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IHS MARKIT GLOBAL COPPER USERS PMI™

PMI above 50.0 for first time in ten months

KEY FINDINGS

Moderate output growth leads improvement at copper users

New orders broadly unchanged since August

Output prices fall for fifth month running

The global copper-using industry saw an end to its recent sequence of decline in September, as a moderate expansion in output drove an overall improvement in business conditions. New orders and employment were relatively stable, but firms continued to reduce purchasing activity. Output charges fell for the fifth month running, amid a subdued increase in input prices.

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 49.2 in August to 50.4 in September, to signal a slight improvement in performance at global copper-using firms. It marked the first strengthening of business conditions since November 2018.

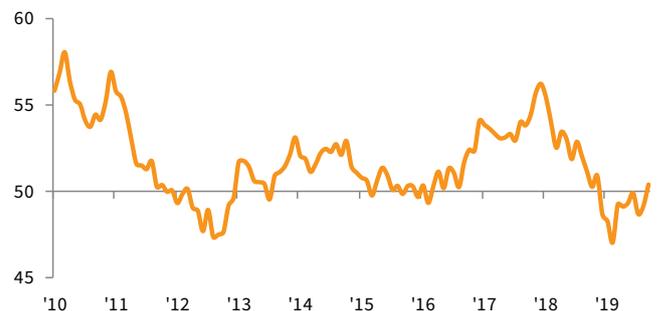
Growth was observed across both US and Asian users in September, due in part to solid increases in production from the previous month. Firms often attributed this to higher incoming orders. By contrast, output at European copper users remained in sharp decline.

Demand

Global new orders at copper-using companies were relatively unchanged during September. European users saw an eleventh successive monthly contraction, relating this to weaker economic conditions and delayed projects. At the same time, US and Asian firms saw sales increase, albeit at modest rates.

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Whilst total new orders were flat, demand from foreign customers fell at a moderate pace, extending the current run of decline to 16 months. Reduced trade and automotive sector activity remained key factors in the downturn, according to survey participants.

Capacity

Despite increases at US and Asian copper-using businesses, a sharper fall in job numbers at European firms meant that overall employment levels were broadly flat in September. Nevertheless, subdued sales allowed for a further reduction in backlogs.

Stocks of both pre- and post-production goods also decreased, while copper users reduced purchasing activity for the third month running.

Prices

Selling charges set by global copper-using manufacturers dropped for the fifth successive month in September. Moreover, the rate of decline quickened to the fastest in three-and-a-half years, as all main regions noted a discount in prices.

At the same time, input costs were up only marginally, although the rate of inflation accelerated slightly from August's recent low. Notably, US users saw the third fall in overall cost burdens in five months.

COMMENT

David Owen, Economist at IHS Markit said:

"The global copper-using industry finally emerged from stagnation at the end of the third quarter, seeing the first improvement in operating conditions for ten months. Despite broadly flat levels of demand and employment, copper users raised output solidly over the course of the month as optimism of a rebound grew.

"Of particular note, the Global Copper Users PMI has begun to outstrip its aluminium and steel counterparts. Regional data showed that output growth among Asian and US copper users was markedly stronger than for aluminium and steel firms, possibly as commodity markets have fared better for copper over the past year (albeit still a notable drop in price). Copper prices remain volatile though, and reactive to news on trade wars and manufacturing conditions, so it is not certain that growth in the industry will prevail."

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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.