Embargoed until 09:30 EST 01 February 2013

RBC Canadian Manufacturing PMI™

compiled by markit

In association with the Purchasing Management Association of Canada

Marginal improvement in Canadian manufacturing business conditions in January

Key findings:

- RBC PMI only slightly higher than the survey lows reported in November and December
- Output increases for first time in three months, albeit only marginally
- Slowest rate of job creation in 12 months

A slight improvement in Canadian manufacturing business conditions was reported at the start of 2013, with the RBC PMI rising only marginally from the survey lows recorded in November and December. Output increased for the first time in three months in January, albeit only slightly, but new order growth slowed and was only marginal. Firms generally commented on weak client demand. The rate of job creation also slowed, easing to a 12-month low, while input price inflation strengthened to its fastest since last September.

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 RBC PMI remained above the 50.0 no-change mark in January, signalling improved manufacturing business conditions. However, at 50.5, the PMI was only slightly higher than the survey-low of 50.4 reported in both November and December, and consistent with only a marginal improvement overall.

Although the volume of new orders received by Canadian manufacturers rose further in January, with one-in-four panellists reporting an increase since December, the rate of growth was only marginal. Firms generally cited weak client demand. New export orders, meanwhile, were broadly unchanged in the latest survey period, but this was nonetheless an improvement from the declines recorded in the previous two months.

After having fallen for two consecutive months, manufacturing production increased in January. However, output growth was only slight. Meanwhile, stocks of finished goods decreased at the sharpest rate since last July, and backlogs of work fell solidly and for the fourth month running.

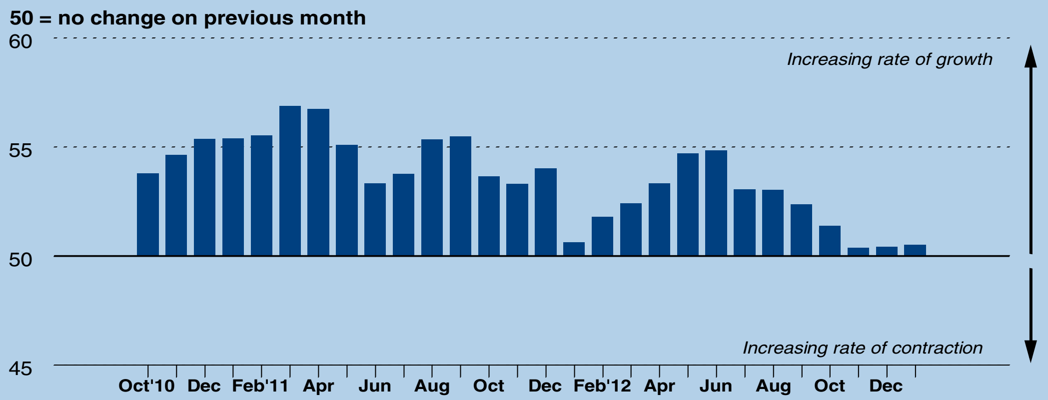
Reflective of higher output requirements, the quantity of inputs bought by manufacturers increased in January. Purchasing activity rose modestly, but growth remained weaker than the series average. Input inventories, meanwhile, fell for the third consecutive month and at the strongest rate in a year.

Suppliers' delivery times lengthened further in the latest survey period. Panellists suggested that the combination of low inventories and capacity issues at suppliers contributed to the latest deterioration in vendor performance.

Employment in Canada's manufacturing sector increased in January, taking the current sequence of job creation to 12 months. However, the rate of growth has slowed continually since reaching a peak last May, with the latest expansion only marginal.

Firms reported higher input costs in January, with raw materials such as resin, chemicals and metals particularly mentioned as having increased in price. Overall, the rate of inflation was the strongest in four months, but slower than the series average. Companies passed greater costs on to clients by raising their charges, but selling prices nonetheless rose at a weaker pace than costs overall.

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



In association with

SCMP™ PMAC Purchasing Management Association of Canada

Components of the RBC Canadian Manufacturing PMI™

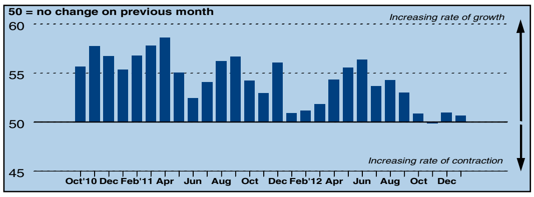
The RBC Canadian Manufacturing *Purchasing Managers' Index™ (PMI™)* is a composite index designed to show a convenient single-figure summary of the health of the manufacturing sector. The five individual indices used in the headline PMI and their weightings are:

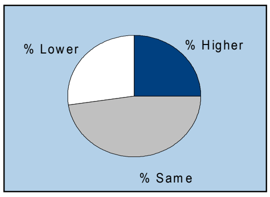
New Orders	0.30
Output	0.25
Employment	0.20
Suppliers' Delivery Times (inverted)	0.15
Stocks of Purchases	0.10

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.

