

RBC Canadian Manufacturing PMI™

compiled by markit

In association with the Supply Chain Management Association

Manufacturing output increases at fastest pace since March 2011

Key findings:

- Marked rates of output and new order growth
- Rate of job creation eases to four-month low
- Input price inflation remains subdued

Business conditions in Canada's manufacturing sector continued to improve strongly in November. A marked rise in new order volumes, partly reflective of new client wins, supported the strongest increase in output since March 2011. Concurrently, firms hired additional staff, although the rate of employment growth eased to a four-month low. On the price front, inflationary pressures remained muted, with the latest rise in input costs, in particular, weaker than October's seven-month peak.

The headline figure derived from the survey is the RBC Canadian Manufacturing *Purchasing Managers' Index™ (PMI™)*, which is designed to provide timely indications of changes in prevailing business conditions in the Canadian manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

The seasonally adjusted RBC PMI registered 55.3 in November, signalling a strong improvement in Canada's manufacturing business conditions. Although down slightly from October's 55.6, the headline index was consistent with one of the fastest rates of growth for over two years.

Incoming new work at Canadian manufacturers continued to rise markedly in November. Although the rate of growth eased slightly over the month, it was one of the fastest since data collection began in October 2010. Firms generally cited greater client demand and new contract wins, including from the United States. Consequently, new export orders rose for the eighth consecutive month.

Firms raised production in light of larger new order requirements. Notably, the rate of output growth was marked and the second-fastest in the 38-month series history (on par with March 2011). Concurrently, stocks of finished goods increased in November, more than reversing a reduction in October, and backlogs of work rose for the third consecutive month, albeit marginally.

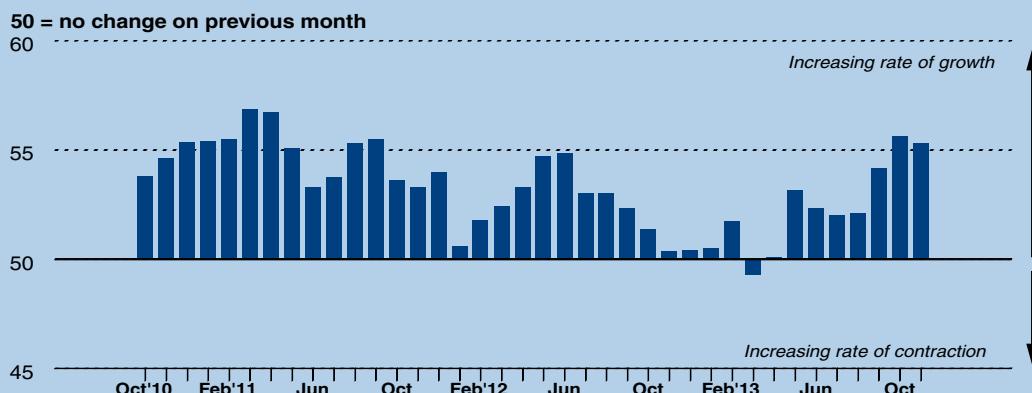
Meanwhile, the quantity of inputs bought by Canadian manufacturing firms rose strongly and at a pace only slightly weaker than October's 25-month peak. The increase in purchasing activity was partially used to rebuild inventories, with stocks of purchases rising for the third month running.

Greater demand for inputs was also a factor behind longer suppliers' delivery times in November. Lead times have increased in each month since July.

Manufacturing employment in Canada rose for the twenty-second consecutive month in November. However, the overall rate of job creation slowed to a four-month low that was also weaker than the series average.

Input prices faced by Canadian manufacturing companies increased in November, with panellists commonly reporting higher prices for steel and fuel. Nevertheless, the rate of inflation eased to a moderate pace that was slower than the series average. Firms partially passed on their higher costs to clients by raising their selling prices. Although output charges increased for the third consecutive month, the latest rise was only marginal.

RBC Canadian Purchasing Managers' Index™ (PMI™)



RBC Canadian Manufacturing PMI™

Components of the RBC Canadian Manufacturing PMI™

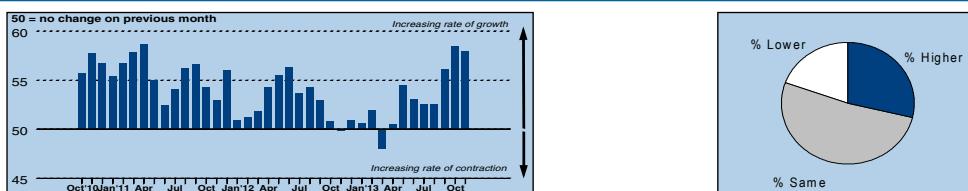
The RBC Canadian Manufacturing *Purchasing Managers' Index™* (PMI™) is a composite index designed to show a convenient single-figure summary of the health of the manufacturing sector. The five individual indices used in the headline PMI and their weightings are:

| | |
|--------------------------------------|------|
| New Orders | 0.30 |
| Output | 0.25 |
| Employment | 0.20 |
| Suppliers' Delivery Times (inverted) | 0.15 |
| Stocks of Purchases | 0.10 |

In total, the RBC Canadian Manufacturing PMI survey covers eleven individual indicators that are presented as 'diffusion' indices. These are summary measures showing the prevailing direction of change. An index reading above 50.0 indicates an overall increase in that variable, whilst index readings below 50.0 signal an overall decrease. All data are seasonally adjusted.

