

Embargoed until 08:00 UTC 9 September 2019

## IHS MARKIT GLOBAL STEEL USERS PMI™

### PMI rises but still points to deterioration in business conditions

#### KEY FINDINGS

Output falls at faster rate in August

Employment increases for first time in a year

Selling charges drop at quickest pace since August 2016

Operating conditions in the global steel-using industry remained in contraction territory in August, although the rate of deterioration softened from July. A quicker drop in production contrasted with a slower decline in new orders and the first monthly rise in employment for a year. Demand weakness led to a lowering of output charges at the quickest rate in three years, although cost inflationary pressures weakened to a 42-month low.

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 from 48.7 in July to 49.5 in August, and indicated a marginal decline in operating conditions. This extended the current period of deterioration to 11 months.

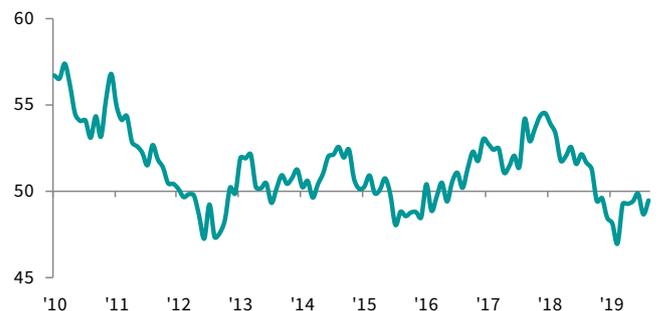
Whilst Asian steel users saw a slight improvement in business performance, US and European users reported further declines. In particular, the US steel-using industry saw the sharpest contraction in ten years.

Output at steel users globally fell for the second successive month, with the rate of reduction accelerating from July. Production levels have increased only twice in the past year.

#### Demand

New orders fell again over the course of the month, although the rate of decline weakened slightly. There was a notably sharp drop in demand at US steel users, which some

Global Steel Users PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

respondents linked to imposed tariffs. European users meanwhile saw a further steep decline in demand as market conditions remained weak.

Part of the reduction in global new orders arose from falling export sales. The decrease was modest and broadly in line with that seen in July.

#### Capacity

The downturn in new orders led to a moderate reduction in purchasing activity in August, easing pressure on supply chains. However, stock levels increased slightly, as some respondents looked to reserve supplies due to shortages.

On the flipside, steel users raised workforce numbers for the first time since last August. Hiring activity was most notable among Asian users, while US and European users reduced employment over the month.

#### Prices

Cost pressures were soft in the latest survey period, as firms noted a drop in global steel prices. This brought the overall rate of input price inflation to the lowest in three-and-a-half years.

At the same time, selling prices fell for the first time since May, prompted by continued demand weakness. The decline was marginal but nonetheless the fastest in three years.

## COMMENT

David Owen, Economist at IHS Markit said:

*"The headline Global Steel Users PMI increased to 49.5 in August, the second-highest reading in 2019 so far albeit still signalling a deterioration in operating conditions. This was due in part to further drops in output and new orders, although Asian users saw demand unchanged from July. In contrast, US and European users reported quicker declines in new orders.*

*"Employment numbers increased for the first time in a year, due to Asian steel users raising workforce levels at an accelerated pace. These firms also increased inventories at the strongest rate in nearly two years, suggesting that they are anticipating a boost to output. That said, a few respondents commented on reserving stocks due to weak supply levels.*

*"While some firms expect sales to grow, it is noticeable that new export orders are still declining, with August registering the sixteenth consecutive month of reduction. If this continues, it will be difficult for the steel-using industry to gain any momentum."*

## CONTACT

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### Methodology

The Global Steel Users PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in manufacturers identified as heavy users of steel. 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 steel 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](mailto:economics@ihsmarkit.com).

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### About PMI

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](http://ihsmarkit.com/products/pmi.html).