

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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RBC PMI™ rises to 15-month high in September, suggesting a solid manufacturing expansion in Canada

OCTOBER 1, 2013 – Canada's manufacturing expansion accelerated to a 15-month high in September, 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.

The seasonally adjusted **RBC PMI** – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – rose to 54.2 in September, up from 52.1 in August. This indicated further improvement in manufacturing business conditions, with the rate of growth above the series average and the fastest since June 2012.

The **RBC PMI** found that both output and new order growth accelerated in September. In particular, the latest rise in total new work intakes was strong and the fastest since June 2012. This partly reflected the greatest increase in new export orders for two-and-a-half years. Meanwhile, the rate of job creation also quickened to a 15-month high, as firms hired additional staff to handle increased business activity.

*“The global economy is gaining traction, and, with that, we are seeing increasing demand for Canadian exports – particularly from the manufacturing sector, which has contributed to the PMI reaching a 15-month high in September,” said **Craig Wright, senior vice-president and chief economist, RBC.** “While challenges in the sector remain, this rebound is encouraging. An anticipated strengthening in global economic growth, particularly in the U.S. which is Canada's largest trading partner, bodes well for manufacturing activity late this year and early next.”*

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

Key findings from the September survey include:

- strongest rise in new orders since June 2012;
- employment increases at fastest rate for 15 months; and
- average selling prices rise for first time since May.

Incoming new work at Canadian manufacturers increased for the sixth consecutive month in September. Moreover, the rate of **new order** growth was strong and the fastest in 15 months. Firms generally cited new product launches, as well as greater demand, both domestically and in key export markets such as the United States. Concurrently, **new export orders** rose at the sharpest rate for two-and-a-half years in September.

Firms raised **production** in light of higher new order volumes. Output rose solidly over the month, and at the fastest rate since May. Nevertheless, **outstanding business** increased for the first time in four months and at the strongest pace for two years, while **stocks of finished goods** were broadly the same as in August.

The **quantity of inputs bought** by manufacturing companies increased for the sixth successive month in September. The rate of growth was solid and the strongest since August 2012. **Stocks of purchases** also increased, although the rate of accumulation was marginal.

Concurrently, **suppliers' delivery times** lengthened further in the latest survey period, with panellists suggesting that vendors were generally busier and had leaner inventories. Overall, the latest increase in lead times for inputs was solid and the greatest for 15 months.

Employment growth in the Canadian manufacturing sector accelerated to a 15-month high in September. Approximately 17 per cent of firms hired additional staff since August, and generally attributed this to increased business activity.

Manufacturers faced higher **input prices** in September, with raw materials and transportation costs having increased over the month. That said, the overall rate of inflation eased slightly since August and was weaker than the series average. Firms passed on higher costs to clients by raising their selling prices. On average, **output charges** rose moderately and for the first time since May.

Regional highlights include:

- Manufacturing business conditions improved across all four regions, led by **Alberta and British Columbia**.
- New orders increased in **Ontario**, reversing a reduction one month previously.
- **Alberta and British Columbia** recorded the strongest rate of employment growth.
- **Quebec** saw the weakest increase in input prices in September.

*"After a prolonged period of weakness, the Canadian manufacturing sector appears to be back on track with the RBC PMI rising above its series average to a 15-month high", said **Cheryl Paradowski**, president and chief executive officer, SCMA. "The main driver of the expansion was an increase in new orders, which in itself reflected the greatest rise in new export work since March 2011. Production levels were insufficient to fully meet new order requirements, with backlogs of work rising at the sharpest rate for two years."*

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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