

Commodities / metals

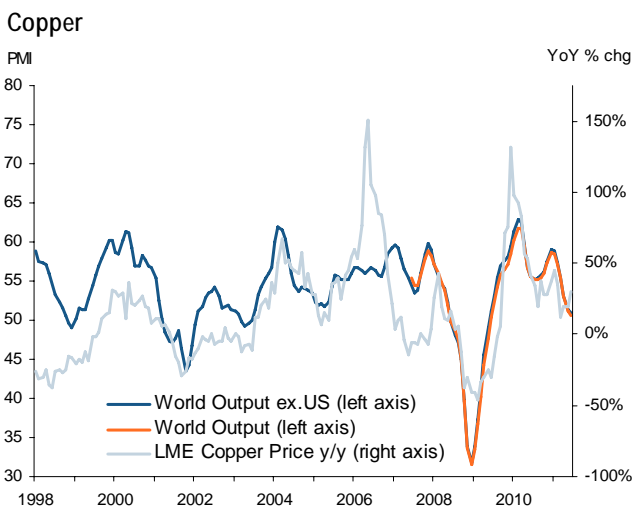
Slowdown in global manufacturing sector subdues metal prices

- **Muted production growth corresponds with broadly stable metal prices in June.**
- **Manufacturers cut stocks of purchases.**

Markit's commodities PMI™ data highlighted a continuation of the recent slowdown in output growth at global metals-intensive manufacturers during June. Only modest increases in production were signalled by copper, aluminium and steel users, with rates of expansion at these firms having slowed considerably from the strong rates seen in early-2011.

Lacklustre demand growth was reflected in the lack of significant price movements for metals in June. LME aluminium dropped slightly from \$2,587 per tonne in May to \$2,558. Copper rose modestly from \$9,225 to \$9,301, but remained below peaks seen earlier in the year (although it has subsequently climbed further to \$9,555 at the time of writing amid supply disruptions in major producer Chile during early July). Steel traded on the LME at \$572, up slightly from \$561.

Copper-using firms' output v. copper prices

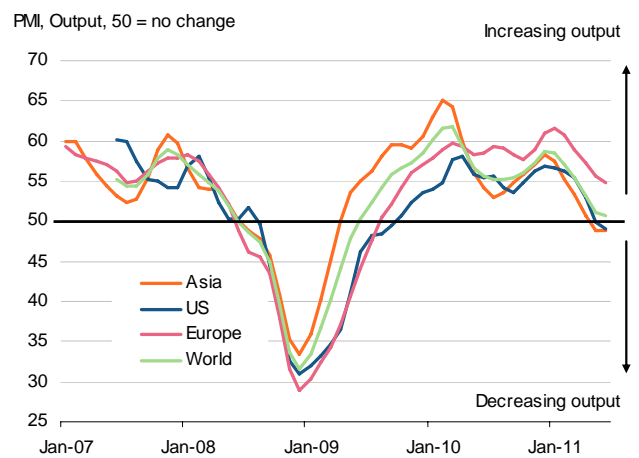


Sources: Markit, Reuters EcoWin.

Metals PMI data signalled differing regional trends in June. In the copper-using sector, Europe continued to register growth of production, albeit the slowest since October 2009. This offset modest declines in output in Asia and the US.

In both the aluminium and steel sectors, the US was the primary source of weakness. Output there fell, in contrast to expansions in both Asia and Europe.

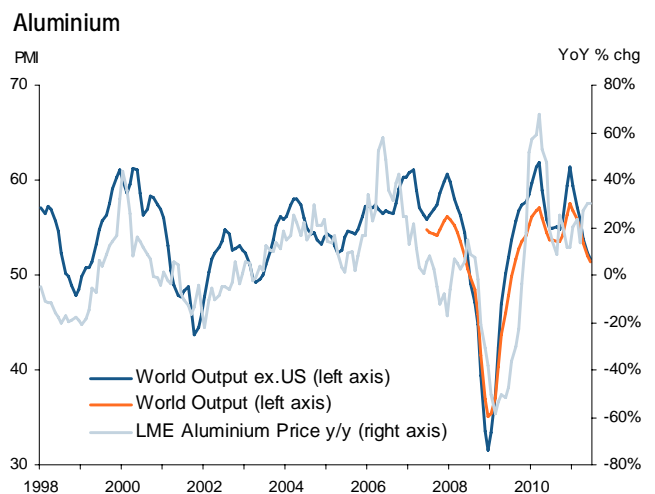
Output of copper-using manufacturers



Source: Markit.

Reflective of the general slowing trend in production, growth of purchasing activity at worldwide metal-users eased further during June. Correspondingly, firms allowed their inventories of purchased items to contract in anticipation of easing production requirements.

Aluminium-using firms' output v. aluminium prices



Sources: Markit, Reuters EcoWin.

Although supply-side factors are currently helping support copper prices, the wider outlook for base metals is likely to depend on whether the current soft patch in the global manufacturing sector persists or whether a firmer trend emerges in coming months. Metals PMI data will therefore give a valuable insight into the outlook for prices.

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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