

# News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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## RBC PMI™ dips to a nine-month low in January

**FEBRUARY 3, 2014** – January data pointed to a setback for the manufacturing sector at the start of 2014, 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.

Output and new business growth were both the weakest for five months in January. Meanwhile, staffing levels were reduced for the first time in two years and manufacturers responded to the moderation in new order growth by cutting their input buying and pre-production inventory levels during the latest survey period.

Adjusted for seasonal influences, the headline **RBC PMI** dipped from 53.5 in December to 51.7 in January. Although the index remained above the neutral 50.0 value, the latest reading pointed to the slowest overall improvement in business conditions since April 2013. All five components of the RBC PMI made a weaker contribution to the headline index than in the previous month, led by slower expansions of output and new business volumes.

*"Canada's manufacturing sector continued to grow in January, albeit at slower pace than December, registering at 51.7, down from 53.5," said **Craig Wright, senior vice president and chief economist, RBC.** "Underlying economic conditions – such as stronger growth in the U.S. economy and a weaker Canadian dollar – remain supportive for the outlook for domestic manufacturing in the period ahead."*

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

Key findings from the January survey include:

- Slowest improvement in business conditions since April 2013
- Latest data indicates slower rates of output and new order growth
- Employment levels fall for first time in two years

**Production** levels in the Canadian manufacturing sector increased for the ninth successive month, but the rate of growth was the least marked since last August. Anecdotal evidence generally suggested that slower output growth reflected softer rises in demand, especially from domestic sources.

January data pointed to a moderation in total **new order growth**, despite an acceleration in export sales. The latest survey highlighted that new orders from abroad increased at the most marked pace since September 2013, with some manufacturers noting improved spending patterns in developed markets.

Weaker growth of overall new work contributed to a drop in **unfinished business** for the second month running, although the rate of decline remained only slight. Meanwhile, a general lack of pressure on operating capacity led to a marginal decrease in manufacturing **employment** levels during January. The reduction in staffing levels was the first for two years.

Manufacturers in Canada responded to softer new business growth by cutting their **stocks of purchases** at the start of 2014. Latest data signalled the joint-fastest decline in pre-production inventories for two years.

In line with the drop in input stocks, volumes of **purchasing activity** across the manufacturing sector decreased for the first time in ten months. However, average **delivery times** from suppliers continued to lengthen during January. Worsening vendor performance has been recorded in each month since July 2013.

Average **cost burdens** increased in the Canadian manufacturing sector during January, which extended the current period of continuous input price inflation to one-and-a-half years. Latest data indicated a robust and accelerated pace of cost inflation, with the overall rise in input prices the fastest since April 2012. Meanwhile, **prices charged** by manufacturers in Canada continued to increase in January, and the rate of inflation reached a three-month high.

Regional highlights include:

- All four regions recorded higher production levels, led by **Ontario**.
- **Quebec** registered the slowest rise in new order volumes.
- Jobs growth was largely confined to **Alberta & British Columbia**.
- Robust rises in cost burdens were posted in all four regions in January.

*“Canadian manufacturing growth stepped down a gear at the start of 2014, as highlighted by the slowest rises in production and new orders for five months,” said Cheryl Paradowski, president and chief executive officer, SCMA. “Softer gains in new work resulted in the first overall drop in employment for two years. However, the latest figures suggest resilient export sales across the manufacturing sector as new business from abroad picked up at the sharpest rate since last September.”*

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*<sup>™</sup> 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*<sup>™</sup> (RBC *PMI*<sup>™</sup>) 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 and one of 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 capital markets products and services on a global basis. We employ approximately 79,000 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 PMI

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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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