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IHS MARKIT GLOBAL COPPER USERS PMI™

Copper PMI slips to five-month low amid softer demand conditions

KEY FINDINGS

Growth in output and new orders slowest for six months

Cost pressures remain marked

Output charges rise at sharpest rate since April 2011

The global copper-using industry registered another monthly improvement in the health of the sector at the start of 2021, according to the latest PMI™ data, albeit the slowest since August 2020. Output and new business continued to increase, but rates of expansion eased amid softer demand conditions. Despite a slower rise in backlogs of work, firms signalled a renewed increase in employment. Meanwhile, input prices continued to rise at a marked pace with companies partially passing on higher costs to clients through the fastest increase in output charges since April 2011.

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 – dipped slightly to 53.5 in January, down from 53.9 in December. The latest data indicated a solid improvement in operating conditions at copper-using manufacturing firms, albeit the softest for five months. At the regional level, the US once again registered the sharpest upturn, with European and Asian companies recording slower overall growth.

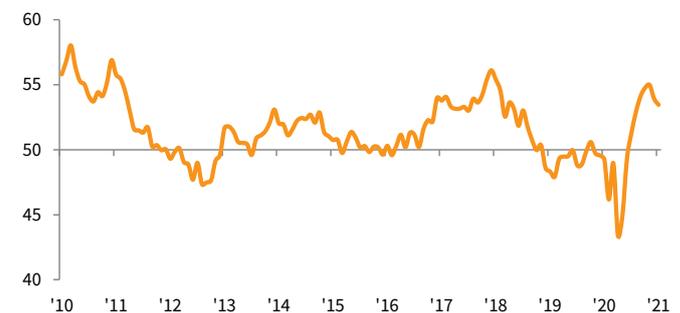
Contributing to a softer overall upturn, the rate of expansion in production eased in January to the weakest since July 2020. Firms stated that longer lead times for inputs and the ongoing coronavirus disease 2019 (COVID-19) pandemic weighed on the increase in output.

Demand

New orders at copper-using manufacturers grew again

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

in January, thereby extending the current sequence of expansion to seven months. Despite reports of solid client demand, the rate of growth in new business eased to a six-month low. All three monitored regions registered softer upturns, the most notable slowdown being seen in Europe, where the rise was only marginal. At the same time, foreign client demand grew fractionally amid stricter COVID-19 restrictions.

Capacity

Pressure on capacity waned at the start of 2021, as backlogs of work rose only marginally. Nonetheless, copper-using manufacturers signalled a renewed increase in employment. The expansion in workforce numbers largely stemmed from a sharper rise in staffing numbers at US-based companies.

Supply-chain disruption remained evident, as delivery times lengthened to the greatest extent since April 2020. Greater production requirements, however, led to an increase in purchasing activity. Meanwhile, pre- and post-production inventories fell, with the former declining at the steepest pace since last September.

Prices

Meanwhile, supplier shortages and transportation delays led to a significant rise in input prices. Excluding December's recent high, the pace of cost inflation was the sharpest since June 2018. As a result, the rate of increase in output charges was the steepest since April 2011.

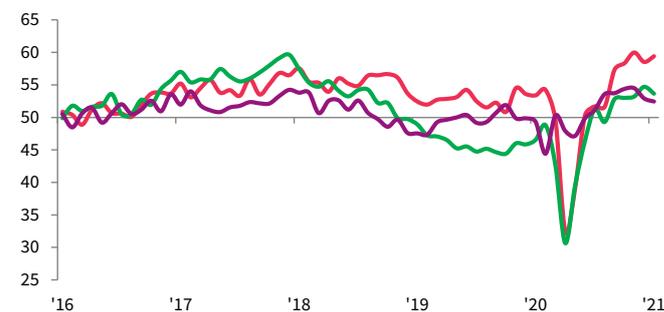
COMMENT

Sian Jones, Economist at IHS Markit said:
“January PMI data signalled a solid, but slower, improvement in operating conditions across the global copper-using manufacturing sector. Although broad-based, the overall upturn was centred on the US, where production expanded substantially. Nevertheless, the ongoing pandemic and supply-chain disruption hampered output capacity globally, with firms also highlighting softer demand. Meanwhile, employment returned to growth amid another monthly rise in backlogs of work.

“Cost pressures continued to cause concern, however. Supplier shortages and marked transportation delays led to a significant rise in input prices. Encouragingly, demand conditions were favourable enough for firms to partially pass on higher costs to clients through the steepest rise in output charges since April 2011.”

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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