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## IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

### Output plunges at fastest rate for 11 years

#### KEY FINDINGS

Sharp falls in output and new orders amid virus outbreak

Employment and input buying drop at much quicker rates

Shutdowns force marked lengthening of delivery times

Latest PMI™ data showed a dramatic decline in operating conditions at global aluminium users in February, overwhelmingly linked to the coronavirus outbreak. Output and new orders both fell at marked rates, leading to large cut-backs in staffing and input purchases. Lead times meanwhile lengthened considerably, as shortages of raw materials placed inflationary pressure on input costs.

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 – fell to a 131-month low of 45.6 in February, from 49.7 in January, to signal a steep deterioration in the health of the global aluminium-using industry.

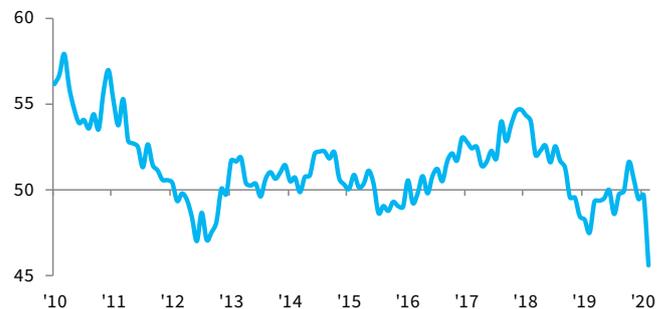
Manufacturers notably reversed production rises seen over the previous five months, with latest data signalling the sharpest drop in output for 11 years. This was mostly driven by a marked fall in activity at Asian users, attributed to factory shutdowns amid the outbreak of Covid-19. European users also reported weaker production for the sixteenth month running, but the rate of decline softened since January.

#### Demand

New orders were similarly impacted by the virus outbreak in February, with the drop in demand the strongest since early-2009. Panellists in Asia noted that a lack of market activity lowered overall sales. Demand weakness often came from lower export orders in the latest survey period, with the rate

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

of decline quickening to a sharp pace.

#### Capacity

A notable effect of the Covid-19 outbreak in February was on supply chains, as highlighted by a steep lengthening in delivery times at aluminium users. The slowdown was global, with firms in Asia, Europe and the US reporting a sharp deterioration in supplier performance.

Consequently, businesses reduced input purchases at the fastest rate since March 2009, leading to a sharp contraction in inventories. Workforce numbers meanwhile fell at a much quicker pace in February, resulting in a solid rise in backlog volumes.

#### Prices

Aluminium users also faced shortages of raw materials midway through the first quarter, as shutdowns in China forced many manufacturers to look elsewhere for inputs. This led to a solid rise in overall costs, although the rate of inflation was only slightly quicker than that seen in January.

Despite this, weaker new orders meant that firms kept output charges stable in February, following two successive mark-ups. Prices increased at US aluminium users but dropped in both Asian and European markets.

## COMMENT

David Owen, Economist at IHS Markit said:

*"The Covid-19 outbreak had a dismal impact on the Global Aluminium Users PMI in February. Production and new orders dropped at the quickest rates for nearly 11 years, suggesting that the industry is facing a downturn on a scale not seen since the financial crisis.*

*"With the epicentre of the outbreak in China, this was unsurprisingly where the weakest PMI numbers were recorded. Chinese manufacturers saw stark drops in output and employment as employees struggled to come into work, resulting in large cut-backs to input buying and stock levels.*

*"While data for the USA and Europe was more settled, there was a notable impact on supplier lead times in these regions, as firms made efforts to locate new input sources and re-route supply chains away from China. It is expected that further impacts on production will appear in March data as local outbreaks spring up. With few signs of the virus spread abating, it looks like the PMI may remain in steep contraction territory for the months ahead."*

## CONTACT

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### Methodology

The Global Aluminium Users PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in manufacturers identified as heavy users of aluminium. The sample is selected from IHS Markit's global PMI survey panels, covering over 40 countries.

Survey responses are weighted by country, based on national aluminium consumption figures sourced from IHS Markit's Pricing & Purchasing Service. Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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