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IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Demand conditions at aluminium users improve at quicker pace

KEY FINDINGS

Sustained rises in output and new orders

Export sales expand at quickest pace in 11 years

Input price inflation soars amid severe supply chain disruption

May data pointed to a further improvement in business conditions faced by global aluminium users, and one that was quicker than in April. Though softening fractionally, there were further, strong increases in both production and new order volumes. Within total new orders, exports increased at the sharpest rate since March 2010. That said, supplier performance deteriorated at the fastest pace on record, which contributed to a rapid rise in 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 – increased slightly to 55.9 in May from 55.7 in April. The rate of growth was sharp overall and the fastest recorded since December 2010. Sustained rises in output and new business meant that operating conditions improved in each of the last 11 months.

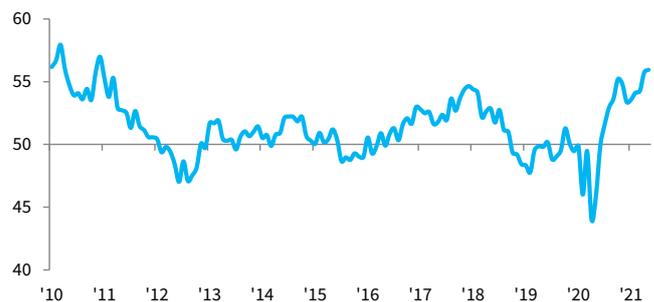
Aluminium users across all three monitored regions registered expansions in output during May, led by a record rise at European firms. Firms in the US also noted a quicker expansion in output levels, while Asia-based firms pointed to a softer, but still sharp, upturn in production.

Demand

New orders received by aluminium users rose at strong pace in May, extending the current sequence of growth to 11 months. Firms in the US noted a record increase, while overall growth was led by European firms. Asian firms highlighted a softer, but still marked, rise in sales. Panellists commonly attributed the rise to sustained improvements in demand in

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

both domestic and international markets. In fact, an ongoing recovery in external demand led to the fastest increase in export sales in over 11 years. European and US-based firms registered the strongest expansions on record, while growth at Asian firms quickened to the fastest since March 2010.

Capacity

In line with ongoing expansions in output, global aluminium users increased their staffing levels for the fourth month in a row in May. The pace of job creation was moderate and the fastest since February 2018. At the same time, survey members reported that a sustained increase in demand led to the fastest rise in outstanding business in just over a decade.

Aluminium users also reported severe supply chain disruptions during May. Latest data signalled a rapid lengthening in delivery times, and one that was unsurpassed in the history of the survey. Both the US and Europe registered a record deterioration in supplier performance. Amid difficulty in sourcing raw materials, purchasing activity rose at the fastest pace since March 2011 to offset delays, while stocks of raw materials fell at the quickest rate for 11 months as firms utilised existing stocks.

Prices

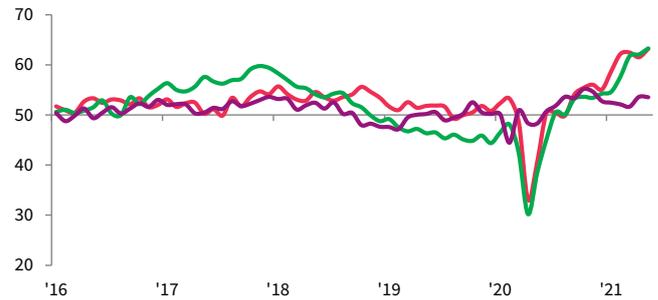
Input prices faced by aluminium users rose for the twelfth month running in May. Notably, the rate of inflation was the quickest since November 2010, amid a record rise at European firms. Higher input costs were partially passed on to clients through higher output charges, which rose to the greatest extent ever seen in the series history.

COMMENT

Usamah Bhatti, Economist at IHS Markit said:
 “The global aluminium-using industry saw a stronger improvement in operating conditions in May as a sustained expansion in production levels kept the latest PMI reading above the neutral 50.0 threshold. New orders also continued to grow, partly due to the fastest rise in export sales since March 2010. Firms across all three monitored regions registered sales growth, with US firms reporting a record uptick. European firms also noted an acceleration in new order growth, whereas Asian firms commented on a softer, but still sharp, rise. Ongoing concerns about raw material shortages continued to weigh on aluminium users, as a record deterioration in vendor performance led to a rapid rise in average cost burdens that was the fastest recorded in over ten years.
 “The latest PMI data indicated that aluminium users continued to adjust to varying levels of COVID-19 restrictions around the world. However, the resurgence of cases and tighter restrictions, notably in parts of Asia where a large amount of processing occurs, as well as persistent supply chain disruption, may dampen growth in the near-term.”

Global Aluminium Users PMI
 Europe / USA / Asia

sa, >50 = improvement since previous month



Source: IHS Markit.

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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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