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## IHS MARKIT GLOBAL STEEL USERS PMI™

### Steel users signal renewed reduction in output

#### KEY FINDINGS

Output falls amid modest decrease in new orders

Employment levels fall for the first time since December 2020

Supplier delays at lowest level for 14 months

Global steel users reported that output and new orders had returned to contraction territory in January after renewed expansions in December. Muted demand conditions led to a modest fall in sales, which was nonetheless the quickest seen since May 2020. As a result, job shedding was reported for the first time in just over a year. More positively, delivery delays eased to the slowest seen for 14 months, which contributed to the softest rise in input prices since November 2020.

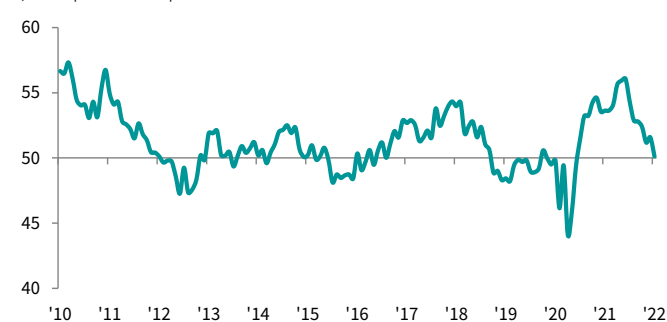
At 50.1 in January, the seasonally adjusted Global Steel Users Purchasing Managers Index™ (PMI™) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of steel – fell from 51.6 in December. The latest reading pointed to a broad stagnation in operating conditions, and was the weakest recorded since June 2020. Asia noted the second sub-50.0 reading in three months, while the headline readings for the US and Europe eased slightly on the month.

January saw a renewed fall in production levels at global steel users, the second in three months. The reduction was only marginal, however. Steel users in Asia noted the sharpest contraction since February 2020, while the US recorded the slowest rate of growth for three months. Firms in Europe commented on a softer, though still moderate, expansion.

#### Demand

Global steel users indicated a renewed decrease in new work following a slight rise in December. The pace of decline was modest and the quickest seen since May 2020. Asia-based

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



Source: IHS Markit.

firms reported the sharpest reduction in sales for 20 months, while steel users in the US reported the softest increase since September 2020. European firms meanwhile saw growth of new order inflows accelerate to a five-month high. Concurrently, new export sales fell for the fourth time in five months, and at the sharpest pace since June 2020.

#### Capacity

In response to subdued demand conditions, steel users reported lower staffing levels for the first time in 13 months, though the rate of job shedding was only marginal. Weaker new order intakes meant that the rate of accumulation in backlogs remained marginal and the joint-lowest since last February.

Latest data pointed to reduced pressure on suppliers, as the latest lengthening of delivery times was the slowest for 14 months. While the rate of deterioration was still robust, the softening allowed steel users to increase purchasing activity at the quickest rate since last October. At the same time, stocks of purchases fell back into decline, the first for three months, as existing stockpiles were utilised to fulfil orders.

#### Prices

Rising raw material prices drove a further marked rise in cost burdens in January. That said, the rate of inflation eased to a 14-month low. At the same time, steel users saw the rate of charge inflation remain unchanged from December, meaning selling prices rose at the joint-lowest pace since last February.

## COMMENT

Usamah Bhatti, Economist at IHS Markit said:

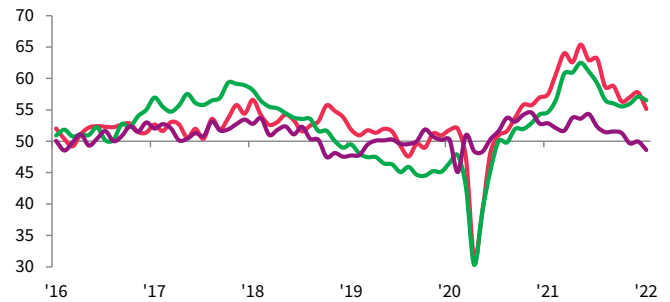
*“Global steel users signalled a return to contraction for both output and incoming orders at the start of 2022. The headline PMI figure dipped to the weakest in the current 19-month growth sequence as a result. Regional data showed a second deterioration in operating conditions in three months among Asia-based firms, with the latest fall the sharpest since May 2020. Firms in the US and Europe meanwhile saw a softer improvement in operating performance.”*

*“Companies often indicated that activity and demand had been hindered by the rise in COVID-19 cases due to the Omicron variant, as well as ongoing material shortages and supply chain disruption. That said, there were signs that supply and price pressures were easing. It is possible that this trend will continue throughout this year and allow for a gradual return to growth as supply chains take time to recover.”*

## Global Steel Users PMI

Europe / USA / Asia

sa, &gt;50 = improvement since previous month



Source: IHS Markit.

## CONTACT

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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](mailto: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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