

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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### RBC Canadian Manufacturing PMI falls in February to lowest level in survey history

**MARCH 2, 2015** – the **RBC Canadian Manufacturing Purchasing Managers' Index™ (RBC PMI™)** indicated a modest reduction in production levels during February, which ended a 21-month period of sustained expansion. The latest survey also highlighted falling volumes of incoming new work and employment numbers across the sector. Softer demand patterns also contributed to more cautious inventory policies and lower input buying in February.

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.

Adjusted for seasonal influences, the **RBC Canadian Manufacturing PMI** dropped from 51.0 in January to 48.7 in February, to signal a moderate deterioration in overall business conditions across the manufacturing sector. The headline index was below the neutral 50.0 threshold for the first time in almost two years, with the latest reading also the lowest since the survey began in October 2010.

*“February’s data reflects the hit to confidence from the oil price shock with the weakness most evident in the energy intensive regions of the country,” said **Craig Wright, senior vice-president and chief economist, RBC.** “Over time we expect the weaker Canadian dollar and stronger U.S. economy to turn sentiment higher.”*

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

Key findings from the February survey include:

- Manufacturing PMI was at lowest level in almost four-and-a-half years
- Output, new orders and employment all decreased in February
- A weaker exchange rate led to robust and accelerated input cost inflation

February data indicated a decline in manufacturing output levels for the first time since April 2013. Anecdotal evidence suggested that weaker client spending patterns had contributed to lower production volumes during the latest survey period. A number of manufacturers, especially intermediate and investment goods producers, cited lower demand from clients in the oil and gas sector.

Volumes of new work received by manufacturers in Canada decreased at a moderate pace in February, thereby ending a 22-month period of continuous expansion. Moreover, the reduction in overall new order levels was the second-fastest since the survey began in October 2010.

New export sales also decreased in February, with the rate of decline the most marked for three years. Panel members noted that sharp falls in energy infrastructure spending had weighed on new business volumes from abroad. However, some manufacturers commented on the positive influence of exchange rate depreciation and stronger U.S. economic conditions.

Lower levels of new work and reduced production volumes contributed to a fall in manufacturing payroll numbers in February. Staffing levels have now declined for two months in a row, and the rate of job shedding accelerated to its fastest pace in almost four-and-a-half years of data collection. That said, a number of firms noted that payroll numbers had been lowered through hiring freezes and the non-replacement of voluntary leavers.

Input buying also decreased at a survey-record pace during February, although the rate of contraction was only moderate. Nonetheless, supplier lead-times continued to lengthen, which some firms linked to disruptions at U.S. West Coast ports.

Average cost burdens rose at a sharp pace in February, with the rate of inflation accelerating to a five-month peak. Higher input prices were overwhelmingly linked to the impact of exchange rate depreciation against the U.S. dollar. Meanwhile, factory gate charges rose only moderately across the manufacturing sector, but the rate of inflation picked up from January's recent low.

Regional highlights include:

- Alberta & British Columbia registered the steepest deterioration in business conditions
- Ontario was the strongest performing region, and posted a slight upturn in February
- Alberta & British Columbia signalled the sharpest falls in manufacturing new orders and employment for all regions by far

*"February's survey provides a clear signal that substantial parts of the Canadian manufacturing sector are struggling in the face of falling worldwide spending on energy sector projects." said **Cheryl Paradowski, president and chief executive officer, SCMA**. "Weaker oil-related investment spending resulted in the first overall drop in new orders for almost two years, with Alberta & British Columbia the worst performing region in terms of new business inflows and employment trends. However, looking ahead, the weaker exchange rate and improving conditions in the U.S. economy should provide an appreciable tailwind to growth within the Canadian manufacturing sector."*

The report is available at [www.rbc.com/newsroom/pmi](http://www.rbc.com/newsroom/pmi).

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## Notes to Editors:

The RBC Canadian Manufacturing *PMI*<sup>™</sup> 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*<sup>™</sup> (RBC *PMI*<sup>™</sup>) 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](mailto:economics@markit.com).

## About RBC

Royal Bank of Canada is Canada's largest bank, and one of 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, insurance, investor services and capital markets products and services on a global basis. We employ approximately 78,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 39 other countries. For more information, please visit [rbc.com](http://rbc.com).

RBC supports a broad range of community initiatives through donations, sponsorships and employee volunteer activities. In 2014, we contributed more than \$111 million to causes worldwide, including donations and community investments of more than \$76 million and \$35 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](http://scmanational.ca).

## About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see [www.markit.com](http://www.markit.com).

## About PMI

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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](http://markit.com/economics).

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