

News Release

RBC PMI™ climbs to two-and-a-half year high in October

NOVEMBER 1, 2013 – Canada's manufacturing sector grew at the fastest pace for two-and-a-half years in October, according to the **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)**. A monthly survey, conducted in association with Markit, a leading global financial information services company, and the Supply Chain Management Association (SCMA), the **RBC PMI** offers a comprehensive and early indicator of trends in the Canadian manufacturing sector.

After adjusting for seasonal variation, the **RBC PMI** – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – rose to its highest level in 30 months during October. At 55.6, up from 54.2 in September and above the series average of 53.3, the RBC PMI indicated a strong improvement in Canadian manufacturing operation conditions.

The **RBC PMI** found that both output and new orders increased at the strongest rates since April 2011, which manufacturers generally attributed to greater client demand. Concurrently, firms continued to take on more staff, although the rate of job creation eased slightly from September's 15-month peak. Meanwhile, inflationary pressures strengthened, with the latest rise in input costs the greatest since March.

*"Canada's manufacturing sector experienced a significant jump in October – up to 55.6 from 54.2 in September – a sign that global economic momentum is continuing to improve," said **Craig Wright, senior vice-president and chief economist, RBC.** "Firmer global growth should boost external demand going forward; this pickup in demand for Canadian exports will no doubt augur well for Canadian manufacturers in the foreseeable future."*

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

Key findings from the October survey include:

- output increases at fastest rate since April 2011;
- strong rise in total new orders, with new export work also rising over the month; and
- employment growth remains solid.

The volume of **new orders** received by Canadian manufacturers increased further in October. Firms generally attributed this to greater client demand in both domestic and international markets, with **new export work** also rising since September. Overall, total incoming new work rose strongly over the month, and at the second-strongest pace since data collection began in October 2010.

Reflective of higher new order requirements, firms raised **production** for the sixth consecutive month in October. Moreover, the latest rise in output was strong and the fastest for two-and-a-half years. Nonetheless, **backlogs of work** increased for the second month running, while **stocks of finished goods** were depleted only slightly.

Manufacturers bought a larger **quantity of inputs** in October, with the latest rise in buying activity the strongest since September 2011. Some of the increase in purchases was held back in stock, with **input inventories** rising modestly over the month. Meanwhile, **suppliers' delivery times** lengthened further in the latest survey period, as vendors were generally busier. The latest increase in lead times was the greatest for 16 months.

Employment in Canada's manufacturing sector rose for the twenty-first successive month in October. Approximately 16 per cent of surveyed firms hired additional staff over the month, often linking this to higher new order volumes. Overall, the rate of job creation was solid, despite having eased from September's peak.

Input costs faced by Canadian manufacturers continued to rise in October, with firms commonly reporting higher fuel and raw material prices, including steel and packaging. Although the overall rate of inflation was the fastest in seven months, it nonetheless remained weaker than the series average.

Meanwhile, companies passed on greater costs to clients by raising their **output charges**. Average selling prices rose solidly and at the strongest pace since August 2011.

Regional highlights include:

- **Alberta and British Columbia** continued to post the strongest improvement in manufacturing business conditions in October.
- New order growth accelerated across most Canadian regions, with the exception of **Quebec** where it eased very slightly.
- The strongest rate of job creation was recorded for **Alberta and British Columbia**.
- The weakest rate of input price inflation was posted in **Ontario**.

*“Canada’s manufacturing sector started the fourth quarter in spectacular fashion, seeing the strongest expansion for two-and-a-half years. Greater client demand, both domestically and in key export markets such as Europe, drove new orders up at the fastest pace since April 2011,” said **Cheryl Paradowski, president and chief executive officer, SCMA**. “The improvement in manufacturing business conditions resulted in building supply chain pressures, as evidenced by the strongest increase in input prices in seven months and suppliers’ delivery times lengthening to the greatest extent since June 2012.”*

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

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 are 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, and 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 44 other countries. For more information, please visit bc.com.

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 Supply Chain Management Association

As the leading and largest association in Canada for supply chain management professionals, the Supply Chain Management Association (SCMA) is the national voice for advancing and promoting the profession. SCMA sets the standard of excellence for professional skills, knowledge and integrity and was the first supply chain association in the world to require that all members adhere to a Code of Ethics.

With nearly 8000 members working across the private and public sectors, SCMA is the principal source of supply chain training, education and professional development in the country. Through its 10 Provincial and Territorial Institutes, SCMA grants the Supply Chain Management Professional (SCMP) designation, the highest achievement in the field and the mark of strategic supply chain leadership.

SCMA was formed in 2013 through the amalgamation of the Purchasing Management Association of Canada and Supply Chain and Logistics Association of Canada. With a combined history of more than 140 years, today the association embraces all aspects of strategic supply chain management, including: purchasing/procurement, strategic sourcing, contract management, materials/inventory management, and logistics and transportation. For more information, please visit scmanational.ca.

About Markit

Markit is a leading, global financial information services company with over 3,000 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 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 markit.com/economics.

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