

News Release

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S&P Global PMI™ Commodity Price & Supply Indicators

Commodity prices fall as supply levels approach normality

Key findings

Price Pressures Index falls to lowest since February 2016 (index at -0.4)

Reports of supply shortages ease to lowest in 33 months (index at 1.1)

Oil, gas and energy prices reportedly fall

Data were collected 12-25 May 2023.

Latest data from the Global PMI™ Commodity Price & Supply Indicators by S&P Global showed that commodity prices reportedly fell across the global manufacturing sector in May, amid a broad stabilisation in supply chains.

The Global Price Pressures Index dropped from 0.2 in April to -0.4 in May, to signal a broad reduction in commodity prices for the first time since December 2019. While only slight, the decrease was the sharpest seen since February 2016. Of the 26 monitored commodities, 17 registered a reduction in price, with the sharpest seen in polyethylene and polypropylene. They were closely followed by the greatest reports of energy price cuts since April 2020.

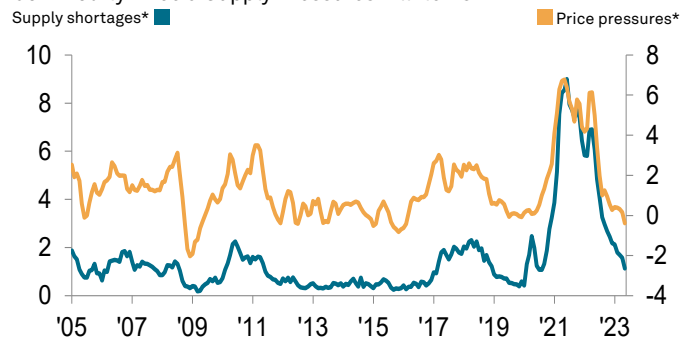
At the same time, the Global Supply Shortages Index dipped from 1.6 in April to 1.1 in May, to hit its lowest level since August 2020 and signal that supply shortfalls were only slightly higher than the long-run trend. Supply shortages eased notably for semiconductors, electrical items and transport, while reported shortfalls of oil also fell on the month. Over half (13) of the 20 monitored commodities recorded shortfalls at or below the long-run trend in May.

Commenting on the latest results, Usamah Bhatti at S&P Global Market Intelligence said:

"The latest indicators provided the first sign that commodity prices are broadly weakening, following the sharp rises seen since the onset of the pandemic. Commodity prices were reportedly down for the first time since December 2019, with 17 of the 26 monitored commodities falling in price during May. This included falls in energy, electricity, gas and oil, all of which saw prices surge during the pandemic and the war in Ukraine. The downward trend for prices reflects a gradual easing in global input costs at manufacturers, with the latest JPMorgan Global Manufacturing PMI data signalling a reduction in input prices for the first time since May 2020.

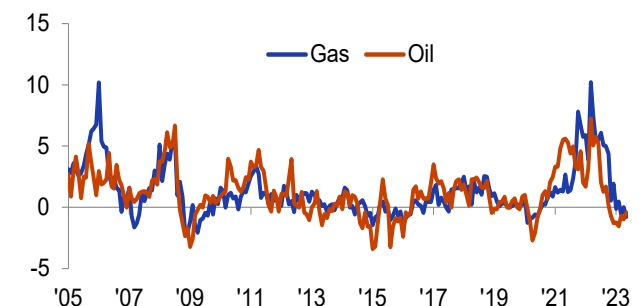
"Supply chain pressures moderated to the lowest since August 2020. Only seven of the monitored commodities saw reported shortfalls above the long-run trend during May, with transport, semiconductors and electrical items recording the most acute shortages."

Commodity Price & Supply Pressures: All Items



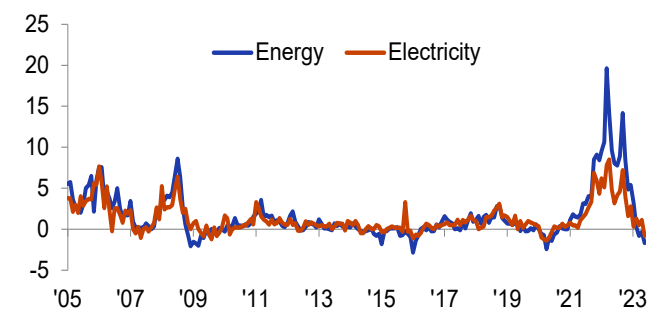
Source: S&P Global.
*multiple of long-run average

Price Pressures Index: Oil & Gas



Source: S&P Global.
*multiple of long-run average

Price Pressures Index: Energy & Electricity



Source: S&P Global.
*multiple of long-run average

PMI™

by S&P Global

Methodology

S&P Global PMI™ Commodity Price & Supply Indicators are derived from S&P Global's monthly Purchasing Managers' Index™ (PMI) business surveys. These surveys are highly regarded worldwide for providing accurate and timely data on economic trends.

