

IHS MARKIT GLOBAL COPPER USERS PMI™

Headline PMI dips to six-month low in August

KEY FINDINGS

Softer rises in output and new orders

Employment and backlogs rise at slower rates as pressure on capacity eases

Input costs and output charges rise at softer pace

The Global Copper Users PMI dipped to a six-month low in August, with firms reporting softer increases in both output and total new orders. A number of panellists mentioned that longer delivery times and material shortages had dampened growth in August. Meanwhile, copper users saw a softer rise in both employment and backlogs. Difficulties in sourcing inputs also led to a substantial increase in input costs, although the rate of inflation eased to a six-month low.

The seasonally adjusted Global Copper Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of copper – slipped from 54.9 in July to 54.2 in August. Though the index continued to signal a solid improvement in overall operating conditions, it was the lowest index reading for six months. Copper users in the US and Asia reported that growth rates were unchanged during August. Meanwhile, European firms signalled the weakest improvement in conditions since the start of the year.

Output expanded at a more moderate pace at global copper users in August, with the rate of expansion slipping to the softest in the current 14-month sequence. Data broken down by region showed a significantly softer rise in output in Europe, as well as further slowdowns in Asia and the US.

Demand

New orders received by global copper users increased for the fourteenth month running in August. Though solid, the rate of expansion was the softest seen since February. Weaker rises

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

in sales were signalled for Asia and Europe, with the former noting the slower rate of increase. In contrast, new business grew at the fastest pace for three months at US-based firms. New work from overseas also rose at a weaker pace, with the rate of growth easing to the softest for six months.

Capacity

In line with the trend for new orders, global copper users recorded a slower increase in employment in August. The rate of job creation was the softest seen for six months and was only marginal. Staff hiring slowed in the US and Europe, while growth remained marginal at Asian companies. At the same time, backlogs of work rose at a softer pace than that seen in July, with the rate of accumulation moderate overall.

As has been the case since July 2020, purchasing activity rose further midway through the third quarter. Although easing to a five-month low, the rate of expansion was still sharp overall. However, the time taken for inputs to be delivered continued to lengthen rapidly due to material shortages and COVID-related delays.

Prices

Input costs faced by global copper users continued to increase sharply in August, though the rate of inflation eased from July. Price pressures were most severe in the US, where inflation reached a series record. The rate of increase in prices charged eased in August, and across all monitored regions.

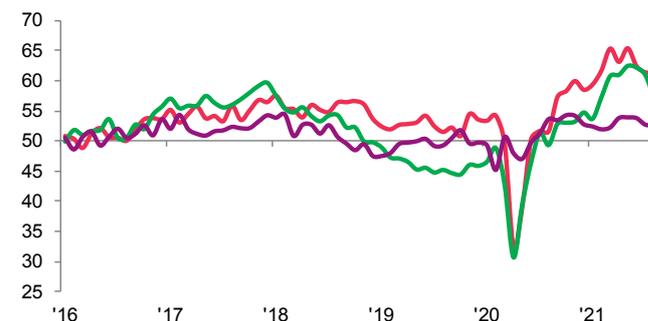
COMMENT

Usamah Bhatti, Economist at IHS Markit said:
 “The Global Copper Users PMI indicated a further loss of momentum midway through the third quarter, with firms registering slower rises in both output and new orders. Companies often linked this to supply chain delays and raw material shortages stemming from a resurgence in COVID-19 cases related to the Delta variant, which limited output growth and weighed on demand in August. Softer improvements in new orders were signalled across the three monitored regions, with Asia seeing the weakest improvement compared to the US and Europe respectively.

“The slower increases in production and sales led to a softer expansion in employment. At the same time, ongoing supply chain disruption continued to push input costs up in August, though the rate of inflation eased. As part of efforts to alleviate pressure on margins, copper users increased selling prices yet again, albeit at the softest rate since February.”

Global Copper Users PMI
 Europe / USA / Asia

sa, >50 = improvement since previous month



Source: IHS Markit.

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Methodology

The Global Copper Users PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in manufacturers identified as heavy users of copper. The sample is selected from IHS Markit’s global PMI survey panels, covering over 40 countries.

Survey responses are weighted by country, based on national copper consumption figures sourced from IHS Markit’s Pricing & Purchasing Service. Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers’ Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers’ Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers’ Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Purchasing Managers’ Index™ (PMI™) surveys are now available for over 40 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.
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