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IHS MARKIT GLOBAL COPPER USERS PMI™

Copper PMI signals marked improvement in operating conditions

KEY FINDINGS

Output and new order growth soften, but remain strong

Employment falls for first time since July

Fastest rise in output charges since April 2011

The global copper-using industry registered a further improvement in overall operating conditions in December, according to the latest PMI™ data, amid continued expansions in output and new orders. While both softened in comparison to November, the rates of growth were still strong overall. Businesses commonly attributed the easing to a resurgence in coronavirus disease 2019 (COVID-19) cases which disrupted client demand. Despite higher production and new orders, firms reduced their staffing levels for the first time in five months. Furthermore, sustained increases in cost burdens resulted in the sharpest rise in output charges since April 2011.

At 54.1 in December, 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 slightly from 55.1 in November, but still signalled a marked improvement in the health of the sector overall. Copper users in the US saw the sharpest overall upturn in operating conditions, despite softening in comparison to November. Meanwhile, both European and Asian firms reported a solid improvement in business conditions in December.

Production at global copper users rose at a strong pace in December, despite growth easing to the softest since August. The expansion was broad-based across all three monitored regions, with the US seeing the fastest upturn.

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Demand

Global copper users indicated that client demand continued to increase in December, as shown by a further expansion in new orders. The pace of growth slowed from the previous survey period, but remained strong overall and above the series average. The upturn was led by copper users in the US, though European and Asian firms also signalled higher sales. Foreign demand meanwhile rose for a fifth consecutive month, and at a faster pace than that seen in November.

Capacity

Employment at global copper users fell in December, ending a four-month of expanding staffing levels. That said, the decline was only fractional overall and partly due to a renewed fall in hiring among Asia-based firms. Meanwhile, panellists signalled an expansion in backlogs of work, which rose at the steepest rate since October 2019.

Sustained new order growth led to a solid expansion in purchasing activity in December. That said, a record deterioration in vendor performance among US-based firms led to the sharpest lengthening in delivery times since the peak of the pandemic in April.

Prices

Average input costs increased at a sharp and accelerated rate in December. Notably, the rate of inflation was the fastest since June 2018, contributing to the quickest increase in output charges since April 2011.

COMMENT

Usamah Bhatti, Economist at IHS Markit said: *“The Global Copper Users PMI posted above the 50.0 neutral threshold for the sixth month in a row in December, to signal a solid improvement in business conditions. The latest data pointed to a sustained recovery at the end of a turbulent year following disruption caused by the COVID-19 pandemic earlier in 2020. Moreover, the expansions were broad-based across Asia, Europe and the US, with the latter recording the strongest growth.”*

“Copper users continued to report sustained increases in production, new orders and exports in the latest survey period. Despite this, copper-using businesses recorded a marginal fall in staffing levels, ending four consecutive months of job creation. Furthermore, cost burdens faced by copper users rose sharply in December, which were partially passed on to clients through the sharpest increase in output charges for almost a decade.”

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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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.
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