The manufacturing PMI survey covers variables such as output, order books, employment, purchase prices, and suppliers' delivery times, with monthly data collected from approximately 10,000 companies worldwide.

When questioned about suppliers' delivery times, companies are also asked to list any specific items that have been in short supply each month. These lists of items are transformed into Supply Shortage Indicators (SSIs), which show the development of supply pressures relative to long-run trends.

When questioned about purchase prices, companies are also asked to list any specific items that have increased or decreased in price each month. These lists of items are transformed into Price Pressure Indicators (PPIs), which show the development of price pressures relative to long-run trends.

Coverage

Historical data for the S&P Global PMI™ Commodity Price & Supply Indicators extend to January 2005.

Indices are calculated from responses to the following 15 manufacturing PMI surveys: Brazil, Canada, China, France, Germany, India, Ireland, Italy, Netherlands, Russia, South Korea, Spain, Taiwan, UK, US.

Each month's results are adjusted by survey response numbers, which accounts for different start dates across the national PMI surveys that feed into the global supply shortages dataset and any other variations in response rates.

Figures are published at the global level.

Supply Shortage Indicators (SSIs)

SSIs are calculated from the number of purchasing managers that report a specific item to have been in short supply during the survey month. An adjustment is made each month to allow for any month-to-month variation in the total number of survey respondents. Indices are presented as a multiple of the long-run average since 2005.

The index is based such that a value of 1.0 means that supply shortages are in line with the long-run average.

Any figure above 1.0 indicates that supply shortages are above the long-run trend, and the higher the figure the greater the number of shortages relative to the average. For example, an index value of 3.0 would signal that reports of supply shortages in the reference month are three times the normal amount.

Any figure below 1.0 therefore indicates that supply shortages are below the long-run trend, and the lower the figure the fewer the number of shortages relative to the average. For example, an index value of 0.2 would signal that reports of supply shortages in the reference month are one-fifth of the normal amount.

Data are not revised after first publication.

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No significant seasonality has been detected in the main SSIs hence the SSIs are not seasonally adjusted.

Items covered: Supply Shortage Indicators (SSIs)

The headline index is the 'All Items Index'. In addition, individual indices are published for the following 20 items and groupings: Semiconductors, Electrical Items, Oil, Transport, Chemicals, Polymers, Polyethylene, Polypropylene, PVC, Rubber, Timber, Paper, Packaging, Food, Textiles, Aluminium, Copper, Iron, Steel, Stainless Steel.

Price Pressure Indicators (PPIs)

PPIs are calculated from the number of purchasing managers that report a specific item to have been up in price during the survey month (less the number reporting an item down in price). An adjustment is made each month to allow for any month-to-month variation in the total number of survey respondents. Indices are presented as a multiple of the long-run average since 2005.

The index is based such that a value of 1.0 means that price pressure is in line with the long-run average.

Any figure above 1.0 indicates that price pressure is above the long-run trend, and the higher the figure the faster the rate of increase relative to the average. For example, an index value of 3.0 would signal that reports of price increases in the reference month are three times the normal amount.

Any figure above 0.0 but lower than 1.0 indicates that price pressure is below the long-run trend, and the lower the figure the slower the rate of increase relative to the average. For example, an index value of 0.2 would signal that reports of price increases in the reference month are one-fifth of the normal amount.

A value of 0.0 means that prices are stable during the reference month.

Any figure below 0.0 indicates that reports of price declines exceed reports of rising prices, and the lower the figure the greater the degree of negative price pressure. For example, an index value of -3.0 would signal that reports of price declines in the reference month are three times the normal amount of price pressure.

Data are not revised after first publication.

No significant seasonality has been detected in the main PPIs hence the PPIs are not seasonally adjusted.

Items covered: Price Pressure Indicators (PPIs)

The headline index is the 'All Items Index'. In addition, individual indices are published for the following 25 items and groupings: Semiconductors, Electrical Items, Oil, Transport, Chemicals, Polymers, Polyethylene, Polypropylene, PVC, Rubber, Timber, Paper, Packaging, Food, Textiles, Aluminium, Copper, Iron, Steel, Stainless Steel, Electricity, Energy, Gas, Cartons, Polystyrene.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

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. ihsmarkit.com/products/pmi.html.