

News Release

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S&P Global Copper Users PMI™

Health of the copper sector deteriorates for first time since June 2020

Key findings

Sustained, albeit softer fall in output

Fastest fall in new orders for two years

Input prices rise at softest rate since January

The Global Copper Users PMI™ pointed to sustained headwinds on growth in May, as firms registered further contractions in both production and demand levels. The latter fell at the sharpest rate since May 2020 when the global economy was disrupted by the initial wave of the COVID-19 pandemic. Customer orders fell due to the impact of raw material shortages and higher prices which were exacerbated by the Ukraine war and lockdown restrictions in mainland China. While the impact of these issues remained severe, there were signs that price and supply disruptions were peaking, as signalled by a softer lengthening in lead times and slowing input price inflation. In fact, average input costs rose at the softest pace for four months.

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 51.0 in April to 49.6 in May and signalled the first deterioration in overall operating conditions for 23 months. While copper users in the US and Europe continued to indicate upturns, the respective growth rates eased in comparison to April, with the latter seeing the slowest improvement for 21 months. Conditions in Asia deteriorated at the sharpest rate for four months.

Output at global copper users declined in May. The rate of contraction eased from that seen in April but remained solid overall. Production levels in Asia fell at a softer, yet still sharp pace, while the reduction at Europe-based firms also eased. Concurrently, US copper users reported the softest rise in output for three months.

Demand

New orders received by global copper users fell for the fifth month in a row in May. The rate of reduction quickened from April and was the strongest since May 2020. Both European and Asian firms saw respective declines in sales

S&P Global Copper Users PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Comment

Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"The Global Copper Users PMI indicated a renewed downturn in operating conditions in the copper-using industry midway through the second quarter of 2022, as firms registered further declines in output, new orders and exports. Notably, new order volumes decreased at the quickest pace since May 2020, when the global economy was in the throes of the initial wave of the pandemic. Companies often linked demand weakness to material shortages and higher prices, which in part stemmed from the continuation of the Russia-Ukraine war and lockdown restrictions in parts of China. This contributed to the sharpest deterioration in Asian firms' operating conditions since January, while growth at European copper users eased to a 21-month low. Concurrently growth at US firms eased to the slowest for four months, but remained sharp overall.

"There were tentative indications that price and supply disruptions were peaking in the latest survey period. The rate of deterioration in vendor performance eased notably in Europe and the US. This in turn contributed to a softer increase in both input price and output charge inflation, with the former easing to a four-month low."

PMI™

by S&P Global

quicken from the previous survey period to the fastest for 23 and 24 months respectively. US firms, meanwhile, saw the softest expansion in new orders since January. Concurrently, new work from overseas globally decreased sharply, with downturns registered in all three monitored regions.

Capacity

Global copper users reported a second successive fall in employment levels in May. The rate of job shedding was only marginal, yet the fastest for three months. At the same time, capacity pressures showed signs of easing as the rate of backlog accumulation slowed from April.

There was a renewed rise in stocks of pre-production inventories amid efforts to build safety stocks and protect against sustained supply chain disruption. This came as the time taken for inputs to be delivered lengthened at a softer, albeit marked rate. Nonetheless, with demand falling, purchasing activity fell for the third month running.

Prices

Input costs faced by copper users increased at the softest pace for four months in May. This contributed to a slowdown in charge inflation, which increased at the softest rate since February.

Copper Users PMI by region

■ Europe ■ USA ■ Asia
sa, >50 = improvement since previous month



Source: S&P Global.

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Survey methodology

The Global Copper Users PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in manufacturers identified as heavy users of copper. The sample is selected from S&P Global's worldwide PMI survey panels, covering over 40 countries.

Survey responses are weighted by country, based on national copper consumption figures sourced from S&P Global'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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