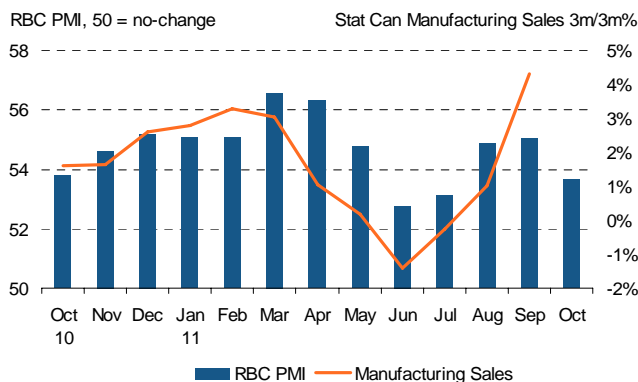


Canadian PMI

Manufacturing sales up, but businesses say growth may slow in Q4

Canadian manufacturing sales increased further in September, according to Canada's official statistics agency. At \$49.2bn, the monthly rise was 2.6% higher than in August and 10.8% greater than a year earlier. An upturn in sales growth was correctly identified by the RBC Canadian Manufacturing PMI™, but with the headline index at 53.7 in October (down from 55.1 in September) the rate of manufacturing sales growth is likely to ease over the coming months.

PMI vs official manufacturing sales



Sources: Markit, Statistics Canada.

RBC PMI shows broadly similar trend to official data

The RBC PMI¹ follows a similar underlying trend to that of official manufacturing sales, as indicated by turning points in both series. The rate of sales growth peaked during the first quarter of 2011, but contracted slightly in June. Meanwhile, the PMI posted its highest and lowest readings in the 13-month series history in March and June respectively.

Another turning point was signalled by the RBC PMI in September, with the headline index falling to a three-month low in October. Subsequently, the survey

¹ The PMI, produced by Markit for RBC in association with the Purchasing Managers' Association of Canada (PMAC), has now entered its second year of data collection. First publically released in June, with data starting from October 2010, the RBC PMI is a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector.

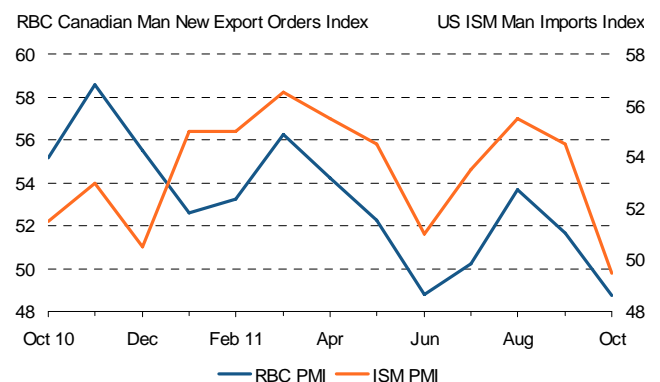
suggests that official manufacturing sales growth is likely to ease during the final quarter of 2011.

Weaker US economic conditions affecting Canadian manufacturing export orders

Surveyed companies partly attributed the weaker expansion in the Canadian manufacturing sector to a slower rate of new order growth in October, which in turn reflected a fall in new export orders. Anecdotal evidence provided by panellists generally cited the ongoing Eurozone debt crisis and uncertainty over the US economic recovery.

Notably, the decline in the New Export Orders Index mirrors a similar trend reported in the US ISM Manufacturing PMI survey. The US Imports Index fell below the 50 no-change mark and suggested that US manufacturers imported fewer goods in October. This relationship highlights the linkages between both the Canadian and US manufacturing sectors.

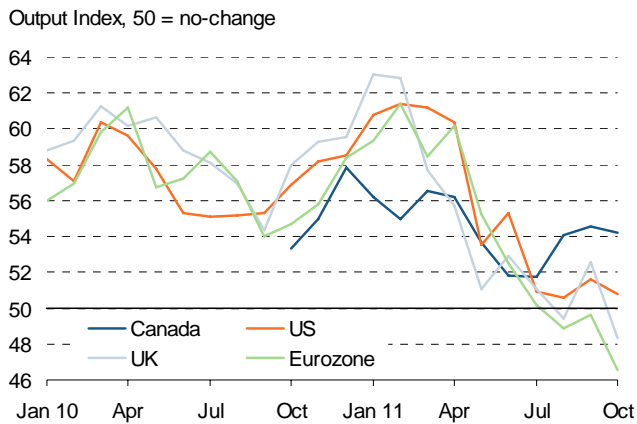
Canadian exports PMI vs US imports PMI



Sources: Markit, ISM.

Despite the slowdown, PMI data indicated that Canada performed above the global average in October. Moreover, production growth at Canadian manufacturers was above that registered for the US, UK and Eurozone during the latest survey period.

Canadian output growth faster than US and European countries



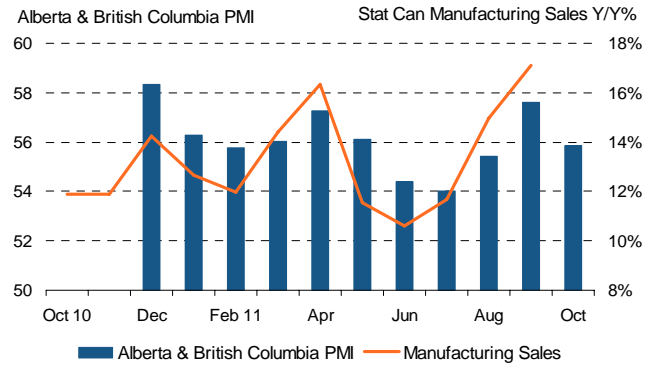
Sources: Markit, ISM.

Alberta & British Columbia posts strongest expansion rates in October

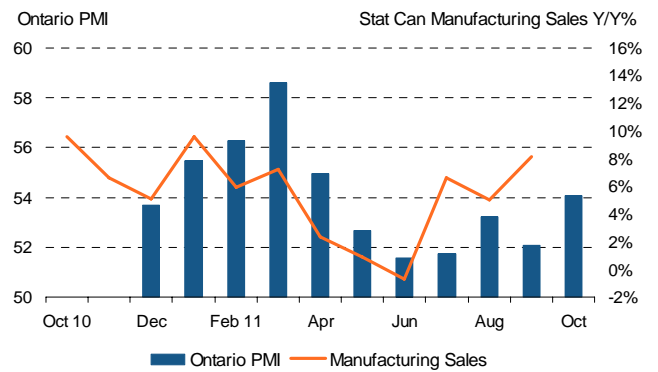
Detailed analysis of the latest rise in manufacturing sales by Statistics Canada showed that the largest monetary gain was in Alberta. Comparably, regional PMI data indicated that the fastest rate of expansion across all four broad regions was in Alberta & British Columbia for the second consecutive month in October.

Moreover, official manufacturing sales recorded in Ontario increased for the third month running, after falling slightly in June. Meanwhile, Ontario PMI data posted the lowest reading in the shorter 11-month series history during June, but has since increased to a six-month high in October.

Alberta & British Columbia PMI



Ontario PMI



Sources: Markit, Statistics Canada.

To find out how to receive PMI data, please contact economics@markit.com

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