New Orders Index (0.30)

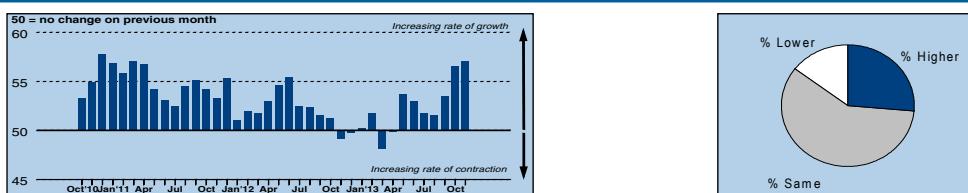
Q. Please compare the state of your new orders (in units) this month with one month ago.



Incoming new work at Canadian manufacturing companies continued to rise at a marked pace in November. Although having slowed slightly from October, the rate of growth was one of the strongest in the 38-month series history. Almost 29% of panellists received a larger volume of new orders in the latest survey period, with this largely linked to new contract wins, as well as recent promotions.

Output Index (0.25)

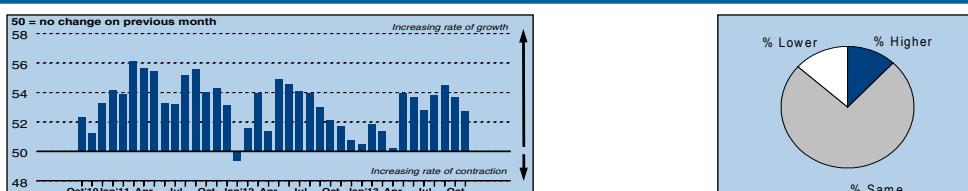
Q. Please compare your production/output this month with the situation one month ago.



November data indicated that manufacturing output in Canada rose at the strongest pace since March 2011. The seasonally adjusted Output Index was consistent with a marked rate of growth, which was the (joint) second-fastest since data collection began in October 2010. A number of monitored companies linked higher production to larger sales volumes and recent capital investments.

Employment Index (0.20)

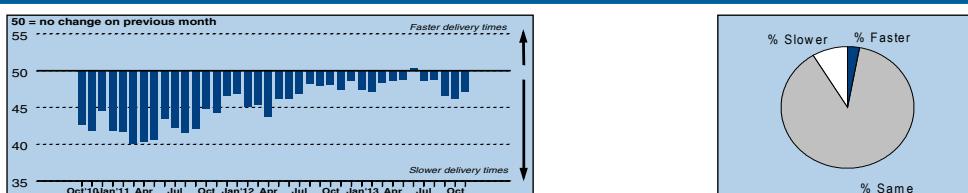
Q. Please compare the level of employment at your unit this month with the situation one month ago.



After adjusting for seasonal variation, the Employment Index registered above the 50.0 no-change mark in November. This signalled an increase in staff headcount at Canadian manufacturers, as has been the case in each month since February 2012. However, the index fell to a four-month low, suggesting that the rate of job creation slowed to a modest pace.

Suppliers' Delivery Times Index (0.15)

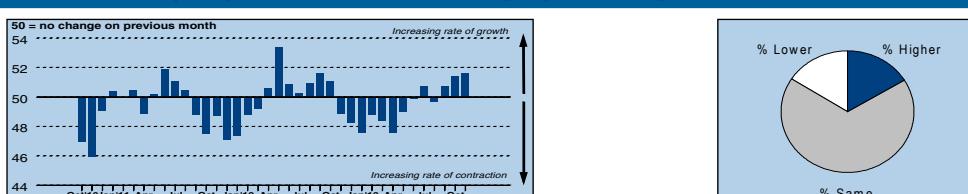
Q. Please compare your suppliers' delivery times (volume weighted) this month with one month ago.



Lead times for inputs lengthened for the fifth consecutive month in November. Approximately 9% of panellists reported longer suppliers' delivery times and suggested that a number of vendors struggled with greater demand in the latest survey period. Overall, the latest deterioration in vendor performance was moderate, but to a lesser extent than in October.

Stocks of Purchases Index (0.10)

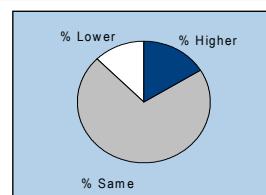
Q. Please compare your stocks of purchases (in units) this month with the situation one month ago.



