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IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Aluminium Users PMI hits 11-year low

KEY FINDINGS

Output at European and US users contracts substantially

Global new orders slide amid lockdowns and weak exports

Sharp fall in inventories as supply chains deteriorate further

An escalation of the coronavirus disease 2019 (COVID-19) pandemic forced aluminium-using companies to sharply reduce output in April. The headline PMI fell to its lowest in over 11 years, as new orders also slumped amid lockdown restrictions and deteriorating exports.

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 – descended to 43.8 in April, from 49.2 in March. The reading was below February's recent nadir and pointed to the sharpest deterioration in the health of the global aluminium-using industry since March 2009.

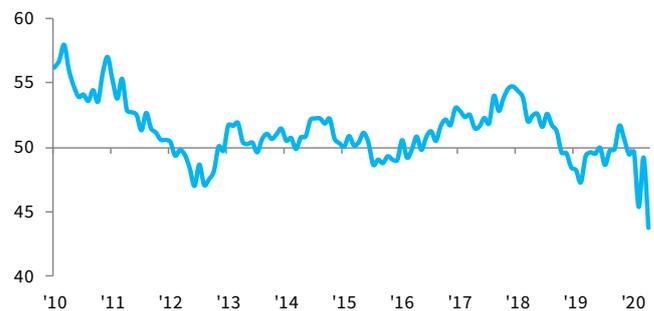
Output levels contracted sharply during April as companies faced widespread restrictions to production amid COVID-19 and emergency public health measures. Regional data showed that the most severe reduction was at European users, followed by the US, with both recording the fastest falls in output in the series history. Asian users lowered output only marginally, however, as some industries returned to activity after earlier lockdown measures.

Demand

Client demand for aluminium-based goods fell steeply in April, with all three key regions observing faster declines than in March. This was partly due to a sharp downturn in global exports amid the COVID-19 pandemic, with many companies also highlighting weak domestic demand due to

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

local restrictions. The rate of decline in new orders was the sharpest on record in both the US and Europe.

Capacity

Steep drops in demand led global aluminium users to lower employment for the fifth month running. Moreover, the latest decrease was sharp and in line with February's historic rate of job losses. Despite this, spare capacity remained, allowing firms to greatly reduce backlogs.

Global restrictions on movement and foreign travel meanwhile caused a further lengthening of supplier delivery times. These delays meant that stocks of purchases were sharply down from March, although efforts to reduce input buying also contributed.

Prices

Aluminium-using firms meanwhile reported a second consecutive month of falling input costs in April. The decline was widespread across the monitored regions, but most pronounced in the US. Firms linked the decrease to efforts to lower expenses, including staff cuts and reduced purchases. The easing of cost burdens led to a further drop in output prices that was the quickest since December 2015.

COMMENT

David Owen, Economist at IHS Markit said:

"Production levels at global aluminium users were notably suppressed by the world's response to COVID-19 in April, with key countries and regions enforcing lockdown measures to stop the spread of the virus, leading to temporary shutdowns of manufacturers. Businesses left to operate suffered a dramatic fall in client orders both at home and abroad, with export sales declining at the fastest rate since the depths of the global financial crisis.

"Large-scale efforts to reduce cost pressures were also apparent from PMI data in April. Input holdings and workforces declined at the joint-sharpest rates since 2009, leading to a steep drop in input costs. Businesses were also helped by weaker aluminium prices which have fallen 18% since the start of 2020.

"Output contractions were primarily observed in the US and Europe, but Asian firms did not escape the downturn. After enjoying a mild recovery in March, businesses saw new orders suffer due to weak exports, signalling that the industry may require a global recovery to ensure strong growth."

CONTACT

IHS Markit

David Owen
Economist
T: +44 207 064 6237
david.owen@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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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