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IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Aluminium PMI hits near-decade high in October

KEY FINDINGS

Production and new orders both rise at sharper rates

Export order growth improves to strongest since November 2017

Employment levels continue to expand modestly

October data pointed to a marked and accelerated improvement in business conditions faced by global aluminium users, as the headline PMI™ rose to its highest level since December 2010 amid sustained rises in output and new orders. The pace of growth also quickened, with output expanding at the fastest rate since January 2011. Notably, new export sales growth reached a near three-year high. Increased demand encouraged firms to raise staffing levels again in October, though the rate of job creation remained modest.

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 54.0 in September to 55.6 in October, marking the fourth consecutive improvement in operating conditions. Notably, the reading was the highest since December 2010, due to faster rises in output and new orders.

Aluminium users across all three monitored regions registered solid improvements in October, led by Asia. Although firms noted much higher output requirements, employment levels rose only modestly. Regional data showed that job creation at Asian and US businesses was partly offset by further job cuts at European firms.

Demand

New orders increased for a fourth consecutive month in October, and at a faster pace than in September. Moreover, the rate of expansion was the sharpest seen since February

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

2010. The uptick in new orders was commonly attributed to a recovery of client demand following disruption caused by the coronavirus disease 2019 (COVID-19) pandemic. Aluminium users in Asia and the US signalled stronger rates of new order growth in October, while European users reported a slower, but still sharp, increase in sales. The rate of export sales growth quickened slightly in October, expanding for a third month running. Growth was driven by expansions in Europe and Asia. Foreign demand in the US remained weak by contrast, falling for the ninth month running.

Capacity

Following a sharper rise in new orders, aluminium users were encouraged to raise their staffing levels in October, though growth remained modest overall. Panellists stated that a further rise in backlogs led to a greater need to expand capacity. Purchasing activity also rose further in October, and at the quickest pace since March 2011. At the same time, delivery times lengthened to a greater extent as firms commented on disruptions to supply chains due to the ongoing pandemic.

Prices

Average cost burdens faced by aluminium users increased for the fifth month in a row. Input price inflation was only partially passed on to clients through higher output charges, however, as selling prices rose only marginally.

COMMENT

Usamah Bhatti, Economist at IHS Markit said:

“The global aluminium-using industry saw a stronger improvement in business conditions in October. The upturn was mainly driven by sustained expansions in both output and new orders, which rose at the fastest rates in close to a decade. Furthermore, firms across all three monitored regions recorded improvements, led by Asia. Despite the recovery in sales, aluminium users increased capacity only modestly, with higher employment levels at Asian and US businesses partially offset by further job losses in Europe.”

“The latest PMI reading pointed to overall global demand recovering gradually from the nadir in the spring as aluminium users adapt to working alongside COVID-19 restrictions. However, the reimposition of measures to combat a second surge, particularly in Europe, risks dampening prospects just as firms return to expansion.”

Global Aluminium Users PMI
Europe / USA / Asia

sa, >50 = improvement since previous month



Source: IHS Markit.

CONTACT

IHS Markit

Usamah Bhatti
Economist
T: +44 1344 328 370
usamah.bhatti@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 781 301 9311
katherine.smith@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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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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