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## IHS MARKIT GLOBAL COPPER USERS PMI™

### Business conditions remain subdued in January

#### KEY FINDINGS

Output growth weakens to five-month low

New orders and employment fall for second month running

Higher cost pressures push up output charges

January PMI™ data signalled a further deterioration in operating conditions at global copper users, with new orders notably falling for the second month running. Job numbers also declined, while production expanded only slightly from December. Rising metal prices meanwhile led to a sharper uptick in input costs, with firms in response raising output charges at the quickest pace since March 2019.

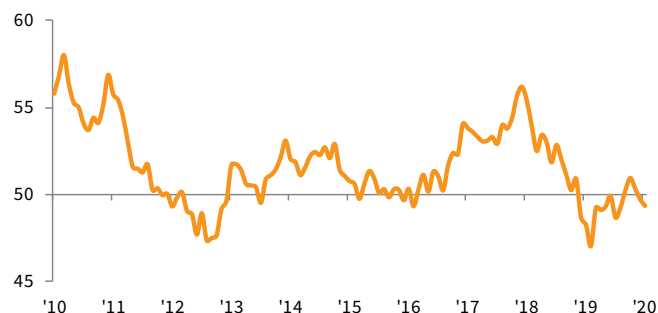
The seasonally adjusted Global Copper Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of copper – fell for the third successive month from 49.6 in December to 49.4 in January, pointing to another slight decline in the health of the global copper-using industry. The rate of deterioration was the quickest seen since last August.

Notably, Asian users saw the first decline in operating conditions for five months, contrasting with US users who reported another solid improvement. European copper users registered a further downturn, albeit the softest since last March.

Worldwide output at copper-using firms grew for the fifth consecutive month in January. That said, the rate of expansion slowed to the weakest in this period, amid smaller upturns at Asian and US users. Manufacturers in Europe saw a modest drop in output due to lower new orders.

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

#### Demand

Meanwhile, latest data pointed to a mild drop in new work at global copper users during January. Firms indicated that weaker client demand and falling activity in the automotive industry stemmed sales. New orders from abroad also fell at a modest pace. Nevertheless, the rate at which total new orders declined was softer than in the previous month.

#### Capacity

Weaker demand led to a further reduction in workforce numbers at the start of the year. However, in line with December, the rate of decline was marginal. Despite falling employment, backlogs dropped for the second month running.

Input purchases also fell slightly in January, leading to a contraction in input stocks that was among the sharpest seen for seven years. Stocks of finished goods also decreased at a faster pace compared to December.

#### Prices

Input costs faced by global copper users rose solidly in the first month of 2020, with firms in particular noting higher metal prices. The rate of inflation was the fastest for 11 months. Subsequently, manufacturers raised output charges at the fastest rate since last March, albeit only slightly overall.

## COMMENT

David Owen, Economist at IHS Markit said:

*"Falling to 49.4 in January, the Global Copper Users PMI pointed to a deeper decline in operating conditions for heavy users of copper at the start of 2020. Manufacturers continued to face weakening demand, leading production growth to slow to a five-month low and hover close to contraction territory. Employment also fared poorly, with staffing levels declining for the second month running.*

*"While the coronavirus outbreak appeared toward the end of January, most survey data, including for China, were collected prior to businesses realising the full extent of the outbreak. With reports of manufacturers in China voluntarily shutting down over the past week to limit the spread of the virus, we anticipate a severe hit to production in February unless conditions pick up. Input prices are also likely to be affected, with firms noting a solid rise in cost pressures in January due to higher copper prices earlier in the month. Following the outbreak, copper has fallen by over 10%.*

*"As such, the next PMI data release on 6th March will likely reveal the true impact of the coronavirus outbreak on the global copper-using industry."*

## CONTACT

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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](http://ihsmarkit.com/products/pmi.html).