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IHS MARKIT GLOBAL STEEL USERS PMI™

Solid improvement in operating conditions in December

KEY FINDINGS

Sustained improvement in output and new orders

Fastest rise in exports since November 2017

Employment levels fall for the first time since July

The Global Steel Users PMI™ pointed to a further, solid improvement in operating conditions during December, as output and new orders continued to expand at a strong pace. Moreover, firms indicated that international demand growth had quickened, as export orders rose at the fastest rate in just over three years. Despite positive signs at the end of a disrupted year, steel users were reluctant to take on additional staff, with employment levels falling for the first time in five months.

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 54.9 in November to 53.9 in December. Although the pace of expansion was slightly slower, growth remained solid overall and above the series average.

Steel-using businesses indicated a strong rise in output during December, as firms cited improvements in market demand, particularly for machinery, following disruption caused by the coronavirus disease 2019 (COVID-19) pandemic earlier in the year. The rate of growth eased from November's ten-year high, but extended the current sequence of expansion to seven months. A sharper upturn in production was recorded in Europe, while steel users in the US and Asia reported strong, albeit softer, rates of improvement.

Demand

Firms in the steel-using industry continued to see increasing amounts of incoming new business in December. Although the

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



Source: IHS Markit.

pace of expansion slowed for a second straight month, orders still grew at a strong rate. The upturn was led by Asia, despite an easing in growth, as surveyed businesses cited improved demand conditions in both domestic and external markets. Meanwhile, the rise in new work at US and European firms gathered pace.

At the same time, export orders rose for the fifth month in a row. Although modest, the latest expansion was the fastest since November 2017. Foreign demand rose at US-based firms for the first time since January, while growth in both Europe and Asia picked up slightly.

Capacity

Global steel users reported the first decrease in staffing levels since July in the latest survey period. Though marginal, firms across the monitored regions commented that staff who were let go due to cost-saving measures were not replaced. That said, increased new orders resulted in a rise in both input buying and stocks of raw materials in December, although the upturn in pre-production holdings remained fractional.

Prices

Average input costs increased further for global steel users, and at a substantial pace, pushing the rate of inflation to the fastest in over three years. Higher cost burdens were cited as a key factor leading firms to raise average output charges again in December, and at the strongest rate since September 2017.

COMMENT

Usamah Bhatti, Economist at IHS Markit said:

“Steel users saw a further improvement in operating conditions in December, as the latest PMI continued to indicate solid growth overall. The expansion marked the sixth successive improvement in the performance of the steel-using industry, and pointed to a sustained recovery from the nadir in April caused by the COVID-19 pandemic. Notably, the upturn in new export orders quickened to the fastest in just over three years. Despite the continued expansion in production and new orders, however, firms were reluctant to take on additional staff, with workforce numbers falling for the first time since July.”

“Regional data showed that firms in all regions recorded expansions, with Asia and Europe posting the strongest output growth. However, Asian steel users indicated a weaker expansion than in November, as growth in new orders softened to a five-month low.”

Global Steel Users PMI

Europe / USA / Asia

sa, >50 = improvement since previous month



Source: IHS Markit.

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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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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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