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IHS MARKIT GLOBAL COPPER USERS PMI™

Downturn continues in April as PMI dips slightly

KEY FINDINGS

Output and new orders ease further

Export sales fall at fastest rate in six-and-a-half years

Input price inflation at three-year low

Manufacturers using copper worldwide saw a slight deterioration in business conditions during April. Activity and new orders fell again and employment recorded a renewed decline. As such, selling prices were broadly flat while input costs increased at a cooler pace.

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 49.1 in March to 49.0 in April.

The latest reading pointed to a marginal deterioration in operating conditions that was fractionally quicker than in the previous month but softer than seen earlier this year. Furthermore, it marked the fifth successive month of decline.

Contributing to this was another fall in production at global copper users. That said, the rate of contraction was the least marked since last November, aided by a softer drop at Asian users and faster growth at users in the USA.

Demand

Key to the drop in activity in April was another fall in new orders, according to panellists. Latest data indicated a moderate decline, driven by the sharpest drop in demand from foreign markets for six-and-a-half years.

Companies noting a downturn in overall sales attributed this to weaker economic conditions, in part impacted by

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

the trade war between USA and China. In addition, firms continued to report weak order book volumes from the automotive industry.

Capacity

April data signalled a renewed fall in employment at global copper users. Notably, European users reported a second consecutive decline that was the most marked since January 2013.

On the supply side, global manufacturers reduced purchasing quantities for the fifth month running. The rate of contraction was also quicker than in the previous month. As a result, stocks of inputs fell further, while lower output led to a drop in stocks of finished goods.

At the same time, lead times increased at the softest rate in nearly six years. This was due to a higher proportion of firms noting an improvement to supplier performance.

Prices

Output charges were broadly unchanged in April, due to a continuing decline in sales. Concurrently, input costs increased at the softest rate in the 37-month sequence of inflation, with many panellists noting a fall in raw material costs.

COMMENT

David Owen, Economist at IHS Markit said:

"The latest Global Copper Users PMI confirmed that the downturn in manufacturing conditions has slowed. While the headline index ticked down slightly, it was still markedly above what was seen earlier this year.

"Nevertheless, all key sub-indices were still firmly in contraction territory. Whereas output and new orders recorded marginally softer drops, employment saw a renewed fall. Most notably, new export orders declined at the quickest rate in six-and-a-half years.

"As such, manufacturers will be eagerly watching trade talk progress between USA and China. Global stocks were hit earlier this week after comments revealed that underlying tensions remained between the two countries; thus, any predicted date of conclusion will have likely moved further back. Hopefully when a resolution comes it could aid a return to demand growth."

CONTACT

IHS Markit

David Owen
Economist
T: +44 207 064 6237
david.owen@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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. To learn more go to ihsmarkit.com/products/pmi.html.