

IHS MARKIT GLOBAL COPPER USERS PMI™

Copper users signal slowest increase in output for 15 months

KEY FINDINGS

Softer increases in output and new orders

Employment expands at weakest rate for eight months

Material shortages drive sustained and marked rise in costs

Copper users reported a slower improvement in overall operating conditions in September. Notably, both output and new orders expanded at the softest rates in their respective 15-month sequences of growth. Employment and purchasing activity also increased at a slower pace compared to August, while sustained pressure on supply chains led to a further marked rise in input costs. As a result, average selling prices rose again, with the rate of charge inflation quickening for the first time in four months.

At 52.5 in September, 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 – declined from 54.0 in August. Although the reading pointed to a further improvement in the health of the sector, the rate of growth was the softest seen for 14 months. All three key regions noted lower PMI readings in September.

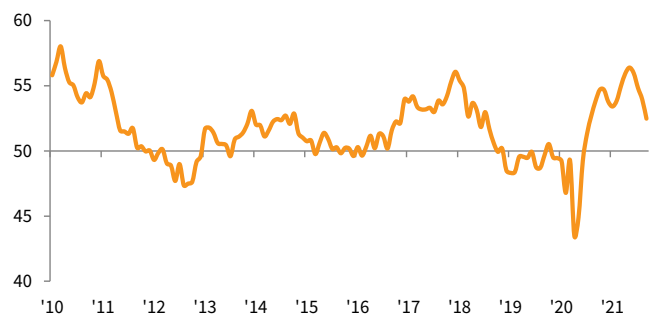
Production levels continued to rise in September, however the rate of growth softened to the slowest in the current period of expansion that began in July 2020. Copper users in all three regions noted weaker upturns in output, with firms in Asia and the US signalling only a fractional increase.

Demand

Global copper users signalled a sustained rise in new work during September. The rate of growth eased to the slowest since the current period of expansion began fifteen months ago, and was modest overall. Survey respondents often linked higher sales to firmer demand conditions, though

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

this was dampened by sustained material shortages. Both US and European firms saw growth ease to an eight-month low, while copper users in Asia saw the softest upturn in the current sequence. New export business rose marginally overall, with the rate of expansion softening from that seen in August.

Capacity

With workloads rising further in September, companies increased their staffing levels for the ninth straight month. However, the rate of job creation eased to the weakest since January and was only marginal. Greater intakes of new work and material shortages drove a further increase in backlogs, though the rate of accumulation reached a seven-month low.

Suppliers' delivery times continued to lengthen in September, and at a rate only slightly softer than June's record. Vendor performance deteriorated at some of the fastest rates ever in Europe and the US. Purchasing activity meanwhile rose moderately, with growth easing to a 14-month low, while stocks of inputs increased slightly and for the sixth successive month.

Prices

A combination of higher raw material costs and shortages drove a further rise in cost burdens in September. The rate of inflation eased to the softest since February, however. That said, copper users increased their selling prices at a faster rate for the first time since May.

COMMENT

Usamah Bhatti, Economist at IHS Markit said:

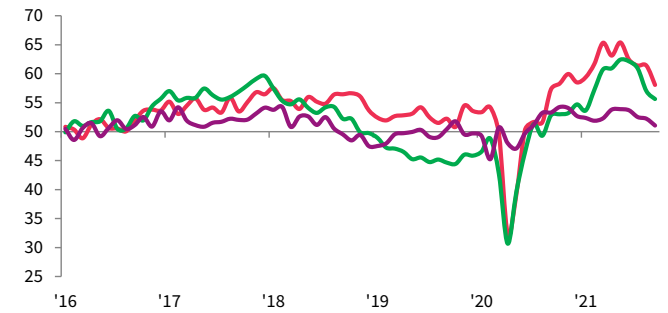
“Global copper users signalled a further loss of momentum at the end of the third quarter, with the indices for both output and incoming orders ticking down to post their lowest respective readings since June 2020. Notably, the headline PMI figures dipped across all three key regions in September, with eight, 12 and 14-month lows recorded in Europe, the US and Asia respectively.

“Companies often indicated that activity and demand had been dampened by ongoing material shortages and severe supply chain disruption, particularly as businesses were still trying to rebuild inventories and production lines following the latest surge in COVID-19 cases linked to the Delta variant. It is likely, however, that supply chains will take longer to fully recover, which may dampen prospects for the months ahead.”

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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