manufacturers rose for the second month running in May. Meanwhile, **stocks of purchases** were depleted further, albeit at the weakest pace in the current seven-month sequence of contraction. A number of companies cited a preference for leaner inventories in the latest survey period.

Suppliers' delivery times lengthened further in May, partly reflecting raw material shortages at some vendors. However, the latest increase in lead times was only modest, with the corresponding index unchanged from April's joint-survey record high.

Manufacturing **employment** in Canada increased in May, with approximately 22 percent of firms hiring additional staff since April. The rate of job creation strengthened to a nine-month high and was faster than the series average.

Manufacturers reported higher **input costs** over the month, with raw materials including wood and metals commonly recorded as having increased in price. However, the rate of inflation was only modest and much weaker than the series average. Panellists passed on greater costs to clients by raising their **output charges**, but the increase was nonetheless the weakest since last July.

Regional highlights include:

- **Alberta and British Columbia** was the only region to see a deterioration in manufacturing business conditions in May, but this was only slight and to a lesser extent than in April.
- Following reductions in April, output levels in both **Alberta and British Columbia** and **Ontario** increased in May.
- Manufacturing companies in **Quebec** reported the strongest increase in new export orders.
- Input costs faced by manufacturers in **Ontario** were broadly unchanged over the month.

"The RBC PMI rose with spectacular fashion in May, signalling the strongest manufacturing expansion in 11 months," said Cheryl Paradowski, president and chief executive officer, PMAC. "The headline RBC PMI index improved significantly over previously disappointing readings in 2013, reflecting the first increase in output levels in three months and an accelerated rate of new order growth."

The report is available at 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.

About RBC

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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, including donations and community investments of more than \$64 million 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.

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.

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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