

News Release

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IHS MARKIT GLOBAL COPPER USERS PMI™

Output and new orders rise for first time in 2019

KEY FINDINGS

Activity increases for first time in eight months

New orders rise slightly

Output prices continue to fall

Operating conditions at global copper users improved fractionally during June, as sales rose for the first time in seven months off the back of reduced selling prices. Output expanded marginally but employment continued to fall. Input purchases increased as cost burdens remained relatively modest.

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 49.4 in May to 50.1 in June, moving above the 50.0 mark that separates growth from contraction. It marked the first improvement in operating conditions at global copper users since November 2018.

Key to the improvement was an increase in output at copper users in June. Although marginal, the rate of expansion was the fastest seen since last September.

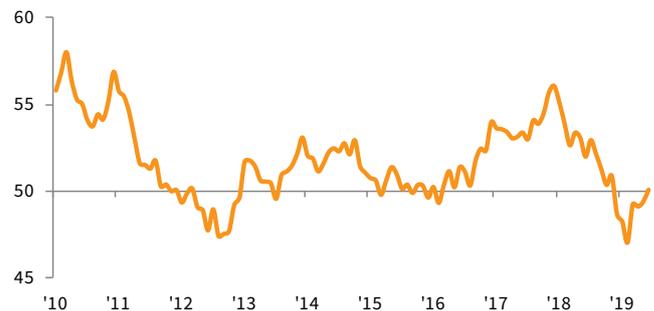
Driving output growth at the regional level was a stronger increase at US copper users, which respondents linked to higher sales during the month. Meanwhile, Asian users reported greater activity for the first time in nine months, as demand also grew. By contrast, European users continued to see a decline.

Demand

Adjusted for seasonal factors, the New Orders Index moved

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

into expansion territory during June, signalling a marginal increase in demand at global copper users. This was mainly driven by domestic sales, as external demand fell further albeit at the softest pace since last October.

Notably, US copper users saw the sharpest rise in total new orders for 13 months. Concurrently, Asian users noted the first increase in demand in 2019 so far.

Capacity

Higher sales led global copper-using firms to purchase larger volumes of inputs in June. Nevertheless, firms still had to use up additional stocks during the month, with inventories of purchased goods dropping for the ninth month in a row. Lead times were broadly unchanged from May.

At the same time, workforce numbers fell for the third consecutive month. Despite stronger hiring activity at some firms, others continued to reduce employment. The overall drop was fractional though.

Prices

Input price inflation remained relatively subdued in June, despite rising from the previous month. As such, copper users decided to lower their selling prices for the second month running, as firms reportedly looked to drive up sales amid high competition. The rate of decline was marginal though, and softer than that recorded in May.

COMMENT

David Owen, Economist at IHS Markit said:

"June PMI data saw a marginal improvement in operating conditions at global copper users, the first in seven months. Firms were driven by an increase in new factory orders, leading to a slight rise in output levels.

"Regional data showed Asian manufacturers to be the main mover in June. While US and Europe showed sharp contrasting changes in their respective sectors, with the former improving and the latter deteriorating, Asia moved into expansion territory off the back of a six-month period of decline. This could be due to business stimulus from China, as well as a softer fall in export sales despite the recent tariff hikes.

"With Asia representing a large proportion of global copper usage, a sustained recovery in the region could feed a return to growth in other areas, especially Europe, and signal an improvement in manufacturing conditions worldwide. However, with the trade war still looming, there remains considerable risk to the copper-using industry over the coming months."

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