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## IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

### Business conditions improve for first time since September 2018

#### KEY FINDINGS

Output grows sharply

New orders rise for first time in over a year

Input prices unchanged

Global aluminium users saw a moderate improvement in business conditions in October, as new work increased for the first time in over a year. Firms responded with a sharp rise in production levels, although input purchases grew only slightly and job numbers continued to fall. Output charges increased at a marginal pace, as cost burdens eased to a standstill.

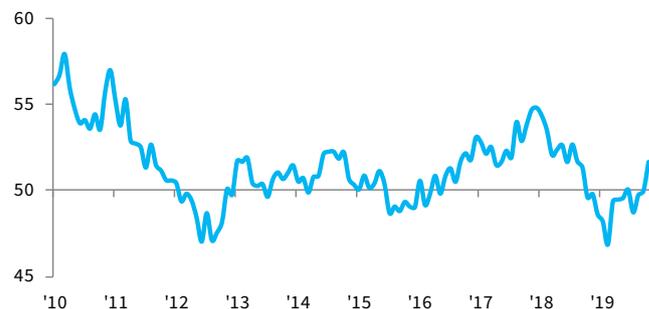
The seasonally adjusted Global Aluminium Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of aluminium – rose from 50.0 in September to 51.6 in October, its highest reading since August 2018, and indicating the first improvement in operating conditions for over a year.

Aluminium users raised output levels sharply at the start of the fourth quarter, with the rate of expansion accelerating notably from the previous month. Surveyed companies related this to an uplift in new orders that followed 12 successive months of decline.

Regionally, the upturn was concentrated in Asian and US markets, with both recording faster output growth compared to September. Panellists noted that new clients and increased market demand led them to expand production. On the flip side, European aluminium users saw an even steeper contraction in output that was the quickest in seven years.

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

#### Demand

Rising for the first time since September 2018, new orders at global aluminium users were supported by higher demand, particularly at Asian and US manufacturers. The rate of growth was moderate overall, but the quickest for 15 months. In addition, the increase came from domestic clients, with sales to foreign customers declining for the eighteenth month in a row.

#### Capacity

Work-in-hand rose during October as, despite an uplift in production, firms were unable to clear new orders. They were also slow to hire additional workers, leading to a second successive monthly fall in employment.

At the same time, input buying increased at only a marginal pace. This was insufficient to maintain stock levels amid a sharp increase in production, resulting in a slight drop in inventories.

#### Prices

Higher demand encouraged aluminium-using firms to raise output prices in October, although the overall mark-up was slight. Notably, European users reduced charges for the first time in over three years. At the same time, input costs faced by global aluminium users were unchanged from September, ending a 43-month sequence of inflation.

## COMMENT

David Owen, Economist at IHS Markit said:

*"The Global Aluminium Users PMI increased above 50.0 in October, moving firmly into expansion territory and signalling a recovery in the aluminium-using industry. Manufacturers that raised production during September were duly rewarded, as new orders grew for the first time in 13 months, prompting an even sharper uplift in output in October.*

*"As with the previous two months, the upturn was concentrated on Asian users of the metal, with demand growth soaring to the highest in over one-and-a-half years. This was mainly due to countermeasures in China to combat US tariffs and support manufacturing production.*

*"US aluminium users also saw an increase in new orders, but only marginally. However, an improving Asian industry could lead to stronger demand levels in the near future. On the flip side, European data suggests that aluminium users there remain far from a recovery, with both output and new orders falling at sharp rates."*

## CONTACT

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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](http://ihsmarkit.com/products/pmi.html).