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IHS MARKIT GLOBAL COPPER USERS PMI™

New order growth strengthens in October

KEY FINDINGS

Sales rise for second month in a row

Production increases at solid pace

Employment and input purchases decline further

Latest data at global copper users solidified the improvement in business conditions observed in September, as output and new orders both grew for the second consecutive month and at faster rates in October. Employment and input buying continued to decline, however, leading to a moderate rise in backlogs.

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 – rose for the third month running from 50.4 in September to 50.8 in October, signalling another improvement in operating conditions. That said, the overall rate of growth was marginal and weaker than the series average.

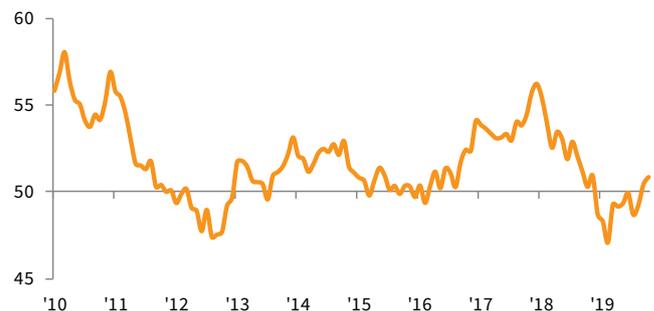
Output levels at global copper users grew for the second consecutive month in October, with the rate of increase accelerating slightly from September to a solid pace. On a regional basis, Asian users saw the quickest rise in production for 21 months, while output growth among US users slowed and European firms noted a further contraction.

Demand

Rising output stemmed from a faster inflow of new orders at global users of copper during October, after September recorded the first uplift in sales for ten months. The rate of growth was modest but also the quickest seen since November 2018.

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Asian businesses reported the strongest rise in demand in over a year-and-a-half, whereas new order growth at US firms slowed to an eight-month low. The decline in new orders at European firms meanwhile extended to a whole year.

Capacity

Employment fell at a marginal rate in October, as copper users worldwide cited that the number of employees leaving continued to outpace hiring activity. As such, backlogs rose moderately as firms were unable to respond to higher levels of new work.

Input purchases also dropped at the start of the fourth quarter, although the rate of contraction was marginal and the weakest in four months. Notably, lead times faced by copper users improved for the first time since August 2012, albeit fractionally.

Prices

Copper users found that falling demand for inputs and US tariffs led to a reduction in prices for raw materials during October. As a result, cost burdens fell for the first time in over three-and-a-half years.

At the same time, selling charges were increased over the course of the month. The mark-up was centred on Asian businesses, in line with stronger demand for output goods. This followed five successive months of price discounting.

COMMENT

David Owen, Economist at IHS Markit said:

"The Global Copper Users PMI added to the positivity seen in September with another reading above 50.0 during October, signalling a further improvement in the health of the copper-using industry. Output and new orders increased again, and at faster rates than in the previous month. The upturn has not translated into higher employment as of yet, but with firms indicating greater pressure on capacity, this may change in the near future.

"Copper users also saw the first drop in cost burdens since March 2016, with businesses often noting that the prolonged period of falling input demand, as well as heightened tariffs, have forced suppliers to lower prices. This may be short-lived though, as the greater inflow of new orders in the past two months should feed through into higher demand for raw materials. Copper prices have also seen upward pressure in October due to improved PMI data for China and hopes of relaxed US-China trade tensions."

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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. To learn more go to ihsmarkit.com/products/pmi.html.