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IHS MARKIT GLOBAL STEEL USERS PMI™

Steel users signal slowest increase in output for 14 months

KEY FINDINGS

Softer increase in output amid slower sales growth

Employment expands at weakest rate for six months

Material shortages drive sustained and marked rise in costs

Steel users worldwide reported a further improvement in overall operating conditions in August, though momentum softened from July. Notably, output and new orders expanded at the softest rates for over a year. Employment and purchasing activity also increased at a slower pace compared to July, while sustained pressure on supply chains led to a further marked rise in input costs. As a result, average selling prices rose again, through the rate of charge inflation was the slowest seen since February.

At 53.1 in August, 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 – declined from 54.3 in July. Although the reading pointed to a further improvement in the health of the sector, the rate of growth was the softest seen since July 2020. All three key regions noted lower PMI readings in August.

Production levels continued to expand in August, however the rate of growth softened to the slowest since June 2020. Steel users in all three regions noted weaker upturns in output, though rates of expansion remained notably quicker in the US and Europe compared to Asia.

Demand

Global steel users signalled a sustained rise in new work during August. Though solid, the latest upturn was the slowest seen for 13 months. Survey respondents often linked increased sales to firmer demand conditions and stock

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



Source: IHS Markit.

building efforts among clients amid supply chain issues. The expansion was led by US-based firms, closely followed by Europe. Meanwhile, steel users in Asia saw the softest rise in new work. New export business rose moderately overall, with the rate of growth softening from that seen in July.

Capacity

With workloads rising further in August, companies increased their staffing levels for the seventh straight month. However, the rate of job creation eased to the weakest since February and was only marginal. Greater intakes of new work and material shortages drove a further increase in backlogs, though the rate of accumulation was unchanged from July's three-month low.

Suppliers' delivery times continued to lengthen in August, and at a rate that was only slightly slower than May's all-time record. Vendor performance deteriorated at the third-fastest pace on record in the US, and the fifth-fastest rate ever seen in Europe. Purchasing activity meanwhile rose solidly, despite growth easing to a five-month low, while stocks of inputs fell for the second successive month.

Prices

A combination of higher raw material and transport costs drove a further rise in cost burdens in August. The rate of inflation eased to the softest since February, however. As a result, steel users increased their selling prices again in August, though the rate of charge inflation eased to a six-month low.

COMMENT

Usamah Bhatti, Economist at IHS Markit said:

“Global steel users signalled a further loss of momentum midway through the third quarter, with the indices for both output and new orders both ticking down to post their lowest readings since last summer. Notably, the headline PMI figures dipped across all three key regions in August. Although momentum was sharp overall in Europe and the US, growth was significantly softer in Asia.”

“Companies often indicated that activity and demand had been dampened by ongoing material shortages and severe supply chain disruption, particularly as businesses were still trying to rebuild their inventories, which continued to push up costs sharply. With many parts of the world battling a surge in COVID-19 cases linked to the Delta variant, it is likely that supply chains will take longer to fully recover, which may dampen prospects for the months ahead.”

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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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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