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IHS MARKIT GLOBAL COPPER USERS PMI™

Selling prices fall at copper users amid weak demand and low cost inflation

KEY FINDINGS

Output charges drop for first time since August 2016

New orders fall for sixth month in a row

Input costs rise only slightly

Global copper users experienced a further drop in new factory orders in May, the sixth monthly decline in a row. In response, firms reduced production levels and discounted their selling charges for the first time in nearly three years, as input price inflation cooled.

At 49.4 in May, 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 – ticked up from 49.1 in April, to signal a similarly marginal deterioration in business conditions. The reading extended the current sequence of decline to six months, but indicated the weakest drop in this period.

Goods producers using copper reduced their output modestly over the course of May. Notably, European users cut production at the sharpest rate in nearly seven years. Conversely, output growth at US users improved to a five-month high.

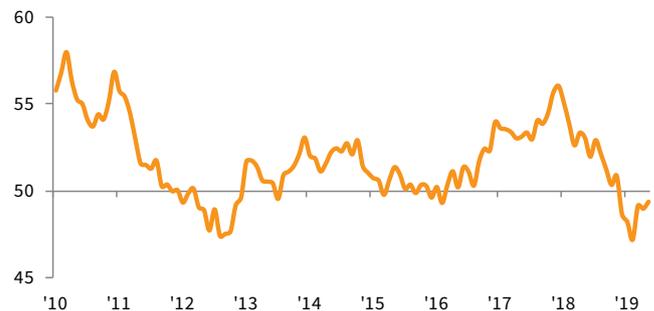
Demand

Copper-using firms were prompted by a further decline in sales of manufactured goods. However, the fall was slight and the weakest in the current six-month sequence, with Asian users seeing demand broadly stabilise.

Where weaker new orders were noted, panellists associated this with decreasing market demand, high competition

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

and still soft conditions in the automotive sector. Foreign demand also continued to fall in May.

Capacity

Headwinds to production led to another reduction of input purchases during the month. Moreover, the rate of decrease quickened for the second month in a row, leading to sustained drops in both pre- and post-production stocks. Despite this, delivery times lengthened again, with some businesses relating this to supply shortages.

More positively, employment was broadly unchanged, following a slight drop during April. Job losses at European and Asian copper users were countered by hiring activity among US users.

Prices

Input cost inflation softened further mid-way through the second quarter, slipping to the weakest in the current 38-month run of price rises. Manufacturers found that falling metal prices offset increases in other raw materials. Furthermore, regional data showed producer costs declining at US and European users for the first time in over three years.

Consequently, global copper users were able to offer discounts to customers in May in order to boost sales. This marked the first drop in selling charges since August 2016, although the decline was only slight.

COMMENT

David Owen, Economist at IHS Markit said:

"Demand weakness still gripped the global copper-using industry in May, as the latest PMI data signalled another decline in new orders, albeit to the least extent for six months. This run of poor performance has finally prompted manufacturers to reduce their selling prices for the first time since August 2016, revealing the level of angst among businesses that markets may not recover in the short run.

"On the flip side, copper users faced even softer input price inflation, which fell to a 38-month low. This is mostly due to copper prices dropping by over \$300/tonne during the month, amid softening demand for the metal.

"The price decline also reflected a broader downturn in global markets as tensions flared in the US/China trade war. President Trump announced a rise in tariffs on \$200bn worth of Chinese goods in May, pre-empting a swift retaliation from China with tariffs of their own. Altogether, this is bad news for manufacturers, particularly for metal users who have suffered considerably from falling global trade over the past year. With the JP Morgan Global Manufacturing PMI now indicating that the manufacturing sector is in contraction, there is a risk that the downturn among copper users could deepen in months ahead."

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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](mailto: 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.