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 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.”