

Embargoed until 09:00 UTC 6 March 2020

IHS MARKIT GLOBAL STEEL USERS PMI™

Steep decline in operating conditions at steel users

KEY FINDINGS

Headline PMI down to 131-month low of 45.5

Output, new orders and employment fall sharply

Lead times lengthen at fastest rate on record

The coronavirus outbreak had a dramatic effect on global users of steel in February, latest PMI™ data showed, with output contracting at the quickest rate in over 11 years, amid much weaker demand and a lack of workers in key Asian markets. Delivery times across the world lengthened to the greatest extent on record, while exports also deteriorated sharply.

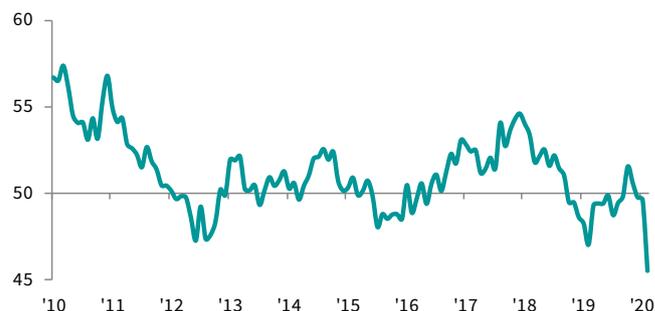
The seasonally adjusted Global Steel Users Purchasing Managers Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of steel – fell to a post-financial crisis low of 45.5 in February, from 49.4 in January, signalling a sharp deterioration in operating conditions at steel users worldwide.

Firms reported a renewed and steep fall in output during February, with the rate of reduction the quickest since January 2009. The downturn was mainly driven by Asian users, where the coronavirus outbreak led to factory closures and reduced operating schedules. European users also registered lower output, though the rate of decline was modest and broadly unchanged since the start of the year.

Demand

Global steel users meanwhile reported a sharp downturn in new orders midway through the first quarter, as Asian companies noted a lack of new work owed to the virus outbreak. Export demand was also hit, with all three main

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



Source: IHS Markit.

regions recording a drop in foreign new orders.

Capacity

Amid much weaker demand and output requirements, steel-using firms sharply lowered input buying levels during February. The rate of contraction was the quickest since early-2009. Inventories were also reduced for the sixth month running.

Likewise, employment conditions deteriorated notably in February. Asian steel users saw a steep reduction in workforce numbers, with many commenting that employees were unable to return to work.

Meanwhile, there was a marked lengthening of supplier delivery times, with panellists often commenting on large disruption to supply chains amid the Covid-19 outbreak. Lead times increased at the strongest rate in the series history.

Prices

Latest data pointed to a solid uptick in input costs faced by global steel users in February. The rate of inflation was broadly unchanged from the start of the year, with firms noting higher raw material prices and transport costs.

At the same time, output prices were stable, ending a prior two-month run of increases, with higher charges at US firms offset by lower charges in both Asia and Europe.

COMMENT

David Owen, Economist at IHS Markit said:

"Global steel users faced an unsettled month in February, as the coronavirus outbreak led to marked reductions in both output and new orders. Other PMI indicators, including employment, export orders and stocks of purchases, were also down sharply, while steel users saw the fastest deterioration in supplier delivery times in the survey's history.

"China was central to the decline, both as the epicentre of the outbreak and the biggest consumer of steel worldwide. As such, numerous factory shutdowns and reduced customer demand led to a large drop in production. Firms also suffered from lower workforce numbers, causing backlogs to pile-up and the cancellation of several contracts with both domestic and foreign clients.

"There is some evidence that Covid-19 cases are beginning to slow in China, which may allow a restarting of industrial activity in March. However, global cases are still on the rise, with hotspots appearing in places such as South Korea, Iran and Italy, suggesting that the downturn in output is likely to spread to other regions. At this point, the downside risks to the steel-using industry still appear heightened."

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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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