News Release

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IHS MARKIT
GLOBAL STEEL USERS PMI™

Output growth strengthens as new orders rise for first time in eight months

KEY FINDINGS

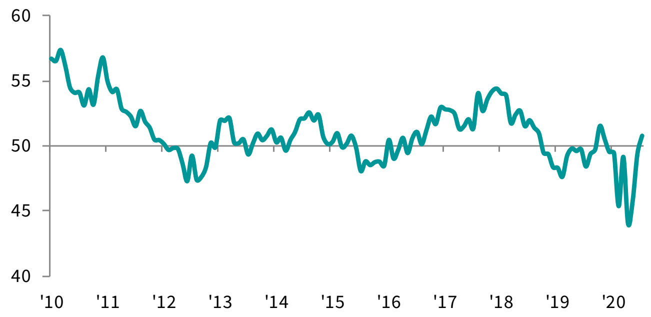
Steel users raise production levels in July

Demand picks up as COVID-19 restrictions loosen

Pressure on suppliers lead to longer delivery times

Global Steel Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Global steel users saw a strengthening of business conditions in July, the first seen for eight months, as demand began to pick up following the coronavirus disease 2019 (COVID-19) pandemic. The rise in new orders was weak though and, despite output rising, firms continued to lower employment. Suppliers meanwhile faced extra demand pressure, leading to a solid increase in delivery times.

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 – posted above the neutral 50.0 mark at 50.7 in July, from 49.4 in June, to signal the first improvement in the health of the global steel-using industry since November 2019. That said, the rate of growth was only marginal.

Steel users reported a solid uplift in production at the start of the third quarter, following just a mild increase in June. This was often attributed to easing COVID-19 related restrictions, which led to increased new orders at many firms. All three monitored areas registered higher output, led by European users.

Demand

Businesses saw a renewed improvement in demand conditions in July, albeit one that was weak overall. As customer confidence strengthened, panellists noted the release of pent-up demand for products and new projects.

The strongest rate of growth was seen in Europe, although this was only modest, while Asia saw just a fractional rise. Notably, firms were hampered by a further (albeit marginal) drop in new export orders as some markets remained subdued by the pandemic.

Capacity

Global steel users saw a rise in backlogs for the first time since February as demand improved. Job numbers meanwhile continued to fall, but the rate of decline was the softest in four months.

Demand for inputs picked up in July, which placed additional strain on suppliers already facing difficulties from COVID-19. The rate of deterioration in lead times quickened since June and was marked overall.

Prices

Average cost burdens rose at the quickest rate in 21 months during July. Surveyed firms often linked this to fluctuating exchange rates and higher freight costs amid disruption to global supply chains.

Some companies passed higher costs onto consumers, as output charges rose fractionally since June. This was partly offset by other firms offering discounts to stimulate sales.

COMMENT

David Owen, Economist at IHS Markit said:

"A headline PMI of 50.7 signalled the global steel-using industry returning to growth territory in July. Whilst just the start of a recovery, it will be welcomed by businesses eager to move on from COVID-19 lockdowns and return to normal activity.

"Europe saw the highest rates of growth in both output and new orders during July, although it had suffered a relatively stronger downturn in its steel-using industry at the height of the pandemic compared to Asia and the US. This is partly evident from employment data, with jobs falling sharply again across Europe to suggest that capacity remains higher than demand.

"Lasting impacts from the pandemic were felt on the supply side as firms faced further waits for input deliveries. Suppliers were reportedly not back up to full capacity as staffing levels remained low. Increased freight costs and input unavailability meanwhile led to a sharp rise in input costs in July, which resulted in higher output prices for the first time since January."

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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.

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.
ihsmarkit.com/products/pmi.html.