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IHS MARKIT GLOBAL STEEL USERS PMI™

Operating conditions near stability in June

KEY FINDINGS

New orders fall at weakest pace in seven months

Output ticks up amid higher production at Asian steel users

Input costs rise as steel prices recover

The downturn among global steel users eased further from April's recent nadir in June, as new orders fell at a much slower rate. Output grew for the first time since January, driven by rising production at Asian users. However, employment continued to fall, while cost pressures increased due to higher steel prices.

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 from 45.7 in May to 49.3 in June, indicating a slight deterioration in the health of the global steel-using industry.

Operating conditions declined for a seventh successive month, as the coronavirus disease 2019 (COVID-19) pandemic had a further impact on production around the world, most notably in Europe and the US. Nevertheless, global steel-using output ticked up due to rising production at Asian users for the first time in three months.

Demand

The steel-using industry reported a much weaker and fractional drop in order book volumes in June, marking the seventh month running of falling demand. The latest decline was also the least marked in this period. Slight upturns in new work received by steel users in both Asia and the US contrasted with a sharp drop in demand at European users, albeit one that was the slowest since February.

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



Source: IHS Markit.

While domestic orders began to improve following the broad relaxation of lockdown restrictions, firms saw a further steep fall in new export orders. That said, the pace of contraction was the weakest since March.

Capacity

As has been the case in the past ten months, employment at global steel users fell over the course of June. Despite the rate of job shedding slowing from May, it was still solid and driven by reports of redundancies and efforts by manufacturers to lower costs.

Nevertheless, firms were still able to reduce outstanding work, primarily due to weak demand. Lower levels of new work prompted a further reduction in input buying and holdings, although the rates of depletion softened.

Prices

Input prices increased for the first time in four months during June, led by upticks at US and Asian steel users. Panellists largely attributed the rise to higher raw material prices, including steel which recovered from a prior drop.

At the same time, manufacturers set output charges lower compared to May, to mark the fifth successive monthly fall in selling prices. The latest drop was marginal though, and the weakest since March.

COMMENT

David Owen, Economist at IHS Markit said:

“Rising from 45.7 to 49.3 in June, the Global Steel Users PMI signalled a considerably slower downturn in the steel-using industry, as countries continued to reopen economies and boost industrial production. Output rose overall, but only due to a slight upturn in Asia as manufacturers in the region also saw higher new orders for the first time since November 2019.

“The decline in operating conditions was driven by weaker output in the US and Europe, as both slowly emerged from COVID-19 lockdowns over the second quarter. Moving into Q3, there is scope for rising production and the beginnings of a rebound. However, the threat of COVID-19 remains, shown particularly by some US states that have recently reversed the easing of lockdown as cases resurged.

“Meanwhile, steel prices were notably up during June, putting pressure on firms' costings after three successive falls in input costs. This may encourage businesses to raise output charges, which have dropped in five consecutive months.”

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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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