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## IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

### Deterioration in business conditions worsens in February

#### KEY FINDINGS

Output and new orders fall at sharper rates

Employment drops for sixth month running

Output prices decline for first time in two-and-a-half years

February survey data signalled a heightened downturn at global aluminium users, as output and new orders declined at quicker rates. Employment recorded another slight drop, and input purchases contracted solidly. Output prices were lowered for the first time since August 2016, although input costs rose at a faster pace.

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 47.9 in January to 46.8 in February, to signal the fastest deterioration in business conditions since May 2009.

This was led by a sharp downturn in production at heavy aluminium users, extending the current sequence of decline to five months. Moreover, the latest fall was the most marked for nearly ten years.

Regionally, Asia and Europe continued to record weaker output in February, with the rate of decline accelerating since the start of the year. At the same time, the US saw output growth soften to the lowest in 17 months.

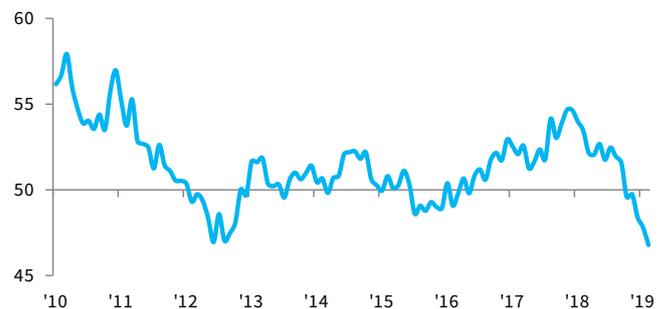
#### Demand

New orders at aluminium users worldwide dropped sharply in February, with the rate of deterioration quickening from January. Export sales fell at a solid rate, as firms reported lower demand from abroad.

Where a downturn was seen, panellists often attributed this to a drop in the automotive sector, as well as cooling

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

economies worldwide. In particular, European users found that customers were waiting for Brexit negotiations to finalise before completing orders.

#### Capacity

February data signalled another slight fall in employment at global aluminium users. Firms found that lower orders led them to reduce job numbers. Nevertheless, they still managed to keep on top of backlogs.

Meanwhile, purchasing activity was curtailed solidly in February, as output and new orders declined. Stock levels of both pre- and post-production goods contracted. Delivery times increased at a modest rate.

#### Prices

For the first time in two-and-a-half years, output prices at global aluminium users fell in February. This was driven by discounts at Asian users, although the rate of inflation dropped across European and US users as well.

Input costs worldwide rose at the quickest pace in three months in February, although this was notably weaker than the survey average. Some respondents found that supply shortages underpinned higher raw material prices, while Brexit uncertainty also raised fees in Europe.

## COMMENT

David Owen, Economist at IHS Markit said:

*"While waning global growth is affecting a number of industries, there are few areas where it is felt more so than at metal users. Protectionist policies originating from the USA has led to weakening exports and fewer orders during the last two quarters, while falling automotive sales has also harmed producers of car parts.*

*"Specifically for aluminium, the USA's tariff of 10% applied in 2018 has not helped manufacturers. While domestic demand held up last year, the two most recent surveys have shown sales weaken as supplies drain away. The country has joined Europe and Asia in the downturn, led by the struggling economies of Germany, China and Japan.*

*"However, there is a small ray of hope. US and China talks are advancing and may lead to some relief for aluminium users. Even so, time will tell whether any deal can reverse the downward trend the industry finds itself in."*

## 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).