

Embargoed until 09:00 UTC 6 November 2020

IHS MARKIT GLOBAL STEEL USERS PMI™

Operating conditions improve at quickest pace since December 2010

KEY FINDINGS

Output and new orders both expand at fastest rates in nearly a decade

Export sales rise for third month in a row

Employment growth remains muted

The Global Steel Users PMI™ reached its highest level in close to ten years in October, as stronger upturns in output and new orders signalled a sustained recovery from the coronavirus disease 2019 (COVID-19) related downturn earlier in the year. Moreover, foreign demand expanded for a third consecutive month. Encouraged by increasing output and sales, steel users raised employment levels again in October, albeit only slightly.

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 – rose from 53.7 in September to 55.4 in October, to signal a fourth successive monthly improvement in business conditions. Furthermore, the rate of improvement was the quickest since December 2010. Steel users in both Asia and the US saw stronger growth, while in Europe the upturn remained moderate.

Steel-using businesses reported a steep increase in output during October, as firms continued to recover from the COVID-19 pandemic. The rise in production was the most marked since January 2011, and extended the current sequence of expansion to five months.

Demand

Firms in the steel-using industry continued to see greater amounts of incoming new business in October. Moreover, the

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



Source: IHS Markit.

latest upturn in sales was the fastest since December 2010. Growth was led by Asian firms, who commonly cited firmer client demand, particularly for automobiles. The increase in new work in the US was also sharp, while firms in Europe saw a more modest rise.

At the same time, export orders rose for the third successive month, and at the fastest pace for just under three years. European and Asian firms recorded strong rises in foreign demand. In contrast, US-based steel users reported a contraction in export sales for the ninth month in a row.

Capacity

Global steel users continued to increase their staffing levels in October, albeit at a marginal pace. This marked the third consecutive monthly expansion in headcounts, driven by rising employment in Asia and the US. However, European firms recorded job shedding for the twentieth month in a row. Improving new orders meant both purchasing activity and stocks of raw materials rose in October, with the upturn in pre-production holdings ending a 29-month sequence of decline.

Prices

Average input costs increased further and at a marked pace, despite the rate of inflation edging down to the softest since June. Higher cost burdens were cited as a key factor leading firms to raise their average output charges again in October, and at a slightly stronger pace.

COMMENT

Usamah Bhatti, Economist at IHS Markit said:

“Steel users saw a solid improvement in operating conditions throughout October, as indicated by the PMI reaching its highest since December 2010. Notably, growth in output and new business accelerated to the fastest pace in close to ten years. The latest expansion marked the fourth successive improvement in the performance of the steel-using industry, and pointed to a sustained recovery from the sharp downturn caused by the COVID-19 pandemic.

“Regional data showed firms in Asia leading the way in October, both in terms of production and new orders, with the US also recording solid growth. Meanwhile, the increase in new orders among European steel users was more modest by comparison, as a fresh wave of COVID-19 infections and strict measures to curb the spread led to weaker client demand growth.”

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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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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