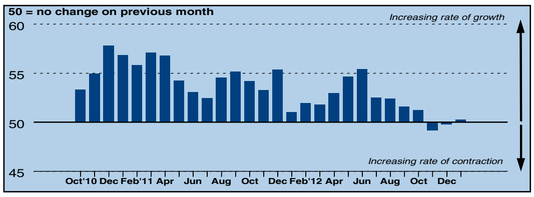


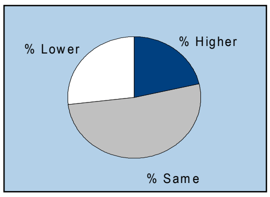


After adjusting for seasonal factors, incoming new work at Canadian manufacturers increased for the second month running in January. One-in-four firms reported larger new order volumes compared with December, generally attributing this to greater client demand. The rate of growth, however, was only marginal, with the New Orders Index posting its second-lowest reading since data collection began in October 2010.

Output Index (0.25)

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

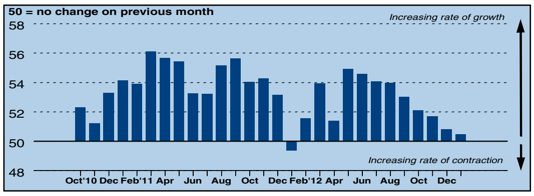


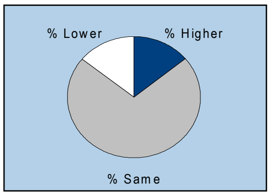


In contrast to the slight reductions reported in each of the previous two months, manufacturing output increased in January. The seasonally adjusted Output Index returned above the 50.0 no-change mark but, being only fractionally above this threshold, signalled only a marginal rise in production levels. Where an increase in output was reported, firms generally cited higher new order requirements.

Employment Index (0.20)

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

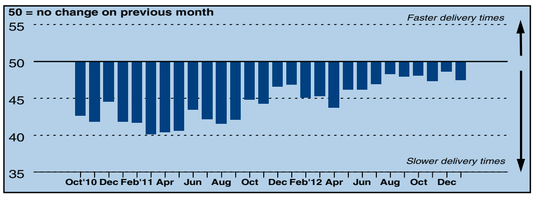


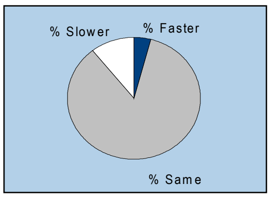


Manufacturing employment in Canada increased for the twelfth consecutive month in January. Anecdotal evidence generally linked job creation to larger new order volumes. However, the rate of employment growth has continually slowed since reaching a peak last May, with the latest expansion only marginal overall.

Suppliers' Delivery Times Index (0.15)

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

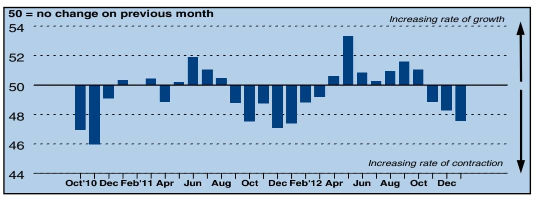


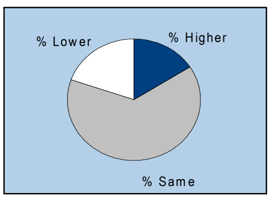


Lead times for inputs lengthened further in January, continuing the trend that has been recorded in each month since data collection began in October 2010. A combination of low inventories and capacity constraints at suppliers contributed to the latest increase in delivery times. Overall, the deterioration in vendor performance was moderate, but to a greater extent than in December.

Stocks of Purchases Index (0.10)

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

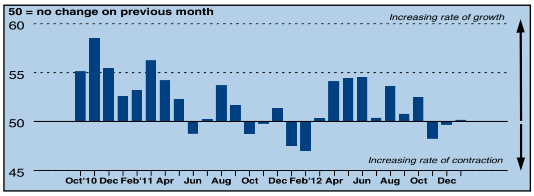


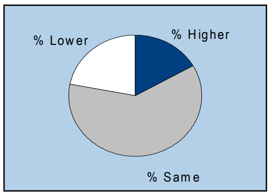


Input inventories at Canadian manufacturers fell for the third consecutive month in January. Moreover, the rate of stock depletion was solid and the fastest in a year. Approximately one in every five panellists reduced their stocks of purchases over the month, with a number of monitored companies attributing this to leaner inventory requirements.

