News Release

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IHS MARKIT
GLOBAL ALUMINIUM USERS PMI™

Aluminium users signal slowest increase in output for 17 months

KEY FINDINGS

- Softer increases in output and new orders
- Record delivery delays and shortages drive marked rise in costs
- Employment expands at strongest rate since July

Aluminium users reported a slower improvement in overall operating conditions in October. Notably, both output and new orders expanded at the slowest rates in the respective sequences of growth. Sustained pressure on supply chains exacerbated existing material shortages and extended delivery times at the fastest rate on record, which contributed to a sharp acceleration in operating costs for aluminium users. Despite softer demand conditions, employment levels were raised at the quickest rate since July.

At 52.9 in October, the seasonally adjusted Global Aluminium Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of aluminium – edged down slightly from 53.1 in September. Although the reading pointed to a further improvement in the health of the sector, the rate of growth was the softest seen for 15 months. Both the US and Europe noted lower PMI readings in October, while the headline reading in Asia was broadly unchanged.

Production levels continued to rise in October, however the growth rate softened to the slowest in the current 17-month period of expansion. Aluminium users in the US noted a slight fall in output for the first time since May 2020, while growth at Asian firms stagnated. European firms also signalled a notable slowdown.

Demand

Global aluminium users indicated a sustained rise in new work during October, but the rate of growth eased to the slowest since the current period of expansion began in July 2020. Respondents often linked higher sales to improving client confidence, though this was dampened by sustained material shortages. All three monitored regions registered their weakest readings this year, with the strongest rate of growth seen in the US. New export business meanwhile reduced for the second successive month, and at the fastest pace for 16 months.

Capacity

With workloads rising further in October, firms increased staffing levels for the tenth straight month. The rate of job creation quickened to the fastest since July but was only modest overall. Greater intakes of new work and prolonged delivery of materials meanwhile drove a solid increase in backlogs of work.

Supplier performance continued to deteriorate severely in October, with the latest lengthening of delivery times the sharpest on record. Purchasing activity meanwhile rose at the fastest pace in 15 months amid material shortages and difficulty in receiving inputs. As a result, stocks of inputs dipped for the fourth month running as firms utilised existing holdings to fulfil orders.

Prices

A combination of higher raw material costs and shortages drove a further rise in cost burdens in October. The rate of inflation accelerated to the quickest since May. Concurrently, aluminium users increased their selling prices at the sharpest rate since May’s series-record high.
Usamah Bhatti, Economist at IHS Markit said:

“Global aluminium users signalled a further loss of momentum at the start of the fourth quarter, with the indices for both output and incoming orders ticking down to the lowest readings of their respective sequences of expansion. Notably, the headline PMI figures dipped in both Europe and the US, with nine- and ten-month lows recorded in each region respectively. At the same time, Asian firms saw a broadly stable rate of growth in operating conditions.

“Companies often indicated that activity and demand had been hindered by ongoing material shortages and severe supply chain disruption, particularly as businesses were still trying to adjust to the fallout from the recent surge in COVID-19 cases. It is likely that supply chains will take considerable time to fully recover, which may dampen prospects for the months ahead.”