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## IHS MARKIT GLOBAL STEEL USERS PMI™

### Business conditions stable in June, ending eight-month run of decline

#### KEY FINDINGS

Output increases at steel users

New orders and employment see marginal falls

Input price inflation accelerates

Rising output levels in the global steel-using industry helped keep overall operating conditions unchanged during June, as new orders continued to decline. Employment saw a slight drop, but input buying rose. Output prices increased for the first time since March.

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 – edged up from 49.5 in May to 50.0 in June, signalling no change in business conditions at global steel users. Latest data ended an eight-month sequence of deterioration in the steel-using industry.

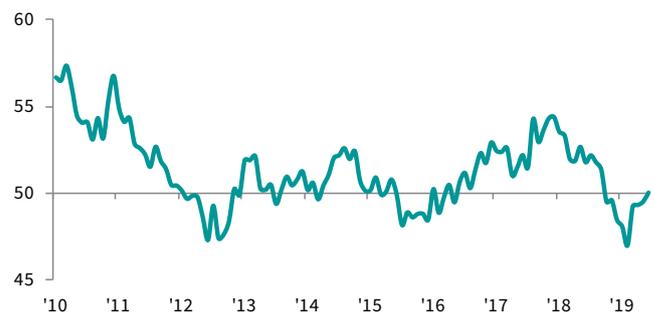
At the regional level, growth was observed at both Asian and US steel users during June, with the former reversing a period of decline beginning in October 2018. However, expansions in these markets were offset by continued deterioration at European users, where the sharpest downturn in nearly seven years was recorded in June.

Output at global steel users increased at the end of the second quarter. The rate of expansion was marginal, but nonetheless marked the first rise in production levels since last September.

#### Demand

At the same time though, steel-using firms continued to see new orders decline. That said, the rate of decrease was

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



Source: IHS Markit.

marginal and the softest in nine months. Export sales also dropped at a reduced pace.

Asian users reported a marginal rise in total new business during the month, which they related to growing demand and starting new projects. Conversely, European users saw demand slide sharply, again linked to weakness in domestic markets and the automotive industry.

#### Capacity

Employment levels dipped further in June, as the overall increase in output did not stop global steel users from reducing workforce numbers. The rate of decline was marginal though, and slower than that seen in May.

Inventories of input goods also continued to fall, marking the tenth successive monthly drop. More positively, companies increased their overall input purchases due to higher output requirements.

#### Prices

Global steel users saw a solid rise in input costs in June, as the rate of inflation accelerated to a seven-month high. Some panellists noted the impact of increased tariffs on total costs, while others highlighted rising raw material prices and transportation fees. As a result, output charges were marked up for the first time in three months, albeit at only a marginal rate. Asian users saw only the second increase in selling charges in the year-to-date.

## COMMENT

David Owen, Economist at IHS Markit said:

*"Steel users reported unchanged operating conditions during June, as the headline PMI continued its slow return to growth. Demand still fell, but manufacturers started to expand output in the hope that new orders will start to pick up in the near future. Firms likewise raised their purchasing activity for the first time since last September.*

*"Nevertheless, regional disparities remained. Steel users in Europe are still in the midst of a deep slowdown, prompted by weak automotive output and deteriorating global trade conditions. De-stocking at users in the UK have now amplified the downturn, with the wider region gripped by uncertainty over the Brexit outcome.*

*"By contrast, US steel users reported continued growth in June, although the latest expansion was only modest. Meanwhile, Asian users saw the greatest movement, as operating conditions improved for the first time in nine months. Firms appeared little-affected by the latest round of US-China tariffs, with manufacturers seeming to have adjusted to protectionist measures over the past year or so. Should trade relations improve however, this could bring a good level of stimulus to the global steel-using industry."*

## 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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).