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Markit Economic Research

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Metals PMI

Global metal-users report further solid output growth in March, but indicators of commodity demand yet to see similar improvement

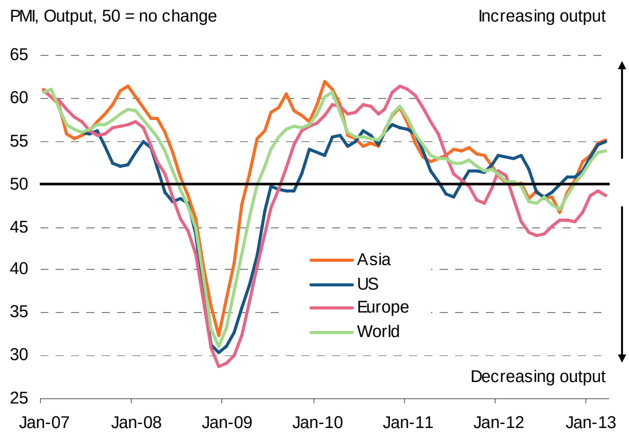
- **Production growth during Q1 highest for two years…**
- **…expansion in Asia and US offsets weakness in Europe**

Output growth at global metal-using firms was sustained at a solid pace in March, according to the latest Metals PMI data from Markit. This rounded off a positive first quarter, echoing a more general improvement in global manufacturing sector conditions at the start of 2013.

Indeed, for each of the three metals covered – aluminium, copper and steel – growth during Q1 was the highest for any quarter in the past two years.

The fastest rate of output expansion during March was signalled by steel-users, with the respective index climbing to its highest level since March 2011. Similarly, aluminium-users reported the sharpest growth in two years. Copper-users reported a slightly slower rise in production compared with February, although the pace of expansion remained solid.

Aluminium-users' output



Source: Markit

Regional disparities evident

Solid output growth at the global level masked substantial regional variations. Whereas metal-users in Asia and the US registered robust rates of expansion, those in Europe signalled a further decline in production. This was true across each of the three monitored metals in March.

New orders to stocks of purchases ratios remain below historical averages

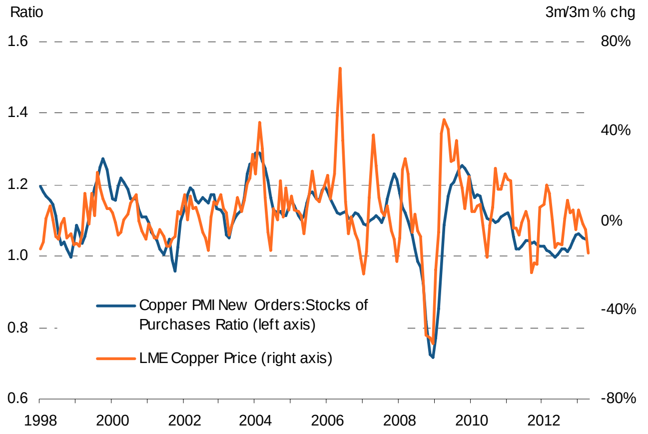
Although production trends at global metal-users have improved in early 2013, this has not yet been matched by a similar pick-up in indicators of raw material demand. The ratio between the new orders and stocks of purchases indices is one such measure, and tends to correlate well with changes in metal prices.

For example, the new orders:stocks ratio at global copper-users was static at 1.05 in March, remaining below its average of 1.11 since data were first available in 1998. This reflected only marginal growth of new orders versus a historically weak rate of stock depletion.

Subdued demand pressures perhaps help explain the recent slide copper prices; at the time of writing LME copper is down around 15 percent on a three-month basis at US$6,962 per tonne.

New orders to stocks of purchases ratios were also below trend for aluminium and steel in March, albeit to a lesser extent than was the case for copper.

Copper PMI new orders to stocks ratio v prices



Sources: Markit, LME

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

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