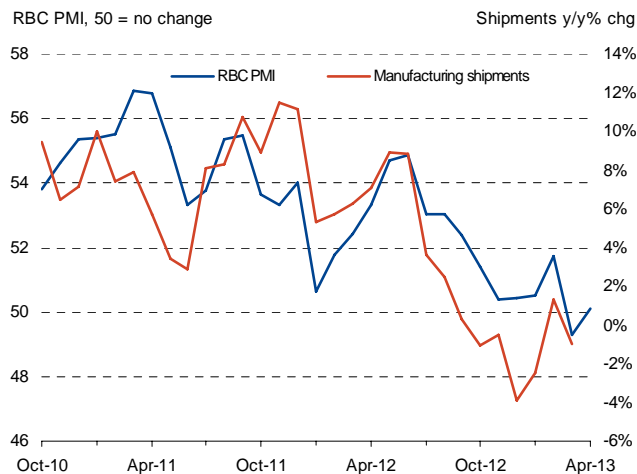


Canada

Manufacturing shipments fall, but PMI suggests brighter picture for April

- **Manufacturing shipments down in three out of the past four months**
- **PMI data suggest an improving, but still weak, trend for April**

PMI and manufacturing shipments



Sources: Markit, RBC, Statistics Canada.

Canadian manufacturing shipments fell 0.3% in March, down to \$49.5bn. Although the contraction was only marginal, it was a marked contrast to the revised 2.8% growth in February, the strongest for over one-and-a-half years.

The RBC Canadian Manufacturing PMI, produced by Markit, correctly anticipated the reduction in shipments, having fallen to a survey-low that was below the 50.0 no-change mark in March.

On an annual basis, the rate of contraction in manufacturing shipments was 1.0% in March, mostly reversing a 1.4% expansion in February. However, Statistics Canada largely attributed the decline to lower shipments in the chemicals and oil and gas industries. In fact, excluding these sectors, the official statistics agency suggested that total manufacturing shipments rose 0.3% over the month.

PMI data, which provides an early indication of underlying trends within Canada's manufacturing sector and is based on questionnaire responses sent

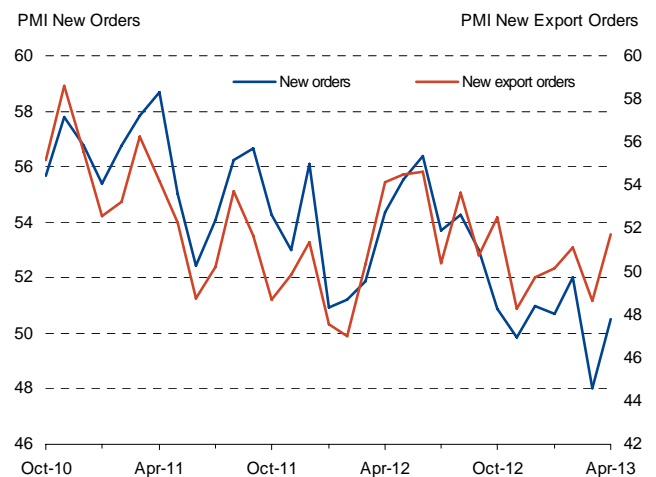
to over 400 firms, has historically indicated key turning points in the official numbers since survey data collection began in October 2010.

PMI data paint brighter April picture

Latest PMI data showed an improving manufacturing trend at the start of the second quarter. Part of the improvement reflected a return to growth for manufacturing new orders and a revival in exports, which rose at the strongest pace in six months. However, manufacturing business conditions nonetheless remain weak, resulting in a cautious approach to hiring among surveyed companies.

May PMI data that are released on June 3 will provide more insight into Canadian manufacturing trends and show whether the recent uptick will be sustained.

Revival in manufacturing new orders in April



Sources: Markit, RBC.

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