

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Canada's manufacturing sector records strongest expansion in five months, though the pace remains modest: RBC PMI™

MARCH 1, 2013 – The February **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)** pointed to the strongest expansion in Canada's manufacturing sector since last September, although the rate of growth was only modest. 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 – indicated a modest improvement in Canadian manufacturing business conditions in February. However, at 51.7, the RBC PMI remained below the series average (53.6), despite having risen from the near survey-low of 50.5 in January.

The **RBC PMI** found that both output and new orders increased in February, partly reflecting greater demand and new client wins. The rates of growth were stronger than in January, but weaker than their respective series averages. Higher volumes of new work encouraged manufacturers to hire additional staff, with the rate of job creation at a four-month high. Meanwhile, the rate of input cost inflation slowed to a seven-month low and was modest in the context of historical data.

*“The Canadian manufacturing sector fended off the February blahs with strengthening output and employment growth,” said **Craig Wright**, senior vice-president and chief economist, RBC. “Greater demand from United States, Japan and China played a key role in boosting new export work which helped nudge output growth to the fastest pace of growth in the past six months. While it would be premature to suggest that the global economy is treading on a much brighter path, these modest improvements hint that better days may lie ahead.”*

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

Key findings from the February survey include:

- RBC PMI at highest level since last September;
- faster rates of output and new order growth, but both below respective series averages; and
- input price inflation weakest in seven months.

The volume of **new orders** received by Canadian manufacturers increased for the third month running in February. Firms generally commented on new client wins, although greater global demand, particularly in the United States, Japan and China acted to boost **new export work**. Overall, the rise in total new orders was moderate and the strongest since last September.

Reflective of increased new orders, companies raised **production** in the latest survey period. Output growth was the fastest in six months, but weaker than the series average. **Stocks of finished goods** were meanwhile depleted for the second month running, and **backlogs of work** also fell further, although at the slowest rate in five months.

Manufacturing **employment** increased in February, with over 14 per cent of surveyed firms hiring additional staff since January. Although a number of panellists linked job creation to the increase in new work, other respondents cited improved business confidence. Overall, the rate of employment growth quickened from January's one-year low to a four-month high.

The **quantity of inputs** bought by manufacturers was unchanged since January, while **stocks of purchases** were reduced for the fourth consecutive month in February. Concurrently, the latest lengthening of **suppliers' delivery times** was to the greatest extent in seven months, with a number of panellists commenting that vendors experienced transportation problems relating to the recent heavy snowfall.

Although **input costs** faced by Canadian manufacturing companies continued to increase in February, the rate of inflation was the weakest since July 2012 and modest in the context of historical data. Firms particularly mentioned raw materials such as metals, chemicals and resin as having increased in price over the month.

Output charges also rose in February, as higher costs were generally passed on to clients. Although the rise in **selling prices** was the greatest in ten months, it was weaker than the series average.

Regional highlights include:

- All four regions saw an improvement in manufacturing business conditions in February. That said, the rates of growth were only marginal in both **Ontario** and **Quebec**.
- Manufacturers based in **Ontario** reported a slight reduction in output, while production increased elsewhere.
- Incoming new work fell in both **Quebec** and **Ontario**.
- Strongest rate of input price inflation recorded in **Alberta and British Columbia**.

"Growth in the Canadian manufacturing sector gained momentum in February and, with panellists expressing an optimistic business outlook, this expansion may continue to strengthen in the coming months" said Cheryl Paradowski, president and chief executive officer, PMAC. "At the moment, however, growth remained below par, with both output and new orders increasing only modestly over the month."

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.

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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 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 2,800 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 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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