

In association with the Purchasing Management Association of Canada

New order and output growth slows further in November

Key findings:

- New work intakes increase at weakest pace since June
- Job creation remains solid
- Slowest rate of input price inflation in 14-month survey history

Canadian manufacturing business conditions improved further in November. New orders and output both increased solidly, with firms generally linking growth to greater client demand. Nevertheless, the rates of increase eased since October to five- and four-month lows respectively. New export orders also fell for the second month running. Meanwhile, the rate of input price inflation slowed further from April's peak to the weakest in the 14-month survey history.

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.

At 53.3, the headline PMI index signalled a solid improvement in Canadian manufacturing sector business conditions in November. PMI data have signalled improvement in each month since the survey began in October 2010. However, down from 53.7, the headline index indicated the weakest improvement since July.

Firms partly attributed the latest improvement in operating conditions to greater client demand. Subsequently, the volume of new orders received by Canadian manufacturers rose solidly in November. That said, new order growth eased since October and was the weakest in five months. Meanwhile, new work intakes from abroad fell for the second consecutive month, albeit the latest decline was only marginal.

Reflective of larger new orders, monitored companies raised production further in November. Output growth was nonetheless the slowest since July. Backlogs of work fell for the second consecutive month, while stocks of finished goods decreased modestly.

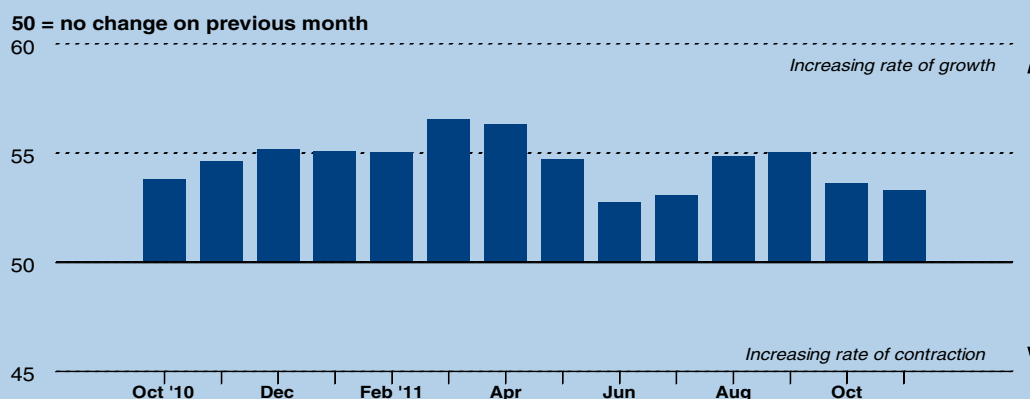
Panelists bought a larger amount of inputs in November, as has been the case since data collection began 14 months ago. Anecdotal evidence attributed the increase to greater new order requirements. That said, input inventories were depleted for the third month running, as some firms introduced leaner stock holding policies. Concurrently, suppliers' delivery times lengthened during the latest survey period. A number of respondents suggested that vendors were also working with lower stocks.

Employment in Canada's manufacturing sector increased further during November. Approximately one-fifth of surveyed firms hired additional staff, compared with 12% that reduced their headcounts, and generally linked job creation to further output growth.

Higher input costs were recorded by Canadian manufacturers during the latest survey period. Fuel and steel were particularly mentioned as having increased in price. Although the rate of input price inflation was solid overall, it slowed further from April's peak to the weakest in the 14-month series history.

Respondents attempted to pass on greater cost burdens to clients by raising their output charges in November. However, average selling prices rose only fractionally, with a number of monitored companies commenting on stronger competitive pressures.

RBC Canadian *Purchasing Managers' Index™ (PMI™)*



Components of the RBC Canadian Manufacturing PMI™

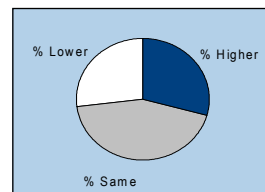
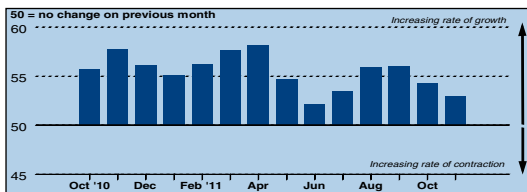
The RBC Canadian Manufacturing *Purchasing Managers' Index™ (PMI™)* is a composite index designed to show a convenient single-figure summary of the health of the manufacturing sector. The five individual indices used in the headline PMI and their weightings are:

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)

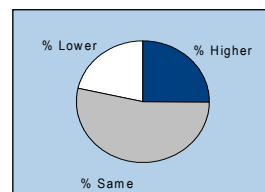
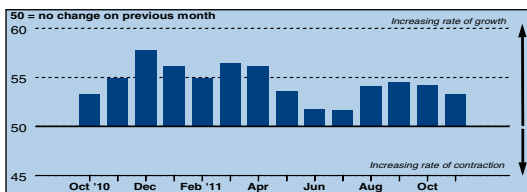
Q. Please compare the state of your new orders (in units) this month with one month ago.



