After a brief settled period in June, PMI data for July showed operating conditions deteriorating again at global aluminium users. New orders were down as trade conflicts intensified, leading to a fall in production and input purchases, although job numbers grew slightly. Input costs rose at a softer pace, while selling charges increased only marginally.

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 – fell from 50.0 in June to 48.6 in July, signalling that the global aluminium-using industry slipped back into decline in the latest survey period. This marked the strongest deterioration for five months, but was only modest overall.

Aluminium users reduced output levels in July, the first time in three months, as notable momentum shifts were recorded in Asia and Europe. Asian users saw a slight drop in production after back-to-back monthly increases in May and June, while European manufacturers reported the sharpest fall in output for nearly seven years.

**Demand**

A clear factor leading to reduced output was a solid and accelerated fall in new orders at global aluminium users in July. The rate of decrease was the quickest since February, and partly reversed an easing in the downturn over the past few months.

Lower demand was recorded in Asia and Europe over the month. Panellists in the former region often linked this to a fall in new export orders, as a result of both US-China and Japan-Korea trade tensions. The latter also noted lower foreign demand while continuing to mention weakness in the automotive industry.

By comparison, new orders received by US aluminium users increased, with the rate of growth quickening for the third month running.

**Capacity**

Despite the demand slowdown, employment in the global aluminium-using industry improved for the first time since last August, albeit marginally. This was partly linked to the upturn in output during June. Input buying decreased, however, and at the strongest rate in five months. Stocks of both pre- and post-production goods also fell.

**Prices**

Output price inflation remained soft in July, unchanged from June, as weaker mark-ups at Asian and European firms were countered by a larger increase among US companies. Overall cost burdens meanwhile rose at a slower rate. Respondents noted that higher raw material prices, greater labour costs and weaker currencies, particularly in Europe, were key inflationary factors.
COMMENT

David Owen, Economist at IHS Markit said:

"July saw business conditions among global aluminium-using firms slip back into contraction, as production levels fell for the first time since April. Export sales notably dropped at a solid rate that was the fastest recorded since November 2015, which contributed to a sharper decline in total new orders.

"It was mainly Asian aluminium users who saw a reversal in fortunes. Higher tariffs from the US on Chinese goods in May appeared to catch up to manufacturers, as export sales fell at the sharpest pace this year so far. Some firms also noted an impact from growing Japan-South Korea tensions on demand.

"As such, the announcement from President Trump last week of further tariffs on China will likely hamper aluminium users towards the end of the year. The new tariffs will be implemented from September, with retaliatory measures from China likely. This may place further downward pressure on the Aluminium Users PMI in the final quarter."