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IHS MARKIT GLOBAL STEEL USERS PMI™

Steel Users PMI drops to lowest in nearly ten years

KEY FINDINGS

Output declines sharply

New orders fall at quickest rate since March 2009

Employment drops for sixth month running

Operating conditions at global steel users deteriorated further in February, as output and new orders fell at sharper rates. Employment dropped slightly whilst stock levels contracted at a quicker pace. Selling prices were flat as input costs rose moderately.

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 – dropped from 47.8 in January to 47.0 in February, signalling a solid deterioration in operating conditions. Moreover, the figure was the lowest since March 2009.

Steel users reported a further fall in production during February, with the rate of decline accelerating to the sharpest in almost ten years. Activity has now fallen for five consecutive months.

Regionally, Asian steel users saw the quickest drop in production, while European users also reported a sharp downturn. In comparison, US users saw an expansion in output, albeit only marginally.

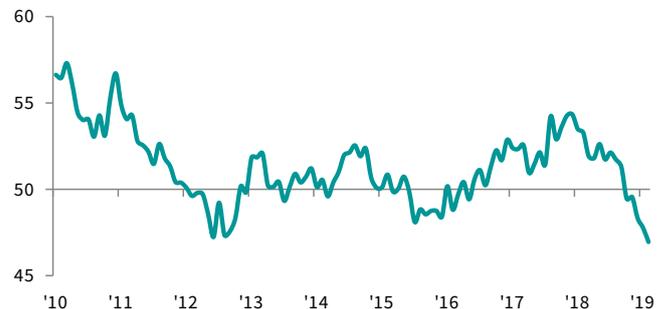
Demand

New orders at steel users worldwide declined sharply in February, posting the strongest fall since March 2009. This was partly due to a solid drop in export sales, as foreign demand wavered under pressure from import tariffs.

All three key regions saw new orders slide in February. Of the firms that reported a decline, there were reports of cooling

Global Copper Steel Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

economic activity, a slowdown in the automotive industry and uncertainty surrounding the Brexit negotiations.

Capacity

Employment levels at global steel users continued to edge down, as February data recorded a slight drop in workforce numbers. Firms found that weaker demand led to greater redundancies and fewer replacements of retirees.

At the same time, purchasing activity fell sharply in February, although the rate of decline was slightly softer than in January. Nevertheless, inventories of pre-production goods fell at the most marked rate in nearly six-and-a-half years.

Prices

Selling prices were unchanged during February. While US and European steel users raised their charges, Asian users lowered theirs for the fourth month running. Panellists that reduced their fees linked this with lower customer demand.

Concurrently, cost burdens at Asian steel users increased for the first time in three months in February. European and US users also saw input costs rise, relating this to higher prices of steel and other raw materials.

COMMENT

David Owen, Economist at IHS Markit said:

"Steel users are struggling at the start of 2019. Falling exports, a deteriorating car industry and cooling growth worldwide are effecting a large drop in steel goods sales. This has led to a sharp reduction in output, and a fall in the PMI to the lowest since during the financial crisis."

"Steel was a key target of US import tariffs implemented last summer, and so the short- to medium-term direction of the industry may benefit greatly by a US-China trade deal. Talks are progressing, although the nature of any deal is still unclear. Should tariffs be removed, this may rejuvenate manufacturers. That said, it will take a monumental swing to lift the industry from its current downturn."

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