The volume of new orders received by Canadian manufacturing companies increased further in November. Panellists generally linked the rise in new work intakes to greater client demand. Over 29% of survey respondents reported higher new orders, compared with 27% that registered a decline. Although solid, the rate of new order growth was slower than in October and the weakest in five months.

Output Index (0.25)

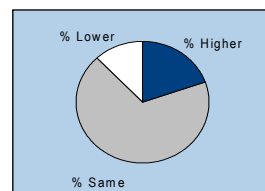
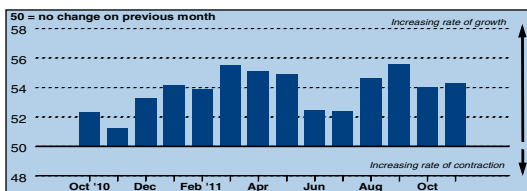
Q. Please compare your production/output this month with the situation one month ago.



Canadian manufacturers raised production further in November, continuing the trend that has been registered since data collection began in October 2010. Anecdotal evidence provided by panellists attributed the latest increase in output to larger new order volumes. That said, the rate of output growth was the slowest since July.

Employment Index (0.20)

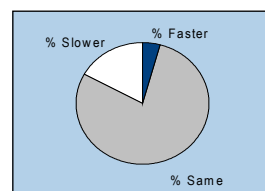
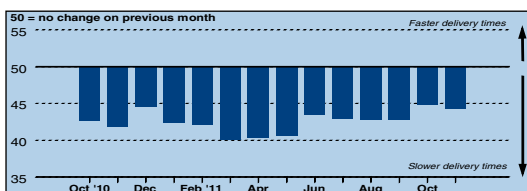
Q. Please compare the level of employment at your unit this month with the situation one month ago.



Employment in Canada's manufacturing sector increased solidly during November, as indicated by the seasonally adjusted Employment Index posting above the 50.0 no-change threshold. Approximately one-fifth of surveyed firms hired additional staff (while 12% reduced their workforces), and generally linked job creation to greater production requirements.

Suppliers' Delivery Times Index (0.15)

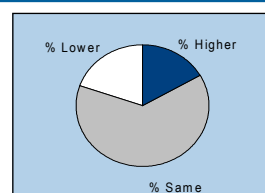
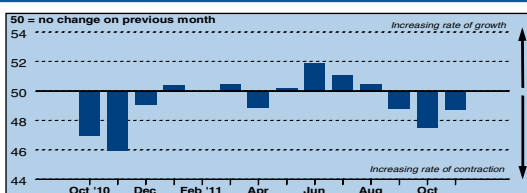
Q. Please compare your suppliers' delivery times (volume weighted) this month with one month ago.



Lead times on inputs lengthened in November, as has been the case since data collection began in October 2010. The deterioration in vendor performance was marked, with exactly 17% of respondents reporting longer delivery times. Firms suggested that suppliers were working with less stock during the latest survey period. Moreover, a number of companies also indicated that vendors struggled to source raw materials.

Stocks of Purchases Index (0.10)

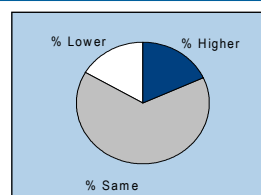
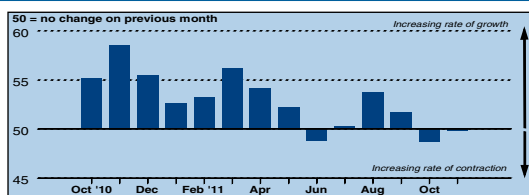
Q. Please compare your stocks of purchases (in units) this month with the situation one month ago.



The seasonally adjusted Stocks of Purchases Index remained below the 50.0 no-change mark for the third consecutive month in November, to signal a further depletion of input inventories. Canadian manufacturers commented that inventories fell as leaner stock holding policies were introduced during the latest survey period.