New Export Orders Index

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

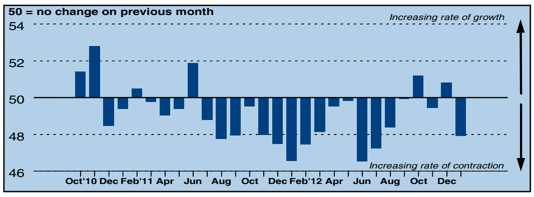


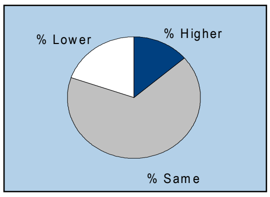


January data signalled that the volume of new export orders received by Canadian manufacturers was broadly the same as in December. The seasonally adjusted New Export Orders Index was only marginally above the 50.0 no-change mark, pointing to only a slight rise in new work from abroad in the latest survey period. Nevertheless, the index rose to its highest level 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.

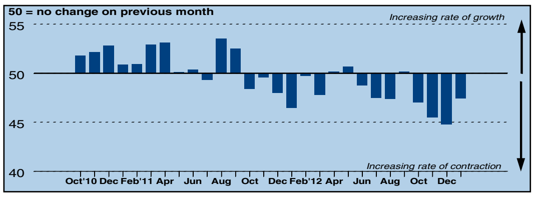


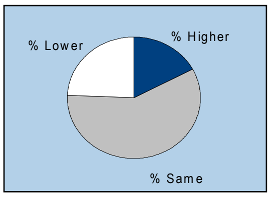


In contrast to the accumulation reported in December, stocks of finished goods were depleted in January. A number of companies linked the reduction in inventories to recent declines in output, although other firms also commented on increased shipments. Stocks of finished goods have declined in two out of the past three months, with the rate of contraction the strongest since last July.

Backlogs of Work Index

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

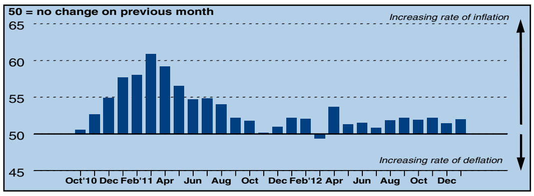


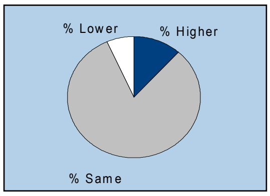


Outstanding business at manufacturing firms fell for the fourth consecutive month in January. Over 24% of survey respondents reported less work-in-hand compared with one month previously, linking the decline to weak new order growth. Overall, backlogs of work fell solidly in January, although the rate of contraction had slowed from the survey-record reported in December.

Output Prices Index

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

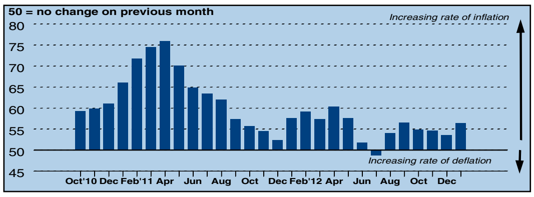


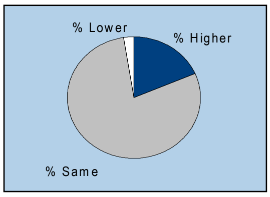


Average selling prices at Canadian manufacturers rose further in January, taking the current period of charge inflation to ten months. Almost 12% of panellists raised their output prices over the month (while 7% reduced their charges), as greater cost burdens were partly passed on to clients. Although the rate of inflation quickened from the five-month low recorded in December, it nonetheless remained modest overall.

Input Prices Index

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

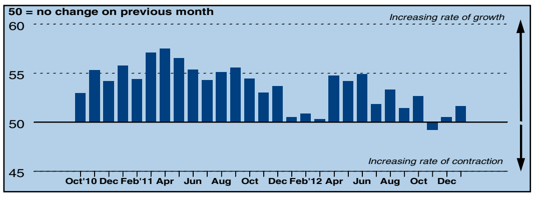


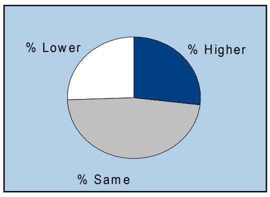


Input costs faced by Canadian manufacturing firms increased in January, with approximately 19% of panellists recording higher input prices than in December. Raw materials including resin, chemicals and metals, as well as oil were commonly reported as having risen in cost. The rate of input price inflation was strong, having quickened to the fastest in four months, but was nonetheless 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.





Reflective of higher output requirements, the quantity of inputs bought by manufacturing companies increased in January. This was signalled by the seasonally adjusted Quantity of Purchases Index posting above the 50.0 no-change mark. Purchasing activity has risen for two consecutive months, but the index was nonetheless consistent with only a modest rate of increase which was weaker than the series average.

Royal Bank of Canada (RY on TSX and NYSE) and its subsidiaries operate under the master brand name RBC. We are Canada's largest bank as measured by assets and market capitalization, and 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, 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 49 other countries.

For more information, please visit

www.rbc.com

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, contact:
Cori Ferguson
416 542-9129
cferguson@pmac.ca
www.pmac.ca

Markit is a leading, global financial information services company with over 2,800 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.