

Embargoed until 08:00 UTC 5 July 2019

IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Operating conditions improve for first time in nine months

KEY FINDINGS

Output expands in June

Fractional drop in new orders

Input cost inflation accelerates

For the first time since September 2018, global aluminium users reported an improvement in operating conditions in June, driven by a slight increase in output and a near-stabilisation in new orders. Firms expanded their purchasing activity while keeping employment level. Input price inflation rose to a seven-month high.

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 49.6 in May to 50.2 in June, signalling the first, albeit slight, improvement in business conditions at global aluminium users for nine months.

Asian aluminium users notably saw the first improvement in operating conditions since last September, while US users reported continued growth. European users meanwhile saw another solid downturn in the health of the sector.

Output levels at global aluminium users expanded during June, following unchanged levels in May and a seven-month period of decline beforehand. The rate of growth was only marginal though.

Demand

Meanwhile, aluminium users recorded a further fall in total new orders during June, although the decrease was fractional and the weakest in the current nine-month sequence. This was due to a number of firms seeing demand increase over

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

the course of the month, weighing firmly on those companies that saw sales decline. Export orders dropped at the weakest rate in over a year.

Capacity

Employment was broadly unchanged at the end of the second quarter. Higher output requirements led some firms to hire additional workers, whereas others, notably in Asia and Europe, reported a reduction in staff numbers. This allowed companies to limit backlogs, albeit fractionally.

At the same time, purchasing activity at global aluminium users increased for the first time in nine months. Panellists related this to the rising level of production. However, firms still had to deplete their inventories during the month to sustain output growth.

Prices

Input prices rose at a faster pace in June, with the rate of inflation quickening to a seven-month high. Notably, Asian users saw a marked acceleration in overall cost inflation, attributing this to higher raw material prices and transportation fees.

Global aluminium users passed some of the cost burden on to consumers in June, as overall output prices increased for the first time since March.

COMMENT

David Owen, Economist at IHS Markit said:

"The Global Aluminium Users PMI moved into calmer waters in June, edging above the 50.0 threshold separating improvement from deterioration in business conditions. This was due to firms driving up production as the decline in new orders eased further.

"The reversal in fortunes was most notable among Asian users, possibly due to Chinese stimulus pushing up activity. Businesses also appeared unfazed by US-China tariff hikes in May, with Asian export orders rising for the first time since April 2018, while the latest comments from the two country's leaders added some hope that a deal may yet be reached.

"With the Global Manufacturing PMI appearing to trail Metal Users PMIs at the moment, having slipped into negative territory since May, the latest data from metal-using firms suggest that the decline may be limited, especially if global trading conditions improve. That said, there is still the risk of further tariffs impacting prices and demand."

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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](mailto: 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. To learn more go to ihsmarkit.com/products/pmi.html.