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IHS MARKIT GLOBAL COPPER USERS PMI™

PMI ticks up in May, but still points to severe decline in business conditions

KEY FINDINGS

Falls in output and new orders remain sharp, despite easing

Jobs decrease for sixth month in a row

Cost pressures and output prices drop again

Copper users worldwide reported a further deterioration in overall operating conditions during May, driven by large falls in production and new orders amid the coronavirus disease 2019 (COVID-19) pandemic. Job levels and purchases were reduced as a result, leading to a third successive fall in input costs. However, rates of decline signalled by key indicators eased from April.

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 – rose from 43.1 in April to 44.7 in May, pointing to the second-fastest decline in operating conditions since April 2009.

Conditions have now deteriorated in each of the past six months, with later declines driven by the impact of the COVID-19 pandemic. Factory closures and social distancing measures have reportedly led to much weaker output at copper users. That said, the rate at which production fell was softer than in April, due to the partial relaxation of restrictions in Europe and the US.

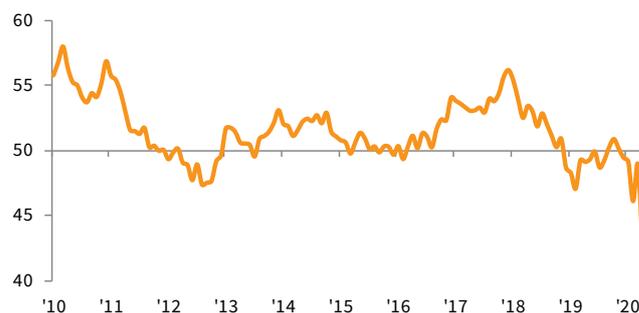
Meanwhile, copper users in Asia saw a stronger contraction in output, which panellists linked to a faster drop in new orders and a severe fall in export demand.

Demand

Global new orders received by manufacturers using copper decreased at a steep rate during May, extending the run of decline to seven months. Anecdotal evidence indicated that COVID-19-related lockdowns had a strong impact on

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

client demand, in part due to customers shutting down on a temporary basis. Export orders also fell sharply, and at the second-quickest pace since February 2009.

Capacity

With workloads remaining low in May, companies made further cuts to employment in an effort to lower excess capacity. The rate of job shedding eased from April but was still sharp overall and recorded across all three monitored regions.

Firms also steeply reduced purchases midway through the second quarter, leading to a twentieth successive fall in input inventories. Stocks of finished goods also dropped due to weaker production. At the same time, firms reported a rapid lengthening of delivery times, as global supply chains remained under pressure due to the pandemic and lockdown measures.

Prices

Lastly, input costs were reduced for the third month running, although the rate of decline softened to a marginal pace. Output prices similarly fell for the third successive month in an effort to improve demand.

COMMENT

David Owen, Economist at IHS Markit said:

“May Copper Users PMI data continued the trend seen during the COVID-19 pandemic, as all key indicators remained in contraction territory. That said, rates of decline mostly eased, with the headline PMI ticking up to 44.7 from 43.1 in April.”

“Nevertheless, the situation for the copper-using industry remained bleak, as lockdown measures across the world have driven output volumes sharply lower and significantly dampened confidence in the global economy. This has widely hurt trade, with new export orders for copper-based goods falling steeply, following a near-record contraction in April. The recovery in demand in Asia has been noticeably affected, as new orders fell at the fastest rate in three months during May despite key economies such as China coming out of lockdown. Thus, the copper-using industry may require a full emergence from the pandemic to begin the path to recovery.”

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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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