

IHS MARKIT GLOBAL COPPER USERS PMI™

Demand conditions at copper users continue to improve sharply

KEY FINDINGS

Sustained rises in output and new orders

Pace of job creation quickens

Fastest rise in stocks of raw materials for over three years amid shortages

June data pointed to a further improvement in business conditions faced by global copper users, albeit one that was softer than in May. Both production and new order volumes saw further strong increases despite rates of growth easing to three-month lows. Employment levels continued to rise for a sixth successive month, with the pace of job creation remaining solid. Amid record reports of supply chain disruption and shortages, copper users indicated that holdings of raw materials increased at the quickest pace since February 2018, contributing to a further marked rise in input costs.

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 – dipped slightly to 56.2 in June from 56.5 in May. Sustained rises in output and new business meant that operating conditions have continuously improved for a full year.

Copper users across all three monitored regions registered expansions in output during June, led by a sharp, yet softer, rise at European firms. Firms in both the US and Asia noted weaker rises in output levels, though growth rates remained well above the respective long run averages.

Demand

New orders received by copper users rose at a sharp pace in June, extending the current sequence of growth to 12 months. Overall growth was led by European firms, though all three monitored regions noted a softer rise in sales. Panellists

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

commonly attributed the rise to sustained improvements in demand in both domestic and external markets. That said, both total new order growth and new export sales rose at the softest pace for three months.

Capacity

In line with ongoing expansions in output, global copper users increased their staffing levels for the sixth month in a row in June. The pace of job creation quickened from May and was solid. At the same time, survey members reported that a sustained increase in demand led to the fastest rise in outstanding business since December 2017.

Copper users also reported severe supply chain disruption during June. Latest data signalled a rapid lengthening in delivery times, and one that was unsurpassed in the survey's history. Both the US and Europe registered a record deterioration in supplier performance. Amid difficulty in sourcing raw materials, purchasing activity rose at the fastest pace since January 2011 to offset delays, while stocks of raw materials increased to the greatest extent since February 2018 as firms built safety stocks.

Prices

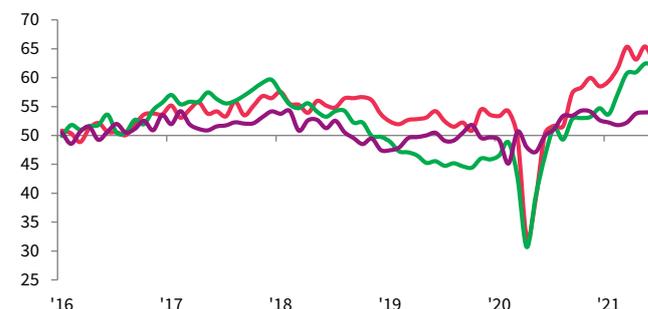
Input prices faced by copper users rose for the thirteenth month running in June. Notably, the rate of inflation eased for the first time since January and was the softest recorded for three months, despite a record rise in Europe. Higher input costs continued to be partially passed through to clients, though the rate of charge inflation eased from May.

COMMENT

Usamah Bhatti, Economist at IHS Markit said:
“The global copper-using industry saw a further improvement in operating conditions in June as sustained expansions in production and new order levels kept the latest PMI reading above the 50.0 no-change threshold. While sharp overall, the rate of growth eased in comparison to May. Firms across the US and Europe signalled a softer improvement in demand conditions, while Asia-based firms noted no change in operating conditions at the end of the second quarter. Ongoing concerns about raw material shortages continued to weigh on copper users, as a record deterioration in vendor performance led to the further build-up of safety stocks of raw materials.
“The latest PMI data indicated that copper users continued to adjust to varying levels of COVID-19 restrictions worldwide. However, the resurgence of cases and tighter restrictions amid the more infectious Delta variant, alongside persistent supply chain disruption, may dampen near-term growth prospects.”

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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