

Embargoed until 09:00 BST (08:00 UTC) 08 July 2021

IHS MARKIT GLOBAL STEEL USERS PMI™

Global Steel PMI at highest level since December 2010

KEY FINDINGS

Output and new orders rise at quicker rates

Purchases and holdings of raw materials rise at fastest paces in over a decade

Input and output cost inflation ease

Business conditions faced by global steel users improved at a stronger rate in June, according to the latest Global Steel Users PMI™ data. Production expanded at the fastest rate since December 2010, while new order growth quickened to an eight-month high. At the same time, supply chain pressures persisted as material shortages remained widespread, which in turn led steel users to increasingly purchase and stockpile inputs for production. As a result, upward pressure on prices continued, although the rate of inflation eased to the softest recorded for four months.

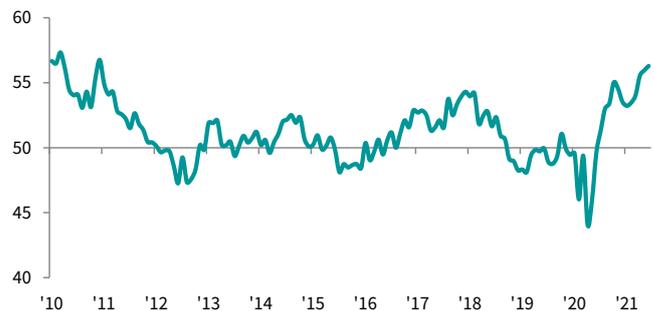
The seasonally adjusted Global Steel Users Purchasing Managers Index™ (PMI™) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of steel – rose from 55.9 in May to 56.3 in June. The reading indicated a strong improvement in business conditions that was the sharpest recorded since December 2010.

June survey data revealed a further increase in output at global steel users, thereby stretching the current period of growth to 13 months. Companies that recorded higher production often linked this to rising inflows of new work. Firms based in Asia saw the fastest expansion in output for seven months, while the US and Europe saw softer rises following historical highs in May.

Demand

New orders at steel users worldwide rose at a strong pace

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



Source: IHS Markit.

during June. The rate of increase was the fastest seen for eight months. Data broken down by region indicated an acceleration in growth at Asia-based firms, while the US and Europe slowed slightly. Total new order growth was supported a fifth consecutive rise in export sales. The rate of growth was sharp overall, though softened in comparison to May, as all three monitored regions saw a weaker expansion.

Capacity

Staff numbers at global steel users rose for a fifth month running in June. The rate of job creation eased from May to the softest for three months. Both US and Europe-based firms signalled sustained, albeit slower, expansions in employment compared to May, while Asian steel users were the only ones to signal an acceleration. In line with rising new orders, pressure built on production capacity as outstanding business rose at the sharpest rate since March 2011.

Rising demand and difficulties in procuring raw materials led to a twelfth consecutive rise in purchasing activity, and one that was the fastest since March 2011. Moreover, stock of raw materials rose for the first time in eight months and at the quickest pace since March 2011.

Prices

June data indicated a further sharp increase in input costs, though the rate of inflation was the softest since February. Consequently, output charges also rose at the weakest pace for four months.

COMMENT

Usamah Bhatti, Economist at IHS Markit said:

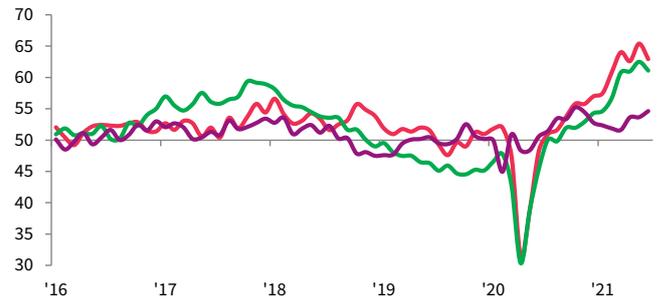
“Growth at global steel users gathered further momentum at the end of the second quarter, with firms signalling faster increases in both output and new orders. Notably, production levels expanded at the strongest rate since December 2010. The expansion in new orders also quickened to an eight-month high. Nonetheless, supply chain disruption was widespread among global steel users which contributed to the fastest rise in purchasing and stocks of raw materials for over a decade.

“A stronger upturn in production was seen among Asian steel users in June, which marked the fastest rise in seven months. US and Europe-based firms noted a softer expansion although this was from record high growth rates in May.”

Global Steel Users PMI

Europe / USA / Asia

sa, >50 = improvement since previous month



Source: IHS Markit.

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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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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.

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