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IHS MARKIT GLOBAL ALUMINIUM USERS PMI™

Output growth moderates amid contraction in new orders

KEY FINDINGS

Production rises modestly

New orders decline for first time since September

Drops in employment and inventory holdings

December data signalled a slight downturn in the global aluminium-using industry, amid a renewed decline in new orders that moderated output growth and led to a reduction in workforce numbers. Inventories of raw and finished items were also depleted, while input costs ticked up only slightly from November.

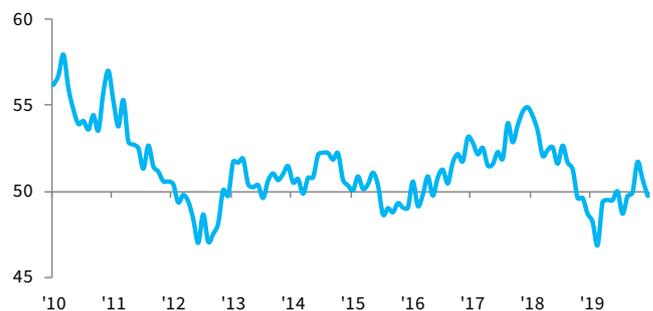
The seasonally adjusted Global Aluminium Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of aluminium – fell below the 50.0 no-change mark in December, posting at 49.8 to indicate a slight deterioration in the health of the aluminium-using industry following two successive months of expansion. That said, the index remained above its 2019 average of 49.5, the worst annual performance in seven years.

Production growth at aluminium users weakened for the second month in a row in December, as companies faced a renewed drop in new orders. At the regional level, Asian users saw the slowest rise in output for three months, albeit still solid, while production at US users was unchanged after three consecutive months of growth.

Meanwhile, European users of aluminium recorded the sharpest decline in output for over seven years, linked to weak economic conditions and political uncertainty.

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Demand

New orders at global aluminium users fell during December. The result marked the first decline in demand since September, albeit one that was only marginal overall. New foreign orders also remained weak, with latest data indicating the twentieth successive month of contraction.

As with output, European users saw the fastest drop in new work in over seven years. Notably, the US was the only region to record higher sales during the month, as new orders received by Asian users was broadly unchanged.

Capacity

Weaker demand affected hiring decisions in December, with employment falling at the joint-quickest pace in ten months. Nevertheless, capacity pressures remained subdued, with backlogs dropping slightly. Inventories of raw and finished items also continued to deplete.

Prices

Input cost inflation was again weak in December, posting the second-softest rise in cost burdens in the current 46-month sequence of expansion. As a result, aluminium users raised selling prices only marginally, with inflation centred on US users. Asian users meanwhile kept charges level with that seen in November, amid unchanged input costs. European users meanwhile reduced output prices at the quickest rate since April 2016.

COMMENT

David Owen, Economist at IHS Markit said:

"Operating conditions at aluminium users were a little more subdued at the end of the year, with the headline index posting at 49.8, just below the 50.0 neutral mark. This was largely due to lower demand for goods at aluminium-using manufacturers, in particular with Asian users reporting a stalling of new order growth.

"Nonetheless, average results for the final quarter of 2019 provided a ray of light for the industry after a rather downbeat year overall. Although the PMI average for the year of 49.5 indicated the worst annual performance since 2012, fourth quarter results were the strongest since the third quarter of 2018.

"New orders rose in both October and November, but dropped slightly in December. If demand can rebound at the start of 2020, then the outlook for the sector may brighten."

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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. To learn more go to ihsmarkit.com/products/pmi.html.