News Release

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IHS MARKIT GLOBAL COPPER USERS PMI™

Output and new orders slip back into contraction in July

KEY FINDINGS

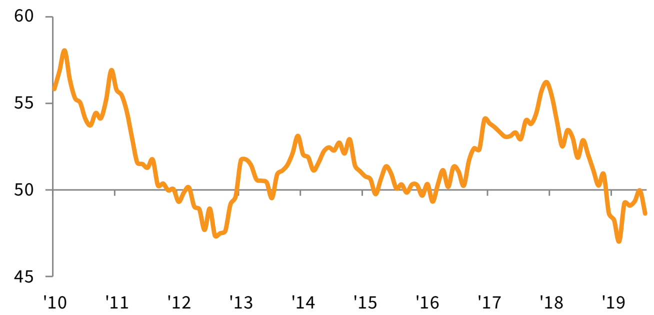
Modest drop in output levels

Quickest fall in new orders since February

Selling charges continue to decline

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

A renewed downturn in the global copper-using industry was recorded in July, as production fell in response to a solid decline in new orders. Employment and purchasing activity also decreased, while easing supplier prices led to a softer uptick in input costs. As such, output prices fell for the fourth month running.

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 – dropped from 50.0 in June to 48.6 in July, pointing to a modest decline in the health of the global copper-using industry. It was the weakest result in five months, with all three key regions recording lower PMI readings from the previous month.

Production levels fell at a moderate pace, after June saw the first upturn for eight months. The latest contraction was driven by a renewed drop in output among Asian users, due to falling demand over the month. European users meanwhile saw a sharper downturn, while US users continued to report sharp output growth.

Demand

Global copper users recorded a solid decline in new business at the start of the third quarter of the year. After broadly unchanged levels in June, the latest drop was the strongest in five months. Firms particularly saw weakness in export sales, which decreased at the joint-fastest rate in the current 14-month run of decline.

According to panellists, demand was often reduced due to lower trade and reduced car production. Some European respondents noted a delay in orders because of Brexit-related uncertainty.

Capacity

The demand slowdown meanwhile led firms to pare back input purchases in July, contributing to a tenth successive monthly fall in inventories of inputs. Firms also saw capacity expand as backlogs were reduced for the ninth month in a row.

Employment also declined, but only slightly. Notably, US users recorded the softest rise in workforce numbers since April 2018.

Prices

Inflation of input costs at global copper users cooled in July, and remained historically weak. Panellists commented that softer demand helped to ease many suppliers' prices, and offset increases in import costs and some raw material prices.

At the same time, output charges were reduced further, extending the run of decline to four months. Lower charges were mainly recorded in the Asian copper-using industry.

COMMENT

David Owen, Economist at IHS Markit said:

"Hopes of a rebound in the global copper-using industry were dashed slightly by July PMI readings, which showed a renewed downturn in operating conditions. Output among Asian copper users notably decreased, following a marginal uplift in June, as new orders also returned to contraction territory.

"Companies noted that raised trade tensions played a part in reducing production, as new export orders fell at a sharper rate. Alongside an escalation in the US-China trade war, a dispute between Japan and South Korea has affected some manufacturers in the region.

"Meanwhile, the headline PMI for European copper users fell to a new low in the current period of decline, and the weakest since August 2012. Firms reported a continued drag in new orders from the autos sector and uncertainty around the Brexit outcome. With the slowdown deepening, it appears that the continent is a long way from recovery in the copper-using sector."

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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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About PMI
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.

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