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IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Headline PMI rises to five-month high

KEY FINDINGS

Downturn moderates as new orders fall only slightly

Output expands at US and Asian aluminium users

Input costs increase for first time since February

The Global Aluminium Users PMI moved closer to growth territory in June, as the downturn in sales moderated to just a fractional pace and manufacturers restarted production following lockdown measures. Both employment and purchasing continued to fall though, while rising metal prices drove up overall 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 – posted 49.5 in June, up from 45.7 in May, to signal a softer decline in the health of the global aluminium-using industry. The reading was the highest seen in five months.

For the first time since January, aluminium users reported an uplift in output, driven by higher production at US and Asian users. However, the overall expansion was marginal, marking just a slight rebound from the downturn caused by the coronavirus disease 2019 (COVID-19) pandemic.

Demand

New orders received by global aluminium users fell for the seventh month running in June, but the rate of decline was the slowest in this sequence. Some firms mentioned a pick-up in new business as global markets reopened following COVID-19 induced lockdowns. Trade conditions remained weak, however, putting downward pressure on sales.

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Slight increases in demand in the US and Asia contrasted with a steep - albeit slower - fall in new orders at European aluminium users. Export sales fell across all regions, however.

Capacity

In line with the trend for new work, employment dropped for the seventh successive month during June. That said, the latest decline was the weakest since March. Despite reduced workforces, firms were able to work on backlogs, leading to a solid fall in outstanding business.

Aluminium users recorded a tenth consecutive month of falling stock levels, as reduced goods demand led businesses to lower purchases of inputs. Deliveries also continued to slow as the pandemic led to longer freight times.

Prices

Upwards pressure from metal prices led to a rise in overall input costs at the end of the second quarter, ending a prior three-month run of deflation. That said, weaker input demand meant the overall increase in raw material prices was modest.

Meanwhile, aluminium users continued to lower output prices, marking the fifth successive monthly fall, as businesses tried to attract higher levels of new business. The decrease was the softest since February, however, driven by weaker reductions in all three key regions.

COMMENT

David Owen, Economist at IHS Markit said:

"The global aluminium-using sector saw a much softer decline in operating conditions in June, with the headline index rising to 49.5, signalling that the industry is recovering quickly from COVID-19 and could begin to grow in the third quarter.

"Output levels expanded slightly during the month as many firms ramped up production, albeit from very low levels during the lockdown period. Nevertheless, with new orders increasing in US and Asian markets, the outlook is starting to look more hopeful. Europe is lagging behind, although the downturn at aluminium users has slowed markedly from April's nadir.

"Nevertheless, COVID-19 still poses a risk, and the example of US states returning to lockdown measures in recent weeks hints at further roadblocks for the industry from resurges in virus cases."

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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.

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