

News Release

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IHS MARKIT GLOBAL COPPER USERS PMI™

Marked deterioration in operating conditions in April

KEY FINDINGS

- Output levels subdued by global lockdowns
- New orders and exports fall at substantial rates
- Cost-cutting leads to sharp drop in employment

Global copper users endured a dire month of weak production and steep falls in new orders and exports in April, latest survey data showed. Lockdown measures led to a sharp decline in client demand and initiated the fastest reduction in job numbers for almost 11 years as cost-cutting efforts were evident.

Lead times continued to lengthen considerably as global supply chains remained suppressed, while inventories fell sharply. Both input prices and output charges eased for the second month in a row.

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 from 48.9 in March to 43.1 in April to signal a sharp deterioration in operating conditions. The reading was the lowest recorded since March 2009.

Notably, output at global copper users contracted at a much sharper pace in April compared to March. Firms widely linked this to protracted lockdown measures including temporary factory closures to curb the spread of coronavirus disease 2019 (COVID-19). On a regional basis, the downturn was most severe in Europe and the US, with both recording the strongest falls in output since their series began in 1997 and 2007 respectively.

Demand

New orders also declined at a substantial pace at the start of the second quarter. Demand for copper-based goods

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

was reportedly curtailed by measures to curb the COVID-19 pandemic such as widespread company closures. Firms also highlighted a massive drop in new export orders, one of the quickest seen on record.

Capacity

Weaker demand encouraged copper-using businesses to make large employment cuts during April. The decline in workforces was the fastest in almost 11 years, and broad-based across Europe, Asia and the US.

The COVID-19 pandemic meanwhile led to a further sharp decline in supplier performance at copper users. Vendors were reportedly held up by slower freight activity and lockdown measures. Combined with lower input buying, this led to a steeper drop in inventories of raw items. Stocks of finished goods also fell solidly due to slower production.

Prices

Input prices decreased for the second month running during April amid efforts to lower purchasing and staffing costs. Again, firms passed the reduction on to consumers through the discounting of selling charges, with some panellists hoping this would restore client demand.

COMMENT

David Owen, Economist at IHS Markit said:

“Lockdown measures begun in the US and Europe in the middle of March, and extended throughout April, had a resounding impact on their copper-using industries in the latest survey month. Output and new orders contracted at record rates, while employment also fell at a marked pace as firms made large efforts to reduce expenses in the short-term.

“Regional data for Asia intriguingly showed a sharp decline in new orders, despite a softer downturn in March as countries emerged from their COVID-19 infection peaks. Anecdotal evidence widely attributed this to much weaker exports from Europe and the US, showcasing the reliance of the Asian copper-using industry on foreign orders. Thus, it will likely be difficult for Asian business to lead the way out of the recession when key industrial regions remain under lockdown rules.”

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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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