News Release

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IHS MARKIT
GLOBAL STEEL USERS PMI™

Softer deterioration at steel-using firms in September

KEY FINDINGS

New orders fall marginally

Businesses raise production levels at slight rate

Hiring activity sees renewed decline

Latest data signalled a twelfth successive monthly deterioration in the health of the global steel-using industry in September. However, a weaker fall in new orders and a slight upturn in output meant that the overall rate of decline slowed to a fractional pace. Hiring activity still fell though, while firms also cut back on input purchases.

The seasonally adjusted Global Steel Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of steel – increased for the second month running from 49.5 in August to 49.7 in September, indicating a further softening of the decline in business conditions among steel users. Nonetheless, this extended the current sequence of deterioration to a whole year.

At the regional level, US and European steel users noted a further weakening of operating conditions, albeit with the rate of decline at US companies slowing to a marginal pace. The most positive data came from Asian users, recording back-to-back monthly improvements for the first time in 12 months.

Stronger market conditions among Asian panellists led them to increase output moderately. Despite falling activity in the US and Europe, this drove a marginal expansion in production at the global level.

Demand

Meanwhile, new orders received by steel-using firms continued to decrease, as has been the case since last October. That said, the latest decline was the weakest in this period.

Notably, European users saw an ever steeper downturn in demand that was the sharpest since the financial crisis. Respondents that noted lower new orders cited continued weakness in the automotive sector and reduced investment in the midst of poor market conditions.

Capacity

Steel users reported a marginal reduction in job numbers in September, following the first monthly increase for 12 months during August. Lower hiring activity was observed in all three main regions and often attributed to continued demand weakness.

Businesses limited their input purchases during the month, with the pace of reduction softening from August. Inventories also decreased as some stocks were used for production.

Prices

Cost pressures remained subdued at the end of the third quarter, with only a few firms seeing an increase in raw material prices. That said, the rate of inflation picked up slightly from August’s recent low. Concurrently, output prices rose marginally in September.
COMMENT

David Owen, Economist at IHS Markit said:

"While September data pointed to the twelfth successive month where the Global Steel Users PMI was below 50.0, a reading of 49.7 signalled that it was only just in contraction territory. This suggested that the decline in business conditions at steel users worldwide is slowing, and possibly nearing an end.

"Production levels rose slightly for only the second time in 12 months, while new orders fell at the weakest pace in the current downturn sequence. Asian firms recorded the best performance, with output and new orders both growing. However, US and European users saw further declines.

"While it appears that the outlook for the steel-using industry has improved, growing concerns around the world economy suggest a different projection. For instance, the world's top iron-ore exporter, Australia, has markedly reduced its forecast for global steel demand, citing economic uncertainty and continued trade tensions. This suggests that hopes of strong growth at steel users in the near future are limited."