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IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Output stabilises in May despite continued drop in new orders

KEY FINDINGS

Production unchanged in May

Softest fall in new orders since last November

Output prices dip again amid weak rise in input costs

Global aluminium users kept output levels stable in May, after seven months of successive contractions. New orders fell at a weaker rate as firms reduced their selling charges for the second month running.

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 from 49.3 in April to 49.6 in May, indicating only a slight decline in business conditions that was the least marked for six months.

A key factor to the rise in the headline index was an unchanged level of production at aluminium users, ending a seven-month period of decline. Notably, Asian users reported a slight increase in output for the first time since last September.

US aluminium users also saw a renewed upturn in production, due to improved sales figures. Conversely, European manufacturers using the metal noted another solid contraction in output because of weaker demand.

Demand

Global aluminium users saw a further decline in new orders in May. That said, the rate of contraction eased to the softest in six months, amid a weaker fall at Asian users and stronger growth among US users.

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Concurrently, European users reported another sharp drop in demand. Panellists related this to weakness in domestic economies and falling sales from other regions. Some also mentioned that firms de-stocking after the Brexit delay placed fewer orders.

Capacity

May survey data recorded a marginally faster rate of job losses, extending the current run to nine months. Panellists linked this to weaker activity and employees leaving the company.

In addition, aluminium users reduced input purchases during the month, with the rate of contraction little-changed from April. They also reported a slight fall in the level of backlogs.

Prices

Meanwhile, price pressures on inputs remained soft during May. In fact, the rate of inflation cooled for the second month running and neared last December's 33-month low. Furthermore, the easing was broad-based across all three key monitored regions.

Where higher input prices were noted, firms attributed this to increased fuel charges and some raw material prices. However, others reported a drop in metal prices during the month.

With costs rising only slightly, aluminium users were able to reduce output charges for the second month in a row, albeit fractionally.

COMMENT

David Owen, Economist at IHS Markit said:

"Some positive news arose from May survey data for the Global Aluminium Users PMI, as manufacturers were able to maintain output levels for the first time in eight months. In particular, Asian users, who have faced considerable headwinds in recent months, reported an expansion in output. US users also recovered after a slight contraction in April.

"Nevertheless, firms still reported a decline in factory orders during the month, reflecting a continually poor picture for aluminium users. Falling demand was also recorded in the global manufacturing sector in May, as the JP Morgan Global Manufacturing PMI dropped to its lowest reading in over six-and-a-half years. This suggests that the run of deteriorating conditions at aluminium, and other metal, users has now fed through into the wider sector.

"There had been some hope that trade talks between US and China would curtail these problems. These hopes have now faded, however, as both sides announced tariff hikes in May, putting even greater pressure on manufacturers in this difficult period."

CONTACT

IHS Markit

David Owen
Economist
T: +44 207 064 6237
david.owen@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.