

Embargoed until 09:00 UTC 05 February 2021

IHS MARKIT GLOBAL STEEL USERS PMI™

Global Steel PMI edges down to five-month low in January

KEY FINDINGS

Output and new work both rise at slower, but still solid, rates

Fresh drop in new export work

Input costs continue to rise sharply

Business conditions faced by global steel users improved at a slower, but still strong, rate in January, according to latest Global Steel Users PMI™ data. Production and new orders both expanded at softer rates, amid the first reduction in export sales for six months. At the same time, supply chains remained under pressure as the coronavirus disease 2019 (COVID-19) pandemic continued to hinder vendor performance, which in turn placed further upward pressure on costs.

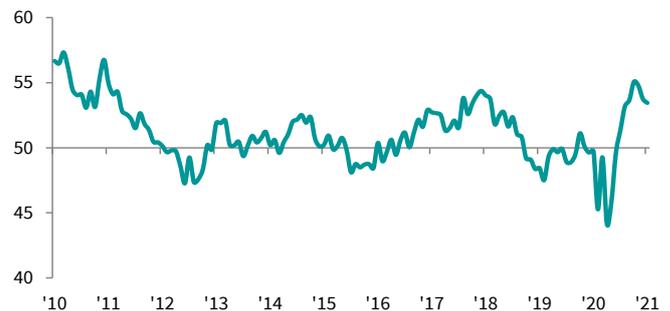
The seasonally adjusted Global Steel Users *Purchasing Managers Index™ (PMI™)* – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of steel – slipped from 53.8 in December to 53.4 in January. The reading indicated a strong improvement in business conditions, albeit the weakest for five months.

January survey data revealed a further increase in output at global steel users, thereby stretching the current period of growth to eight months. Though sharp, the rate of expansion softened to the weakest since August. Companies that recorded higher production generally commented on rising inflows of new work. Faster increases in production across the US and Europe were offset by a slowdown across Asia, according to underlying data. Nonetheless, growth remained marked in all three regions.

Demand

New orders at steel users worldwide rose solidly at the start of 2021. This was despite the rate of expansion easing to a six-month low. Data broken down by region indicated that sales

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



Source: IHS Markit.

growth softened across Asia, Europe and the US, with Asia continuing to register the strongest increase overall. Panellists often mentioned that new orders had risen due to the ongoing recovery in market demand since the pandemic hit last year.

Global steel users recorded a renewed fall in new export business, however, which ended a five-month period of expansion. That said, the rate of reduction was only slight. Mild declines in export sales across US and Asia offset a modest upturn at steel users in Europe.

Capacity

Staff numbers at global steel users fell for the second month running in January. Lower employment was often linked to cost-cutting measures and the non-replacement of voluntary leavers. That said, the rate of job shedding eased since December and was only fractional.

In line with the trend for new orders, growth of purchasing activity eased, but remained strong overall. Meanwhile, inventories of inputs fell at a rate that, though marginal, was the quickest seen for four months.

Prices

January data indicated a further sharp increase in input costs faced by global steel users, despite the rate of inflation easing since December. Consequently, prices charged rose at the steepest rate since September 2017, as firms sought to protect operating margins.

COMMENT

Annabel Fiddes, Economics Associate Director at IHS Markit said:

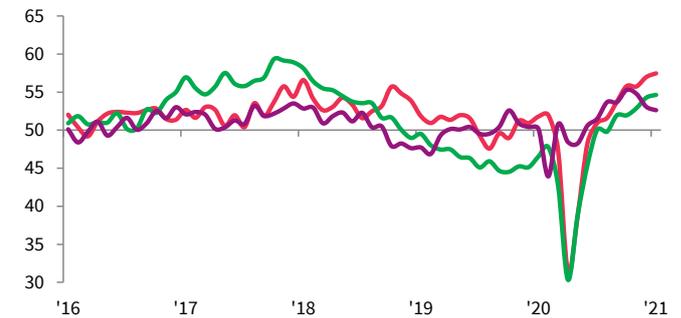
“Global steel users noted a slight loss of growth momentum at the start of 2021, with firms signalling softer increases in both output and new orders. Nonetheless, rates of growth remained historically strong overall, and pointed to a further solid improvement in business conditions. The slowdown in sales can be at least partly explained by a fresh decline in new export work, as a number of countries grappled with the resurgence of COVID-19 infections. As a result, firms maintained a cautious approach to staff hiring, with employment broadly stable in January.”

“On a regional basis, a softer increase in production at Asian steel users offset stronger rises in output across the US and Europe. Notably, steel users in Asia recorded the slowest upturn in output since last July.”

Global Steel Users PMI

Europe / USA / Asia

sa, >50 = improvement since previous month



Source: IHS Markit.

CONTACT

IHS Markit

Annabel Fiddes
Economics Associate Director
T: +44 1491 461 010
annabel.fiddes@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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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