Global steel users faced an accelerated decline in operating conditions in April, latest PMI data showed, as the coronavirus disease 2019 (COVID-19) pandemic escalated and led to the sharpest drop in new orders for over 11 years.

Output contracted at a steep pace from March, while job numbers were lowered at the fastest rate since March 2009. Slower input deliveries and weaker purchases were also recorded as lockdown measures curbed the effectiveness of global supply chains. Input costs fell for the second month running.

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 to a 133-month low of 43.7 in April, from 49.3 in March. The figure signalled a steep decline in the health of the steel-using industry.

Lockdown measures in the US and Europe to prevent the spread of COVID-19 were key factors underpinning the latest downturn. Output contracted at record rates in both regions, linked to temporary factory closures and a stalling of client demand. Asian production meanwhile fell slightly after recording a modest recovery during March.

Demand
New orders received by global steel users slumped in April amid the virus pandemic. Businesses found that lockdowns and lower output at both domestic and foreign customers led to a severe fall in demand, with exports declining at the fastest rate since the end of 2008. The sharp decline in new orders was concentrated in the US and Europe, yet was also notably recorded by Asian steel users.

Capacity
Businesses constrained by lockdown measures shed jobs at a marked pace in April, leading to the greatest fall in employment in the steel-using industry since March 2009. Weaker new orders led firms to steeply lower purchasing activity, with some mentioning efforts to limit stock levels during the pandemic.

Input deliveries were notably delayed by travel restrictions, with firms worldwide observing a sharp decline in supplier performance. The increase in lead times was broadly similar to those seen in February and March, and steep overall.

Prices
Falls in input prices, such as oil, and efforts to reduce expenses led to a solid reduction in steel users' total costs in April. Businesses subsequently lowered output prices for the third month in a row, and at a quicker rate, as companies reportedly hoped this would improve client demand.
David Owen, Economist at IHS Markit said:

“April data for the Global Steel Users PMI showed the full impact of ramped-up lockdown measures on the steel-using industry. The headline PMI fell to 43.7, the lowest since March 2009, as firms reported a slump in new orders and limited production, especially in Europe and the US.

“COVID-19 also had a disastrous impact on steel-based exports, which fell at a near-record pace in April. The decline was widespread, including in Asia which had tentatively recovered from the pandemic but now faces a marked reduction in foreign orders.

“May survey data may show some respite from the downturn as some countries slowly emerge from lockdowns. However, domestic and export sales will likely still prove a challenge for steel users.”