

Commodities / metals

Global manufacturing slowdown weighs on metal prices

- **Recent price falls reflect weaker output growth at worldwide metal-using firms.**
- **Asian demand shows particularly marked slowdown amid policy tightening in China.**

The prices of many metals remain well down from recent peaks. Copper, aluminium and steel prices have all eased markedly since the spring, with softer demand from the global manufacturing sector a key driver. Despite a slight rebound at the start of July, LME copper was trading at around \$6,700 by the middle of the month, approximately 14% lower than March's average price. Aluminium was down by a similar extent since April's peak, while steel prices had dropped by around a quarter.

Price falls have been linked to a range of factors, most recently disappointing US home sales data and further evidence of weakening demand from China. While it is often difficult to establish to what extent price movements are driven by *actual* rather than *expected future* changes in fundamentals, information collected by Markit suggests that price falls are justified by a clear slowing of output growth at worldwide industrial metal-users.

Markit's metals PMI data – collected exclusively from firms which use copper, aluminium and steel as inputs to their production process – show that production growth eased further in June to the slowest in ten months.

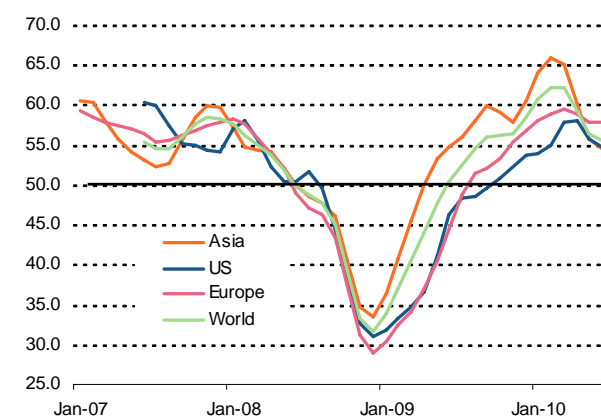
China slowdown continues

Rising metals prices up until Q1 were strongly linked to forecasts that Chinese consumption would continue to expand at a strong pace. However, recent government action to combat signs of overheating in the economy has acted to cool growth. This is highlighted by data from the HSBC China Manufacturing PMI, compiled by Markit, which show a decline in output for the first time in 15 months in June.

Correspondingly, the Asia component of the global metals PMI data has recorded a sharper slowdown in growth than those for the US and Europe during recent months (although the rate of expansion has eased across all three regions).

Output of copper-using manufacturers

PMI, Output, 50 = no change



Source: Markit.

Latest official data corroborate the story of a slowdown in Chinese metals consumption. Imports of copper fell for a third consecutive month in June, declining by 17%. Compared with one year previously, copper imports were down 31%.

PMI data provide key guide to metals demand fundamentals

Using data from our established survey panels across Asia, Europe and the US, Markit produce data tracking trends at copper, aluminium and steel intensive goods producers. Data cover indexes for output, new orders, new export orders, input purchasing, stock holdings, prices, vendor delivery times and employment.

For further information on commodities PMI data, please contact economics@markit.com.

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