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IHS MARKIT GLOBAL COPPER USERS PMI™

PMI descends to near ten-year low in February

KEY FINDINGS

Output and new orders decline at sharper rates

New export orders fall at fastest pace in over six years

Selling charges rise only fractionally

Global copper users recorded an even faster deterioration in business conditions in February, as output fell at a quicker rate amid sharp drops in overall and foreign demand. Input purchases and employment also declined. Selling prices saw only a slight increase, while input cost inflation rose to a three-month high.

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 – fell from 47.9 in January to 47.0 in February, to signal a solid deterioration in business conditions. In addition, the rate of decline was the sharpest since May 2009.

Output at global copper users declined sharply in February, with the rate of decrease accelerating from January to the fastest in nearly ten years.

As has been the case in recent months, Asian users saw the most marked downturn in activity, while European users reported a solid drop. Meanwhile, US users saw output growth improve since the start of the year.

Demand

Contributing to the downturn worldwide was a fall in new orders for the third month in a row. Moreover, the latest decline was the sharpest since April 2009. Similarly, new export orders dropped at the quickest rate in over six years.

Panellists that reported lower sales related this to weaker global economic activity, particularly in China. European

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

copper users noted a lack of demand from the automotive industry and uncertainty over the Brexit negotiations.

Capacity

As demand fell, global copper users reduced purchases of inputs at a sharp rate in February. This marked the third successive fall in input buying and the strongest since September 2012. Stock levels also declined, albeit moderately.

Manufacturers reduced their workforce numbers marginally in February. Where there was a reduction, panellists related this to the weak level of domestic and export demand.

Prices

Output price inflation remained soft mid-way through the first quarter. The respective seasonally adjusted index rose fractionally from January's 28-month low. Regionally, US users saw a notably cooler rate of inflation, whereas European users reported a quicker rise. Asian users continued to reduce charges on copper end-use goods.

Input costs increased solidly in February, with panellists generally linking this with higher raw material prices. In addition, some firms highlighted the impact of greater import tariffs and energy prices.

COMMENT

David Owen, Economist at IHS Markit said:

"Business conditions at copper users worldwide are deteriorating at a rate not seen since the financial crisis. For any industry, that is worrying news, but copper has a historical trend of correlating impressively with global output. Subsequently, current PMI figures point to a marked weakening of GDP growth in the first quarter of 2019.

"One factor is the decline of the automotive sector, a key purchaser of copper end-use goods. New emissions standards have kick-started a transition process in the industry, which so far has curtailed production levels. This could continue during 2019 as car-makers reassess their businesses and prepare for further regulation changes."

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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.