Steel-using firms worldwide saw a further decline in operating health in March, as the coronavirus disease 2019 (COVID-19) spread across the globe. Output at US and European users decreased sharply, but Asian users saw a slight increase since February. Downturns in economic activity meant many businesses struggled to source raw materials, leading to much longer delivery times. Nevertheless, overall costs declined due to weaker input demand and lower oil prices.

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 – posted 49.3 in March to signal a decline in operating conditions. The reading was up from 45.3 in February due to a slight recovery at Asian steel users, following a sharp deterioration amid the COVID-19 outbreak.

Output at global steel users contracted at a modest pace overall in March. Production at both US and European users was reduced rapidly amid country lockdowns, factory closures and a lack of raw materials. However, this was mostly offset by a return to growth at Asian firms.

Demand

Meanwhile, demand for steel-using products fell for the fourth-successive month during March. Respondents mainly related this to weaker client activity due to COVID-19 and increased economic uncertainty. The rate of reduction was again sharp, but softer than seen in February. Notably though, European steel users saw the quickest fall in new orders for 11 years.

Capacity

Weaker new orders fed through to a further drop in purchases at the end of the first quarter, with firms citing plans to lower stock levels. Businesses also reported struggling to acquire raw materials due to reduced industrial activity, which also curbed input buying.

Suppliers to steel users continued to suffer from the virus pandemic in March, as delivery times lengthened sharply for the second month in a row. The rate of decline was softer than in February, however.

Employment also decreased, with many firms reducing workforces as demand weakened. This was mostly in the US and Europe, whereas Asian users took on more workers as some factories reopened.

Prices

Despite shortages of raw materials, input prices declined for the first time since February 2016, which firms attributed to lower oil prices and weaker demand for input goods. This supported a renewed fall in output prices set by steel users, but only at a marginal pace.
IHS Markit Global Steel Users PMI™

COMMENT

David Owen, Economist at IHS Markit said:

“The Global Steel Users PMI climbed back up to 49.3 in March, after falling to a near 11-year low of 45.3 in February. This was overwhelmingly due to Chinese steel users mostly reporting unchanged operating conditions, however this followed a sharp deterioration in the month before due to the COVID-19 outbreak.

“With the virus accelerating in Europe and the US in March, steel users in those regions saw rapid declines in production, while client demand fell sharply as the economic outlook suddenly became much gloomier. The previous downturn in Asia meant that raw material supplies were low, which also limited output. As lockdown measures continue into April, weakness in the steel-using industry is likely to persist.”

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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.

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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.

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