

## News Release

### RBC PMI™: November manufacturing output increases at fastest pace since March 2011

**DECEMBER 2, 2013** – Business conditions in Canada’s manufacturing sector continued to improve strongly in November, 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 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 PMI** – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – registered 55.3 in November, signalling a strong improvement in Canada’s manufacturing business conditions. Although the headline index was down slightly from October’s 55.6, it was consistent with one of the fastest rates of growth for over two years.

The **RBC PMI** showed that 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 in November, 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.

*“Canadian manufacturing conditions continued to be quite favourable in November, although we saw a slight dip compared to the [gains](#) the sector made in October,” said **Craig Wright, senior vice-president and chief economist, RBC**. “While the U.S. government budget impasse negotiations did not come to a firm resolution, recent reports suggest that the fourth-quarter hit to U.S. growth will be limited following a solid gain in the third quarter. A slow and steady increase in U.S. growth will play a big role in setting the stage for a continuation in the recent momentum we have seen in Canadian manufacturing activity over the past few months.”*

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

Key findings from the November survey include:

- marked rates of output and new order growth;
- rate of job creation eases to four-month low; and
- input price inflation remains subdued.

Incoming new work at Canadian manufacturers continued to rise markedly in November. Although the rate of **new order** 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.

Regional highlights include:

- Business conditions improved across all four Canadian regions. **Alberta & British Columbia** saw the strongest improvement over the month.
- **Alberta & British Columbia** posted the fastest rise in new orders.
- **Ontario** saw no change in exports, but this was an improvement from a reduction one month previously.
- Manufacturing employment was little-changed in **Quebec**.

*"The Canadian manufacturing sector remained strong as we approach the year end. Higher domestic and export orders supported further growth acceleration for output, and also encouraged firms to start rebuilding their inventories," said Cheryl Paradowski, president and chief executive officer, SCMA. "The Employment Index was a disappointing result from the survey, having showed the rate of job creation ease to a four-month low, but perhaps this will pick up if the strong performance of the sector continues."*

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

### About RBC

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](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, including donations and community investments of more than \$64 million and \$31 million in sponsorships.

### 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 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 [markit.com](http://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 [markit.com/economics](http://markit.com/economics).

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