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IHS MARKIT GLOBAL STEEL USERS PMI™

New orders collapse at fastest rate since February 2009

KEY FINDINGS

PMI drops to 133-month low in April amid slump in demand

Severe fall in output leads to deep staffing and purchases cuts

Input costs decline since March

Global steel users faced an accelerated decline in operating conditions in April, latest PMI data showed, as the coronavirus disease 2019 (COVID-19) pandemic escalated and led to the sharpest drop in new orders for over 11 years.

Output contracted at a steep pace from March, while job numbers were lowered at the fastest rate since March 2009. Slower input deliveries and weaker purchases were also recorded as lockdown measures curbed the effectiveness of global supply chains. Input costs fell for the second month running.

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 – fell to a 133-month low of 43.7 in April, from 49.3 in March. The figure signalled a steep decline in the health of the steel-using industry.

Lockdown measures in the US and Europe to prevent the spread of COVID-19 were key factors underpinning the latest downturn. Output contracted at record rates in both regions, linked to temporary factory closures and a stalling of client demand. Asian production meanwhile fell slightly after recording a modest recovery during March.

Demand

New orders received by global steel users slumped in April amid the virus pandemic. Businesses found that lockdowns and lower output at both domestic and foreign customers

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



Source: IHS Markit.

led to a severe fall in demand, with exports declining at the fastest rate since the end of 2008. The sharp decline in new orders was concentrated in the US and Europe, yet was also notably recorded by Asian steel users.

Capacity

Businesses constrained by lockdown measures shed jobs at a marked pace in April, leading to the greatest fall in employment in the steel-using industry since March 2009. Weaker new orders led firms to steeply lower purchasing activity, with some mentioning efforts to limit stock levels during the pandemic.

Input deliveries were notably delayed by travel restrictions, with firms worldwide observing a sharp decline in supplier performance. The increase in lead times was broadly similar to those seen in February and March, and steep overall.

Prices

Falls in input prices, such as oil, and efforts to reduce expenses led to a solid reduction in steel users' total costs in April. Businesses subsequently lowered output prices for the third month in a row, and at a quicker rate, as companies reportedly hoped this would improve client demand.

COMMENT

David Owen, Economist at IHS Markit said:

“April data for the Global Steel Users PMI showed the full impact of ramped-up lockdown measures on the steel-using industry. The headline PMI fell to 43.7, the lowest since March 2009, as firms reported a slump in new orders and limited production, especially in Europe and the US.

“COVID-19 also had a disastrous impact on steel-based exports, which fell at a near-record pace in April. The decline was widespread, including in Asia which had tentatively recovered from the pandemic but now faces a marked reduction in foreign orders.

“May survey data may show some respite from the downturn as some countries slowly emerge from lockdowns. However, domestic and export sales will likely still prove a challenge for steel users.”

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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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