

News Release

**Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC PMI™ signals only marginal improvement in manufacturing business conditions in November

RBC's Craig Wright says economic weak patch to be short lived

DECEMBER 3, 2012 – The **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)** signalled that Canada's manufacturing sector grew only marginally in November. 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.

The headline **RBC PMI** – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – fell from 51.4 to 50.4 in November, and indicated the weakest rate of manufacturing growth since data were first available in October 2010.

The fall in the **RBC PMI** partly reflected incoming new work remaining broadly unchanged from October and the first contraction in output in 26 months of data collection. Manufacturers generally cited weak market conditions. Nevertheless, firms continued to hire additional staff in November, although the rate of job creation was only modest and the slowest since April.

*"Minimal growth in the manufacturing sector in November likely reflects the continued global economic uncertainty and the time-lagged impact of other indicators suggesting that the Canadian economy weakened during the third quarter," said **Craig Wright**, senior vice-president and chief economist, RBC. "We expect the economic weak patch to be short lived, however. As the downside risks plaguing the global economy start to ease, so will some of the weight on Canadian export demand and the broader manufacturing sector."*

In addition to the [headline RBC PMI](#), the survey also tracks changes in output, new orders, employment, inventories, prices and supplier delivery times.

Key findings from the November survey include:

- RBC PMI falls to lowest level in 26 months of data collection;
- output declines in November, while new orders broadly unchanged from October; and
- rate of job creation at seven-month low.

The volume of **new orders** received by Canadian manufacturers was broadly unchanged from October, with panellists largely linking this to weak market conditions. **New export orders** meanwhile fell modestly and for the first time since February.

The flat new orders trend was one of the factors behind a fall in **production** during November. This was the first reduction in output in 26 months of data collection, but the rate of decline was only marginal. **Stocks of finished goods**, meanwhile, were depleted, in contrast to accumulation one month previously, and **backlogs of work** fell sharply and for the second month running.

Reflective of lower output requirements, the **quantity of inputs bought** by manufacturing firms fell during the latest survey period. **Stocks of purchases** were also reduced, with a number of panellists attributing this to leaner inventory requirements.

Suppliers' delivery times nonetheless lengthened further in November, with approximately 11 per cent of firms reporting increased lead times since October. Respondents suggested that suppliers were working with less stock and that some vendors were also affected by Hurricane Sandy.

Manufacturing **employment** in Canada increased for the tenth consecutive month in November. Where higher staffing levels were reported, firms commented on replacing employees who had recently left. However, the rate of job creation was only modest and the slowest since April.

Firms reported a further rise in cost burdens during the latest survey period, with this largely reflective of higher raw material prices. That said, the rate of **input price inflation** was the weakest in three months and slower than the series average. Manufacturers' **selling prices** also increased in November as panellists passed on greater costs to clients. Despite having quickened since October, the latest increase in output prices remained modest overall.

[Regional highlights](#) include:

- **Alberta and British Columbia** and **Ontario** were the only Canadian regions to post improved manufacturing operating conditions in November.
- New orders fell in three regions, with only **Ontario** recording an increase in new work since October.
- The strongest rate of employment growth was posted in **Alberta and British Columbia**.
- Input prices rose at the fastest rate in **Alberta and British Columbia**, while the slowest increase was recorded in **Quebec**.

“November was one of the most difficult months for Canadian manufacturers in the past two years, with RBC PMI data showing a month-over-month fall in production and new order growth grinding to a halt. This reflected weaker domestic and export market conditions,” said Cheryl Paradowski, president and chief executive officer, PMAC. “Nonetheless, firms continued to hire additional staff, although the rate of job creation slowed for the sixth month running and was only modest.”

The report is available at 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.

About RBC

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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 2,500 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.

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