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IHS MARKIT GLOBAL STEEL USERS PMI™

Global steel users see fastest rate of sales growth since December 2017

KEY FINDINGS

New order growth reaches 32-month record as exports rise

Output expands at stronger rate in August

Job numbers stabilise amid increased backlogs

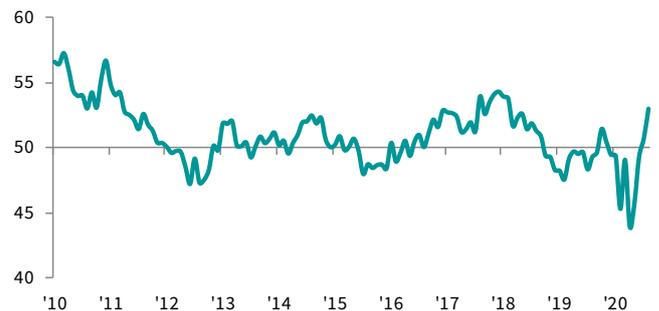
The economic recovery among global steel users gathered pace in August, latest PMI™ data signalled, amid the strongest rate of new order growth seen since the end of 2017. Production levels rose sharply from July, while job numbers were stable after an 11-month run of contraction. On the negative side, input cost inflation quickened to a 22-month high.

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 to a 30-month high of 53.1 in August, from 51.1 in July, to indicate a second successive monthly improvement in operating conditions.

The improvement was driven by stronger growth at Asian and US steel users midway through the quarter, with the former registering the faster expansion. Meanwhile, European users saw a renewed decline in performance, after a broad stabilisation in July.

Global steel users saw a sharp upturn in manufacturing output during August. The rate of growth quickened from the start of the quarter and was the strongest observed in two-and-a-half years. Firms that raised production linked this to a rise in new orders and improving economic conditions as lockdown measures were lifted.

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



Source: IHS Markit.

Demand

Client demand continued to increase in August, leading to a further expansion in new orders that was the fastest seen for 32 months. All three regions registered an upturn, with Asia recording by far the sharpest improvement.

Notably, steel users saw the first increase in export sales since April 2018. Panellists noted that global demand conditions steadily improved amid easing COVID-19 measures.

Capacity

Rising client orders led to a solid increase in purchasing activity in August, with the rate of growth quickening from July's renewed upturn. Stocks of both pre- and post-production items fell at slower rates. Delivery times continued to lengthen, but only modestly.

Increased hiring at US and Asian steel users offset falls in Europe during August. As such, overall employment was unchanged, ending an 11-month sequence of job shedding. Capacity pressures strengthened during the month, as backlogs rose at the quickest rate since February.

Prices

Steel users reported the quickest rise in input prices for nearly two years in August. Output prices meanwhile rose for the second month running, albeit at a subdued pace.

COMMENT

David Owen, Economist at IHS Markit said:

"The latest Global Steel Users PMI data suggested a continued improvement in the sector during the third quarter of 2020. The rate of output growth strengthened to a sharp pace in August, while demand rose to the greatest extent since December 2017.

"One key aspect to the August PMI data was a renewed increase in new export orders. Despite rising only moderately, it marked the first monthly expansion in foreign demand since April 2018. The result signalled that the global steel-using sector found its feet during August, with foreign client spending growing after a tumultuous period affected by both the COVID-19 pandemic and (previously) the US-China trade war.

"Firms will be hoping this momentum continues into the final months of the year. However, with European steel users seeing a slight decline in operating conditions amid fresh outbreaks, there are clear reminders that the sector is not immune to new COVID-19 surges and further containment measures."

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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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