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IHS MARKIT GLOBAL STEEL USERS PMI™

New orders continue to rise, but growth slows

KEY FINDINGS

Output expands for third month in a row

New orders increase at weaker rate

Selling prices decline amid slight uptick in costs

New business at global steel users increased for the second month running in November, leading to a further rise in production. That said, the rate of demand growth slowed to a marginal pace, prompting another contraction in input stocks. Job numbers were unchanged, while subdued cost pressures allowed firms to reduce output charges slightly from October.

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 from 51.5 in October to 50.7 in November, signalling an uplift in business conditions for the second consecutive month. However, the rate of growth slowed to a marginal pace.

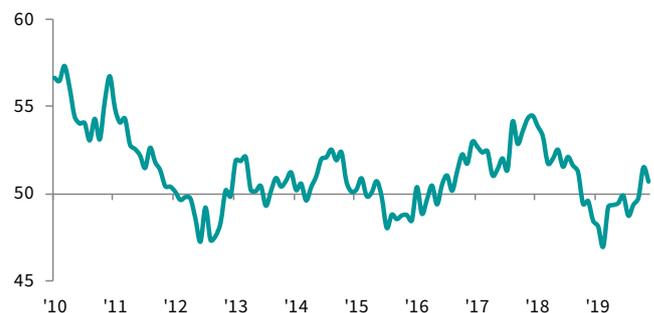
Notably, US steel users reported the first improvement in operating conditions since June. On the negative side, Asian users saw an easing in growth from October's recent high, while European firms indicated declining business conditions for the twelfth month in a row.

Output at global steel users increased modestly midway through the fourth quarter. This extended the recent expansion run to three months, although the rate at which production grew was softer than that seen in October. Respondents mostly related this to a weaker rise in new orders.

Demand

Overall, new business increased marginally during November, indicating continued demand pressure at steel-

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



Source: IHS Markit.

using manufacturers. The rate of growth slowed from October, in part due to a slower rise in new orders at Asian users. Export sales continued to fall, albeit at the softest pace in five months.

Capacity

Steel-using firms noted a renewed drop in purchasing activity during November, despite the latest increase in production. This contributed to a moderate drop in stocks of raw and semi-finished items. Meanwhile, stocks of finished goods fell for the nineteenth successive month.

Hiring activity was also unaffected by higher output levels, with workforce numbers remaining unchanged since October. That said, this ended a two-month run of job shedding.

Prices

Average charges set by steel-using businesses dropped in November, as respondents found that a slower rise in sales and relatively weak cost pressures prompted them to lower prices. Moreover, the rate of reduction was the fastest seen since June 2016, albeit only marginal.

Input costs meanwhile ticked up slightly, driven by greater cost pressures faced by US steel users. However, weaker steel prices weighed on the uptick.

COMMENT

David Owen, Economist at IHS Markit said:

"The Global Steel Users PMI remained above the neutral 50.0 mark in November, though it posted at 50.7, down from 51.5 in October and thus indicating a weaker improvement in operating conditions. With the industry driven mainly by Asian firms, softer upturns in output and new orders in the region weighed on growth. This detracted from an increase in demand at US steel users, the first in five months, albeit at only a modest pace.

"The overall slowdown led businesses to lower selling prices, with the rate of decrease the quickest in nearly three-and-a-half years. Firms were supported by a drop in steel prices, meaning that input cost pressures rose only slightly.

"Reports at the start of December signalled that further uncertainty lay ahead, particularly around a potential US-China trade deal next year. The US also announced plans for new tariffs on steel and aluminium imports from Brazil and Argentina. While these are unlikely to disrupt global supply chains, they serve as a reminder of the United States' willingness to place further pressure on the metals industry in order to bolster domestic firms."

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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. To learn more go to ihsmarkit.com/products/pmi.html.