

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 EDT 03 September 2013

RBC PMI™ signals modest improvement in manufacturing business conditions in August

SEPTEMBER 3, 2013 – Canada's manufacturing expansion was sustained for a fifth consecutive month in August, but the rate of growth was modest and below average, 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.

After accounting for usual seasonal variation, the **RBC PMI** – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – posted 52.1 in August, little-changed from July's reading of 52.0. Remaining above the neutral threshold of 50.0, the RBC PMI has indicated growth of the manufacturing sector for five consecutive months, although the latest expansion was modest and weaker than the series average.

The **RBC PMI** found that both output and new orders rose at modest rates during August. This generally reflected greater client demand in both the domestic and export markets. Firms hired additional staff in light of higher activity levels, with the rate of employment growth accelerating to a three-month high. On the price front, input cost inflation picked up further, while output charges fell for the second month running.

*"The PMI continued to make positive gains for the fifth consecutive month and moved modestly higher in August, suggesting some of the recent shocks to the economy have been mitigated by strength elsewhere," said **Craig Wright**, senior vice-president and chief economist, RBC. "We expect that improving U.S. demand will continue to provide a boost to the manufacturing sector for the balance of the year."*

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

Key findings from the August survey include:

- output and new order growth continues;
- strongest rise in employment since May; and
- input price inflation picks up to a five-month high.

Manufacturers received a larger volume of **new orders** in August, as has been the case in each month since April. New work intakes grew in both the domestic and **export** markets, with the United States particularly highlighted as a source for the latter. Overall, total new order growth was solid, albeit unchanged from a three-month low recorded in July.

Reflective of increased new work, firms raised **production** and depleted existing **inventories of finished goods**. Output rose modestly in August, despite the rate of growth being the weakest in the past four-months.

The **quantity of inputs bought** by Canadian manufacturers rose marginally in the latest survey period. **Stocks of purchases** also fell, albeit slightly, having increased one month previously. The reduction in input inventories partly reflected a preference for leaner stocks, but was also to offset longer **suppliers' delivery times**. Lead times for inputs, on average, increased for the second month running in August.

Employment in the Canadian manufacturing sector rose further in August, which is the 19th consecutive month of growth. Approximately 18 per cent of surveyed firms hired additional staff since July (while seven per cent reduced their staff numbers) and often cited increased business activity. Overall, the rate of job creation was solid and the second-fastest in a year.

Input costs faced by manufacturers continued to rise in August. Panellists commonly reported higher prices for commodities, including oil and metals. Although the rate of inflation accelerated for the fourth month running to its fastest pace since March, it nonetheless remained weaker than the historic average.

In contrast, average **selling prices** at manufacturing firms fell for the second month running. This was the first back-to-back reduction in output charges since data collection began in October 2010.

Regional highlights include:

- **Ontario** saw only a marginal improvement in manufacturing business conditions in August – the weakest among the four regions.
- New orders fell in **Ontario**, but increased elsewhere.
- Employment growth was strongest in **Alberta and British Columbia**.
- Output charges fell in three regions, led by **Alberta and British Columbia**.

“Higher client demand supported a further expansion of the Canadian manufacturing sector in August. New domestic work continued to increase and was matched by a further rise in exports, partly reflecting favourable market conditions in the U.S.,” said Cheryl Paradowski, president and chief executive officer, PMAC. “The survey also showed improvement elsewhere, with the Employment Index, in particular, suggesting the second-strongest increase in a year.”

The report is available at 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

Elyse Lalonde, Communications Manager, Canada
RBC Capital Markets
Telephone +001-416-842-5635
Email elyse.lalonde@rbc.com

Purchasing Management Association of Canada

Cheryl Paradowski, President and CEO
Telephone +001-416-542-9120
Email cparadowski@pmac.ca

Cori Ferguson, Director, Public Affairs & Communications
Telephone +001-416-542-9129
Email cferguson@pmac.ca

Markit

Mark Wingham, Economist
Telephone +44-1491-461-004
Email mark.wingham@markit.com

Rachel Harling, Corporate Communications
Telephone +001-917-441-6345 / +001-646-351-3584
Email 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.

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 are 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, and 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 44 other countries. For more information, please visit 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, 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 3,000 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.

The intellectual property rights to the RBC Canadian Manufacturing PMI provided herein is owned by 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 trade marks of Markit Economics Limited, RBC uses the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.