New Export Orders Index

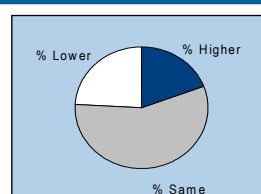
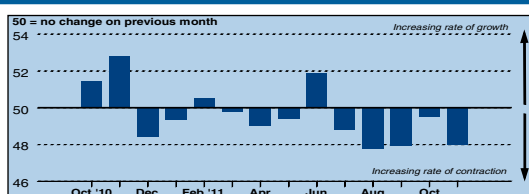
Q. Please compare the state of your new export orders (in units) this month with one month ago.



New export orders placed at Canadian manufacturers fell for the second consecutive month in November. Survey respondents suggested that overseas clients were cautious amid an uncertain global economic outlook. However, the latest reduction in new work intakes from abroad was only marginal, with the seasonally adjusted New Export Orders Index posting only slightly below the 50.0 no-change mark.

Stocks of Finished Goods Index

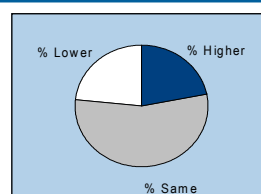
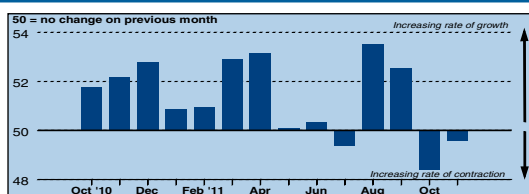
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Continuing the trend that has been registered in each month since July, stocks of finished goods fell during November. Approximately 24% of surveyed firms reported lower inventories, compared with 19% that recorded a rise, and largely linked the decline to leaner stock holding policies. Overall, the rate of depletion was modest, but faster than that recorded in October.

Backlogs of Work Index

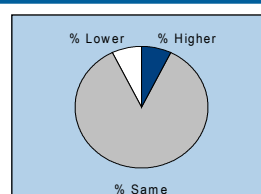
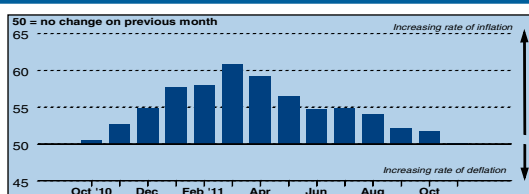
Q. Please compare the level of outstanding business in your company this month with one month ago.



Firms operating in Canada's manufacturing sector reduced backlogs of work for the second consecutive month in November. Panellists attributed the fall in outstanding business to slower new order growth. Nevertheless, work-in-hand fell only marginally and at a weaker pace than in October.

Output Prices Index

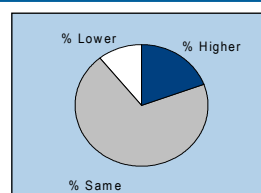
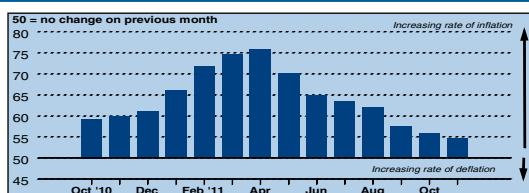
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with one month ago.



Output charges rose only fractionally in November, with the seasonally adjusted Output Prices Index posting only marginally above the 50.0 no-change level that separates inflation from deflation. Notably, the latest index reading was the lowest in the 14-month survey history. Panellists partly passed on higher input costs to clients by raising their charges, but the price increase was limited by stronger competitive pressures.

Input Prices Index

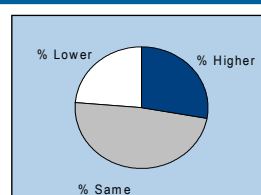
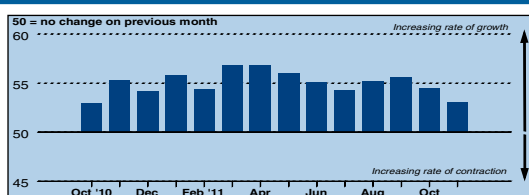
Q. Please compare the average price of your purchases (volume weighted) this month with the situation with one month ago.



Canadian manufacturers recorded higher input prices in November. Fuel and raw materials such as steel were particularly mentioned by panellists as having increased in cost. Although the rate of input price inflation remained solid overall, it slowed further from April's peak, and was the weakest since data collection began in October 2010.

Quantity of Purchases Index

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



The amount of inputs purchased by Canadian manufacturing companies increased further in November. Although solid, the latest increase was the slowest since October 2010. Almost 28% of survey respondents raised their purchasing activity, while 24% reduced the amount of inputs bought. Firms purchased additional inputs as a result of higher new order volumes during the latest survey period.



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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.

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