Canadian manufacturers accumulated stocks of purchases for the third consecutive month in November. Anecdotal evidence suggested that the latest increase in input inventories generally reflected higher new order requirements. The rate of growth, though modest, was the joint-fastest for a year-and-a-half, on par with September 2012.

New Export Orders Index

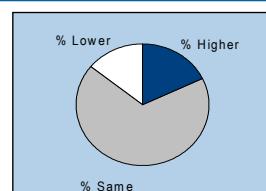
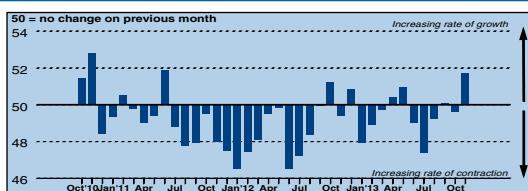
Q. Please compare the state of your new export orders (in units) this month with one month ago.



Following the trend that has been recorded in each month since April, the volume of new export orders received by Canadian manufacturers increased in November. Survey respondents commonly reported larger amounts of work coming from the United States, Asia and Russia. Overall, the rate of new export order growth was modest, but the weakest in three months.

Stocks of Finished Goods Index

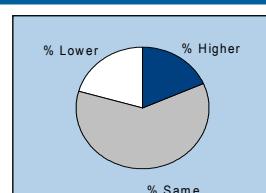
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The seasonally adjusted Stocks of Finished Goods Index posted above the 50.0 no-change mark in November, signalling an increase in post-production goods inventories at Canadian manufacturing firms. Although modest, the rate of stock accumulation was the fastest for almost two-and-a-half years and more than reversed a reduction in the previous survey period.

Backlogs of Work Index

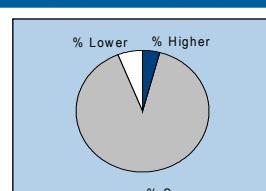
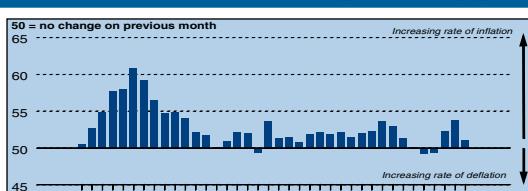
Q. Please compare the level of outstanding business in your company this month with one month ago.



After adjusting for seasonal factors, the level of work-in-hand at Canadian manufacturers rose for the third consecutive month in November. Anecdotal evidence provided by panellists largely linked increased outstanding business to higher new order volumes. That said, the rate of backlog accumulation eased to only a marginal pace that was the weakest in the current sequence.

Output Prices Index

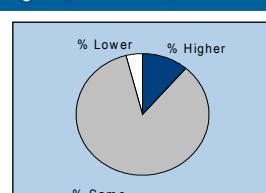
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with one month ago.



Manufacturing firms in Canada raised their output charges for the third month running during November. This was signalled by the seasonally adjusted Output Prices Index remaining above the 50.0 no-change threshold. However, the index indicated that the latest increase in selling prices was marginal in the context of historical data.

Input Prices Index

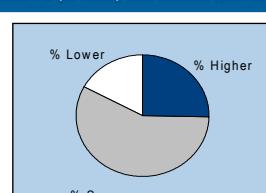
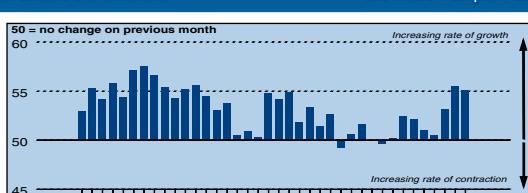
Q. Please compare the average price of your purchases (volume weighted) this month with the situation with one month ago.



Input costs faced by Canadian manufacturers continued to rise in November, taking the current sequence of inflation to 16 months. Approximately 11% of panellists reported larger cost burdens (while 4% registered a reduction), and commonly reported higher prices for steel and fuel. Nevertheless, the overall rate of input price inflation was moderate and remained slower than the series average.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Canadian manufacturers bought a larger quantity of inputs in November, as has been the case in each month since April. Approximately one-in-four panellists raised their purchasing volumes in the latest survey period, often linking this to higher new order requirements. Overall, the rate of growth was strong and only marginally weaker than October's 25-month peak.



Royal Bank of Canada (RY on TSX and NYSE) is Canada's largest bank as measured by assets and market capitalization, and is 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.



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 contact:

Amanda Cormier
416 542-3860
acormier@scmanational.ca
www.scmanational.ca



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 market place.

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

Markit Economics
Henley on Thames
Oxon RG9 1HG, UK
Tel: +44 1491 461000
Fax: +44 1491 461001
e-mail: economics@markit.com

The RBC Canadian Manufacturing Purchasing Managers' Index™ (PMI™), produced by Markit and in association with PMAC, 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 respondents 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 reporting '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 50.0 indicates an overall increase in that variable, below 50.0 an overall decrease. All data are seasonally adjusted.

Markit do 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.

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 use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.