

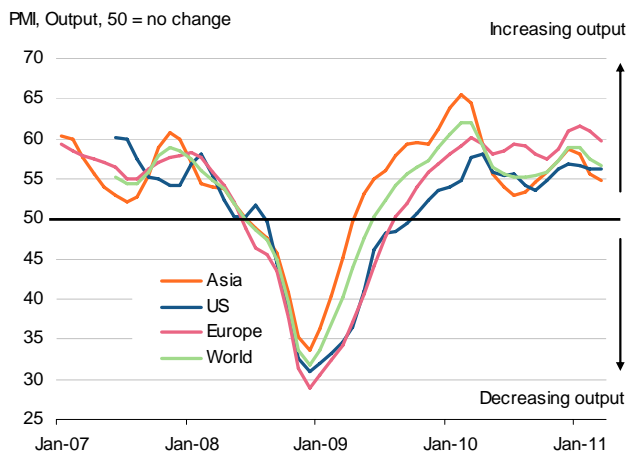
Commodities / copper

Drop in copper prices reflects weakening output growth at industrial users

- **Expansion of copper-users' output eased in March, with Asian firms signalling slowest growth.**
- **LME copper price fell to four-month low amid rise in inventories.**

Markit's commodities PMI data highlighted a further deceleration in output growth at global copper-using manufacturing firms to a five-month low during March. Slower increases in production were signalled in Asia, Europe and the US. The least marked rise was registered in Asia, reflecting a recent slowdown in the Chinese economy and disruption in Japan following the earthquake and tsunami on March 11th.

Output of copper-using manufacturers

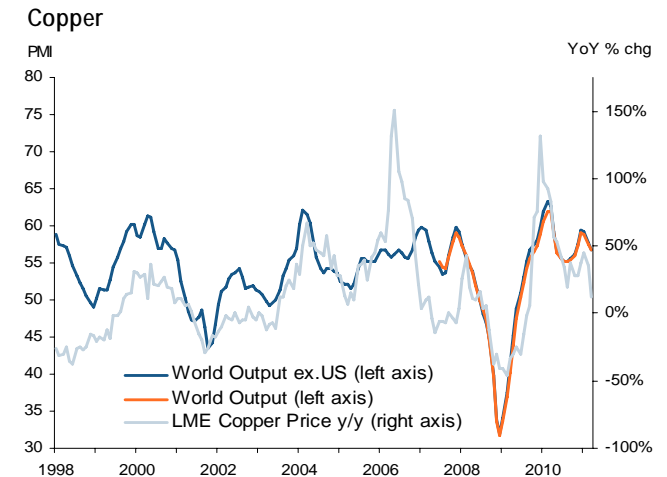


Source: Markit.

Correspondingly, copper prices fell from February's elevated levels in March. Copper traded at an average of \$9,400 per tonne on the London Metals Exchange (LME), its lowest level in four months and down from a peak of over \$10,000 per tonne in mid-February.

Slower output growth was accompanied by a rise in inventory levels. Copper-using firms' stocks of raw materials increased for the sixth month running in March. Although still moderate overall, the rate of growth quickened to a series-record high.

Copper-using firms' output v. copper prices



Sources: Markit, Reuters EcoWin.

Inventories of copper monitored by global exchanges have similarly risen of late. Stocks of copper in LME warehouses climbed to approximately 440,000 tonnes in March, and have increased around 17% since the end of 2010. Inventories in Shanghai have risen by 23% over the same period.

PMI data provide key guide to metals demand fundamentals

Trends in industrial copper usage will be key to the outlook for prices in the coming months. In particular, market watchers will be looking for signs of any pick-up in demand from China, as the recent deceleration there has cast doubt over many analysts' predictions that copper prices will climb to new peaks this year.

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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