

News Release

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S&P Global Aluminium Users PMI™

Aluminium output falls at fastest pace for two years

Key findings

Marked decline in output across Asia

New orders fall at softer rate

Supplier delivery times lengthen to greatest extent on record

The Global Aluminium Users PMI™ pointed to sustained headwinds on growth in April, as firms registered further contractions in both production and demand levels. The former fell at the sharpest rate since April 2020 when the global economy was disrupted by the initial wave of the COVID-19 pandemic, owing to the impact of the Ukraine war and renewed restrictions in China. Both issues also contributed to an intensification in supply chain disruption at the start of the second quarter, as supplier delivery times lengthened to the greatest extent in the survey history.

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 – improved slightly from 50.1 in March to 50.3 in April and signalled only a fractional improvement in overall conditions. Whilst aluminium users in US and Europe continued to indicate upturns, with the former seeing the fastest rate of growth for nine months, conditions in Asia deteriorated for the fifth month running.

Output at global aluminium users declined in April. The rate of contraction was sharp and the fastest recorded for two years. Production levels in Asia fell at the fastest pace since February 2020, while Europe-based firms saw a second successive marginal reduction. US aluminium users reported the strongest rise in output for 13 months, however.

Demand

New orders received by global aluminium users fell for the fourth month in a row in April. The rate of reduction eased from March and was only mild overall. Both European and Asian firms saw respective declines in sales ease from the previous survey period. US firms meanwhile reported the sharpest rise in orders since last July. Concurrently, new work from overseas globally decreased at a softer, yet still solid pace despite a renewed expansion in the US.

S&P Global Aluminium Users PMI
sa, >50 = improvement since previous month



Source: S&P Global.

Comment

Usamah Bhatti, Economist at S&P Global, said:

"The Global Aluminium Users PMI indicated subdued operating conditions in the aluminium-using industry at the start of the second quarter of 2022, as firms registered further declines in output, new orders and exports. Notably, output levels decreased at the quickest pace since April 2020, when the global economy was first impacted by the initial wave of the pandemic. Companies often linked demand weakness to material shortages and higher prices, which in part stemmed from the Russian invasion of Ukraine and the continuation of lockdown restrictions in parts of China. This contributed to a further deterioration in Asian firms' operating conditions, though growth at European aluminium users remained strong. Concurrently, growth at US firms accelerated to the highest since last July.

"Weakened demand conditions and increased supply chain disruption contributed to a greater lengthening in supplier delivery times, which was the sharpest on record. This in turn contributed to further marked increases in both input price and output charge inflation, as well as a sustained decline in purchases of inputs."

PMI™

by S&P Global

Capacity

Global aluminium users reported a second successive rise in employment levels in April. That said, the rate of job shedding was only fractional amid a softer rise in Europe and a quicker contraction at Asia-based firms. At the same time, capacity pressures showed signs of building as the rate of backlog accumulation accelerated from March.

Input buying fell at the fastest pace since May 2020 amid sustained supply chain disruption and material shortages. This came as the time taken for inputs to be delivered lengthened sharply, with vendor performance deteriorating at the steepest rate in the survey history. However, with new orders falling, stocks of purchases were broadly stable.

Prices

Input costs faced by global aluminium users increased at a softer, albeit still robust pace in April. This contributed to a fresh acceleration in the rate of output charge inflation amid a joint-record increase at European firms.

Aluminium Users PMI by region

■ Europe ■ USA ■ Asia

sa, >50 = improvement since previous month



Source: S&P Global.

Contact

Usamah Bhatti
Economist
S&P Global
T: +44-1344-328-370
usamah.bhatti@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
T: +44207-260-2234
joanna.vickers@spglobal.com

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Survey methodology

The Global Aluminium Users PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in manufacturers identified as heavy users of aluminium. The sample is selected from S&P Global's worldwide PMI survey panels, covering over 40 countries.

Survey responses are weighted by country, based on national aluminium consumption figures sourced from S&P Global'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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