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## IHS MARKIT GLOBAL STEEL USERS PMI™

### Steel users see renewed decline in operating conditions

#### KEY FINDINGS

New orders fall for first time since September

Output growth moderates

Workforces decline for fourth month running

Demand conditions weakened across the global steel-using industry during December, as latest data showed a modest drop in new orders and subsequent slowdown in output growth. As such, the recent recovery in the sector ended with operating conditions declining slightly worldwide. Pressure on capacity and input costs also remained subdued, while workforces fell for the fourth month in a row. Output prices saw a renewed uptick, albeit at only a mild pace.

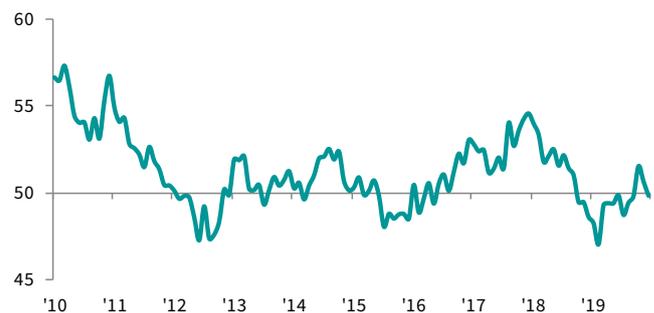
The seasonally adjusted Global Steel Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of steel – dropped from 50.7 in November to 49.8 in December and indicated a slight deterioration in the health of the steel-using industry. Moreover, all five sub-components of the headline index (output, new orders, employment, delivery times and stocks of purchases) exerted negative directional pressure, with new orders recording the largest downwards tick.

Output at global steel users increased for the fourth month running in December, albeit with the rate of growth slowing from November. Regional data showed both Asian and US users raising production levels, with the former recording the faster uplift, while European users reported a further decline in output.

#### Demand

By contrast, new orders at global steel users decreased for the first time in three months during December. Panellists

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



Source: IHS Markit.

noted that weak economic conditions continued to weigh negatively on both domestic and foreign demand. However, the overall decline in new work was only marginal and softer than the average for 2019.

#### Capacity

Capacity pressures remained subdued at the end of the year, with backlogs falling fractionally from the month before. As such, steel users reported further job losses and contractions in inventories of both raw and finished goods. Most notably, job numbers have now fallen in 15 of the last 16 months, with the latest decline stronger than the average for this period.

Vendor performance was meanwhile relatively unchanged, having deteriorated throughout the prior four months. Manufacturers thus raised input buying, albeit only slightly.

#### Prices

Input prices ticked up marginally at global steel users in December. The rate of inflation was the second-slowest for 46 months (faster than October only), with firms noting that prices for steel and other raw materials remained relatively weak. As a result, selling charge inflation was again subdued.

## COMMENT

David Owen, Economist at IHS Markit said:

*"The Global Steel Users PMI posted at 49.8 in December, indicating a renewed downturn in operating conditions as total new orders dropped for the first time in three months. Demand trends were again driven by the Asian steel-using market, as the effect of Chinese stimulus wore off and new work failed to rise after four successive months of growth. This translated into a weaker expansion in output and a greater reduction in workforce numbers at the global level.*

*"However, a trade deal reached between the US and China in December offers hope of strengthening the Asian industrial market and stimulating demand at steel users. This "phase one" deal reduces only some tariffs but is a first step to improved relations between the two countries in 2020. As such, the steel-using industry may see only a limited benefit in the near term, whereas longer-term prospects are starting to appear brighter."*

## 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).