IHS MARKIT
GLOBAL ALUMINIUM USERS PMI™

New orders rise for first time in eight months

**KEY FINDINGS**

- Demand at aluminium users grows, albeit slightly
- Output expansion quickens as firms raise purchases
- Cost pressures strongest in 20 months

The global aluminium-using industry saw a return to growth at the start of the second half of 2020, driven by a renewed upturn in new orders and stronger output growth than seen in June. Job numbers and export sales both continued to fall, albeit at slower rates. Cost pressures meanwhile quickened to the sharpest for 20 months, as firms saw rising freight costs and metal prices.

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 – rose above the neutral 50.0 mark for the first time in eight months during July. At 50.9, the index pointed to a renewed (albeit slight) improvement in operating conditions, driven by a solid increase in output at aluminium-using companies.

The expansion in output was the second in as many months, and notably faster than that seen in June. Moreover, it was broad-based across the three monitored regions: Europe, Asia and the US. European users led the way with a solid rise in production, with panellists relating this to higher demand for goods and a partial recovery in economic conditions.

**Demand**

New orders at global aluminium users rose for the first time since late-2019 in July, as firms highlighted a pick-up in demand from the lows seen during the COVID-19 pandemic. The rate of increase was marginal but nonetheless the quickest in nine months, driven by upturns in Europe and Asia.

Domestic sales were behind the expansion, as latest data signalled a further fall in export business. That said, the decline was only mild and the softest recorded since December 2019.

**Capacity**

Some aluminium-using firms were unable to complete new orders, leading to a modest accumulation of backlogs in the latest survey period. Despite this, job numbers were lowered for the eighth successive month as many businesses felt pressure to improve their cost margins.

Purchasing activity picked up slightly for the first time in nine months in July, albeit at a marginal pace. This led to a further slowdown of delivery times, reportedly as many suppliers had reduced capacity and faced shortages of several inputs.

**Prices**

Input price inflation quickened to a 20-month high at the start of the third quarter. Firms commented on higher logistic costs, rising metal prices and changes to exchange rates as reasons for increased input prices. Meanwhile, output charges rose for the first time since January as some companies passed higher costs on to consumers.
Comment

David Owen, Economist at IHS Markit said:

“The Global Aluminium Users PMI cleared the 50.0 growth threshold in July, posting 50.9 to indicate a marginal improvement in the health of the sector. This was the first upturn seen since November 2019.

“Europe saw the biggest change in its PMI figures in July, with the regional headline index climbing over 5 points to signal the first expansion since October 2018. The uplift was only slight however, suggesting the effect of lifting lockdown measures and encouraging manufacturers to raise capacity has so far been disappointing.

“Meanwhile, the supply of inputs has become more challenging as global supply chains try to regain momentum following national lockdowns. With demand growing, freight costs have risen and prices of key raw materials, including aluminium, have also jumped up. As a result, input costs rose at the quickest pace in 20 months during July, which were partly passed onto consumers in the form of higher output prices.”

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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