

News Release

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S&P Global Aluminium Users PMI™

Operating conditions improve modestly in July

Key findings

Aluminium users signal softer rises in new orders and output

Renewed reduction in export sales

Input prices rise at softest pace for 25 months

The Global Aluminium users PMI™ pointed to a modest improvement in operating conditions in July, as firms registered slower expansions in both production and demand. The latter rose at a modest pace, with growth largely led by domestic sales, as aluminium users noted a decline in new export orders for the fourth time in five months. There were further indications that price pressures were easing in the aluminium-using sector, as signalled by the softest rise in average cost burdens since June 2020.

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 – eased from 53.4 in June to 52.4 in July, and signalled a softer improvement in operating conditions that was modest overall. Conditions in Asia improved for the second successive month, albeit at a slower pace. However, growth in the US was little-changed from June's 22-month low, while European aluminium users reported the first deterioration in operating conditions since June 2020.

Output at global aluminium users increased for the second month running in July. The rate of expansion softened from June's recent peak yet remained solid overall as production levels in Asia continued to rise at a sharp pace. This helped to offset further falls in output at aluminium users in Europe and the US, with both regions noting the quickest falls in production since May 2020.

Demand

New orders received by global aluminium users rose further in the latest survey period. The rate of expansion softened from that seen in June and was modest overall. Regional divides were apparent, as Asian firms continued to see a solid rate of increase, whereas both European and US users saw further marked declines in new business. A notable slowdown in the rate of growth in exports in Asia, alongside

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



Source: S&P Global.

Comment

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

"The Global Aluminium Users PMI indicated a further improvement in operating conditions in the aluminium-using industry at the start of the second half of 2022, as firms registered sustained expansions in output and total new orders. Demand was concentrated in domestic markets, however, as new export sales fell for the fourth time in five months during July. Asian firms saw operating conditions improve at a softer pace as the boost from the lifting of lockdown restrictions across mainland China faded. At the same time, operating conditions in Europe deteriorated for the first time since June 2020, while the rate of growth in the US was broadly unchanged from that seen in June and only mild."

"There was further evidence that price pressures had begun to ease in the latest survey period. The rate of input price inflation eased considerably in July to the softest in just over two years, with Asia-based users recording a fall in average cost burdens for the first time since May 2020. This in turn contributed to a softer increase in output charges, which rose at the slowest rate in 20 months."

PMI™

by S&P Global

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further falls in foreign demand across Europe and the US, contributed to a renewed decrease in global export orders, the fourth in the past five months.

Capacity

Global aluminium users reported a renewed reduction in employment levels in July. The rate of job shedding was mild, yet the fastest recorded since July 2020. At the same time, capacity pressures continued to build, as the rate of backlog accumulation strengthened from June.

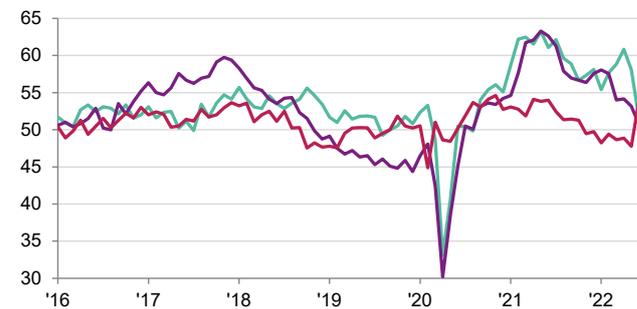
There was a further rise in stocks of pre-production inventories amid continued efforts to build safety stocks and protect against price hikes and supply disruption. However, the time taken for inputs to be delivered lengthened at a quicker rate for the first time in three months. Concurrently, purchasing activity rose at a softer pace as efforts to increase purchases to keep pace with demand were hindered by delivery delays and material shortages.

Prices

Input costs faced by global aluminium users increased at the softest pace in just over two years in July. This contributed to a slowdown in the rate of charge inflation to the softest seen since November 2020.

Aluminium Users PMI by region

■ Europe ■ USA ■ Asia
sa, >50 = improvement since previous month



Source: S&P Global.

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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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