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IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Aluminium user sales fall for second month running

KEY FINDINGS

New orders decline, but at slower pace

Output growth slides to four-month low

Employment and purchases fall further

The Global Aluminium Users PMI™ signalled a further slide in new orders at the beginning of 2020, amid reports of weaker domestic and foreign demand at aluminium-using manufacturers. Consequently, output grew at a slower rate, while employment and purchasing activity continued to decline. Cost pressures increased at the quickest pace for ten months, amid higher aluminium prices, spurring firms to pass costs onto clients through a faster rise in output charges.

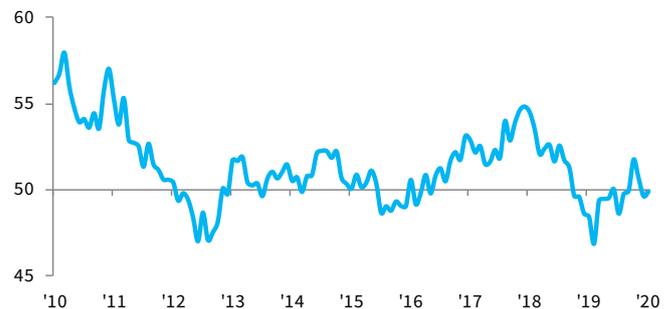
The seasonally adjusted Global Aluminium Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of aluminium – edged up from 49.6 in December to 49.9 in January, fractionally below the 50.0 no-change mark, signalling that operating conditions were broadly unchanged at the beginning of the new year.

Output at global aluminium users continued to expand during January, marking the fifth successive month of increase. However, the rate of growth slowed to a four-month low due to back-to-back drops in new orders.

Regionally, Asian users of the metal recorded only a modest upturn in production. European users noted a further downturn, albeit at a weaker pace, while US manufacturers using aluminium saw a renewed rise in output.

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Demand

Production at global aluminium users was weakened by a further contraction in new orders in January. The drop in order books was marginal though, and softer than the month before. Where a decline was seen, firms commented on falling domestic and foreign demand.

Export weakness continued into the new year, with users reporting a twenty-first successive month of falling new orders from abroad. Moreover, the rate of decrease was the quickest since last September.

Capacity

Lower sales led to another reduction in staffing levels in January, with employment at aluminium-using firms falling at the fastest rate since August 2016. Input buying also decreased, extending the current run of contraction to three months and leading to a further decline in inventories of purchased goods.

Prices

Meanwhile, higher prices of raw materials, including aluminium, caused input costs to rise at a faster pace in January, with the rate of inflation accelerating to a ten-month high. Consequently, manufacturers raised output charges at the quickest rate since November 2018, though the uptick was only modest overall.

COMMENT

David Owen, Economist at IHS Markit said:

"The global aluminium-using industry showed no clear sign of growth or contraction in January, with the PMI posting at 49.9, minutely below the 50.0 no-change mark. Nevertheless, this was an improvement from 49.6 in December, partly due to a softer decrease in new orders.

"The Aluminium PMI also contrasted with the Copper and Steel PMIs in January, with the other two metal surveys recording steeper declines than those seen at the end of 2019. A key factor was aluminium users in Asia seeing a softer fall in new orders than their copper and steel counterparts.

"Importantly, latest data did not capture the impact of the coronavirus outbreak on manufacturing output, with China data collected prior to 25th January. Thus we expect a swift and, possibly, steep downturn in Asian production in February amid reports of factory closures. The next data release on 6th March may prove critical in understanding the wider effect on the aluminium-using industry."

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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.

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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. To learn more go to ihsmarkit.com/products/pmi.html.