

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Manufacturing output stagnates, despite a marginal rise in new orders in April: RBC PMI™

MAY 1, 2013 – The **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)** suggests that the Canadian manufacturing sector stagnated in April – an improvement from the contraction observed in March. 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 – registered 50.1 in April and, posting only slightly above the 50.0 no-change mark, signalled broadly no change in overall manufacturing business conditions. However, the PMI nonetheless rose from a survey-low of 49.3 in March, which was consistent with a modest deterioration in operating conditions.

The **RBC PMI** found that manufacturing output levels in April were largely the same as March, despite the volume of new orders having increased, albeit only marginally. Employment was also little-changed, seeing only a slight rise in staff numbers since March. On the price front, the rates of increase for both input costs and output charges eased, with the rate of input price inflation, in particular, the slowest in nine months.

*“Canada’s manufacturing sector kept its head above water in April, registering some improvement over the surprising series low recorded last month,” said **Craig Wright**, senior vice-president and chief economist, RBC. “While the overall gains made in April were tepid, we expect manufacturing output to pick-up, augmenting export activity and supporting Canada’s growth prospects.”*

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

Key findings from the April survey include:

- Output levels largely unchanged in April, following a reduction in March;
- marginal rise in total new work; and
- slowest rate of input price inflation since July 2012.

Incoming new work at Canadian manufacturers increased in April, with firms generally linking this to greater demand. Although the rate of growth was only marginal and weaker than the series average, it was nonetheless in contrast with a reduction in March. Overall, the rise in total new work also reflected larger volumes of **new export orders**, which rose at the strongest rate in six months during April.

Despite higher new order requirements, **production** levels were largely the same as one month previously. The stagnant output trend in April nevertheless follows a decline in March. Meanwhile, **stocks of finished goods** were accumulated for the first time in 2013 to date, albeit marginally, and **backlogs of work** continued to fall for the seventh consecutive month.

The **quantity of inputs** bought by manufacturers was also broadly the same as in the previous survey period, rising only fractionally over the month. **Stocks of purchases**, meanwhile, were depleted for the sixth consecutive month in April, and at the joint-fastest rate since January 2012.

Suppliers' delivery times continued to lengthen in April, with approximately seven per cent of panellists reporting a deterioration in vendor performance. That said, the latest increase in lead times was the weakest since last December.

After adjusting for seasonal variation, manufacturing **employment** in Canada was largely unchanged in April. The corresponding index fell further from February's four-month peak and was the second-lowest since data collection began in October 2010.

In April, manufacturers reported the weakest rise in **cost burdens** since July 2012. The modest increase in costs nonetheless partly reflected higher prices for raw materials, packaging and transportation. Firms passed on greater costs to clients by raising their **selling prices**. Output charges rose at a rate in line with the series average that was also stronger than the increase in input prices.

Regional highlights include:

- Solid falls in manufacturing output were recorded for **Alberta and British Columbia** and **Ontario**.
- Following a deterioration in March, manufacturing business conditions in **Quebec** improved during April.
- Manufacturers in **Quebec** saw the strongest rise in new export work in April.
- Employment growth was recorded in two of the four regions, with the strongest increase posted in **Quebec**.

*"Despite the RBC PMI rising from a survey low in March, it was much weaker than the series average and suggests that the Canadian manufacturing sector stagnated in April," said **Cheryl Paradowski**, president and chief executive officer, PMAC. "A return to growth for new orders, partly reflecting a modest rise in new export work, may lead to an increase in production over the coming months. In the meantime, manufacturers' profitability is protected to some extent by output charges rising at a faster rate than input costs."*

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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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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