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IHS MARKIT GLOBAL STEEL USERS PMI™

Operating conditions decline for sixth month in a row

KEY FINDINGS

Output levels slide for fourth month running

New orders drop at sharp pace, but softer than in April

Staff cuts soften in all key regions

Global steel-using firms reported another sharp downturn in output amid the coronavirus disease 2019 (COVID-19) pandemic in May, as demand levels struggled to recover amid lockdown measures. Exports fell at a substantial rate, while staffing cuts softened from April's 11-year record.

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 at 45.5 in May to indicate a strong deterioration in the health of the global steel-using industry. That said, this compared with a reading of 43.8 in April, which was the lowest since March 2009.

Activity at steel users declined for the fourth month in a row during May, as many factories were closed, or partly closed, due to COVID-19-related lockdown measures. The rate of contraction was sharp, but slower than that seen in April.

On a regional basis, Asian steel-using firms saw a modest drop in output, attributed to weak order book volumes and lower exports. US and European users meanwhile saw steep reductions as lockdowns mostly continued in May, although rates of decline eased considerably as some manufacturers were encouraged to resume production.

Demand

For the sixth month running, global steel users saw a fall in new order volumes, with the latest decrease sharp but softer than in the month before. Panellists linked the drop in

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



Source: IHS Markit.

demand to weaker client activity and a severe fall in orders from foreign customers. In fact, export sales declined at the second-fastest pace since the start of 2009 (slower than in April only).

Capacity

Steel-using businesses made further reductions to employment midway through the second quarter, extending the run of job losses that began last September. That said, staff cuts were lower for all three monitored regions compared to April.

The latest fall in new orders meanwhile led to a fifth consecutive drop in input purchases in May, as firms noted efforts to lower stocks during the pandemic. Panellists also reported ongoing difficulties in the supply of inputs, as indicated by a sharp increase in overall delivery times.

Prices

Input prices decreased for the third month in a row during May, as European users notably saw a renewed fall in raw material costs. The overall decline in input prices was marginal, however. Firms also recorded lower output charges since April, marking the fourth successive round of discounting.

COMMENT

David Owen, Economist at IHS Markit said:

"The COVID-19 pandemic continued to largely disrupt the global steel-using industry during May. The headline PMI posted at 45.5 to indicate a strong decline in overall operating conditions, although this did mark an improvement from April's recent low of 43.8.

"Output and new business volumes contracted at sharp rates again. However, the easing of lockdown measures in the US and Europe led to slower declines in those regions, as some surveyed firms reported that they were able to resume operations.

"Notably, despite job shedding continuing at global steel users, this occurred at softer rates for businesses in the US, Europe and Asia, with Asian firms seeing just a slight drop in employment. This suggests that manufacturers are expecting a further easing of economic restrictions and hope to be able to recover capacity quickly."

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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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