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IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Decline in operating conditions softens in August

KEY FINDINGS

New orders fall marginally

Output declines for second month running

Employment growth strengthens to 13-month high

Aluminium-using companies worldwide saw a further deterioration in business conditions in August. However, the overall rate of decline was marginal, with new orders falling at a softer pace and employment growth strengthening to the fastest in over a year.

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 48.8 in July to 49.6 in August, signalling another marginal deterioration in operating conditions across the global aluminium-using industry.

Asian companies saw a slight improvement in performance over the month, boosted by stronger employment. However, the European aluminium-using sector remained in steep decline while US users reported the first deterioration in business conditions since July 2017 and the sharpest for seven years.

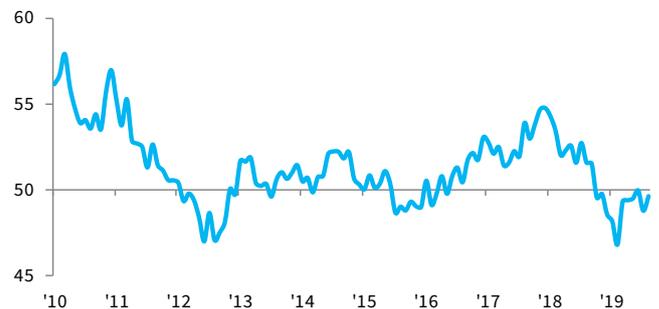
There was a further modest fall in output in the global aluminium-using industry, the tenth in 11 months. The rate of contraction was slightly faster than that seen in July.

Demand

New orders received by firms using aluminium as a key input declined marginally in August. Notably, all three key regions saw demand fall over the month, with US users noting the quickest downturn in over two years due to softening market

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

conditions. Asian users also saw factory orders weaken, although the rate of contraction was fractional.

Weaker automotive orders, trade conflicts and deteriorating economic conditions were all mentioned by respondents as contributing to the latest downturn.

Capacity

On the flipside, employment levels were on the up midway through the third quarter. Job numbers increased at one of the quickest rates in a year-and-a-half, although only Asian users noted an expansion overall.

Stock levels at global aluminium users also expanded, marking the first monthly growth in inventories for a year. This came despite a second consecutive reduction in purchasing activity.

Prices

Weaker demand led Asian firms to lower output charges during August. US and European firms increased prices, although there was still an overall drop in selling charges at the global level for the first time since May.

At the same time, input costs rose at the softest pace in the current three-and-a-half year sequence. US aluminium users notably reported a drop in cost burdens over the month.

COMMENT

David Owen, Economist at IHS Markit said:

"The headline Global Aluminium Users PMI ticked back up in August, indicating that the performance of the aluminium-using industry deteriorated at only a marginal pace. Production was cut back, although the rate of decline in factory orders was notably softer than in July.

"A key factor in the August data was a shift in momentum among US users, where operating conditions declined for the first time in over two years and at the sharpest pace since 2012. Some US respondents suggested that the trade war with China was beginning to impact overall sales. Importantly, new export orders fell sharply and at the quickest pace in over seven years, supporting this view.

"One positive arising from the latest survey period was a quicker increase in employment at global aluminium users. While conditions remain weak, this signals that companies are slightly more confident of a rebound in sales soon."

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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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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.