

News Release

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S&P Global Steel Users PMI™

Steel users signal strongest fall in output for two years

Key findings

Production levels fall at fastest pace since start of pandemic

Decline in new orders eases to fractional pace

Record lengthening in supplier delivery times

Global steel users reported further downturns in output and new orders during April, with both recording a second successive monthly contraction. Moreover, the rate of decline in output was the strongest since April 2020, although sales fell at a softer and marginal pace. Steel users noted that supply chain issues were exacerbated by the war in Ukraine and strict COVID-19 restrictions in parts of China, which together severely disrupted production capacity and led to further delivery delays and surging prices. As such, supplier delivery times lengthened to the greatest extent in the survey history.

At 50.5 in April, 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 slightly from 50.3 in March. The latest reading pointed a sustained, albeit marginal improvement in the health of the sector. The US saw the quickest expansion in business conditions for nine months, while growth at European firms was broadly unchanged from March's recent low. At the same time, the decline in Asia eased slightly on the month.

April saw a sustained and steep fall in production levels at global steel users, as the respective seasonally adjusted index fell to the lowest level since April 2020. Copper users in Asia saw the sharpest fall in output since the initial onset of the pandemic in February 2020, while Europe saw a second successive decline. Growth in the US meanwhile accelerated to the highest since last July.

Demand

Global steel users indicated a decrease in new work for the second month running in April. The pace of decline softened from March and was only marginal, however. Both European and Asian firms reported softer reductions in new orders compared to the previous survey period, while US-based firms saw growth of new order inflows accelerate to a nine-

S&P Global Steel Users PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Comment

Usamah Bhatti, Economist at S&P Global, said:

"Global steel users signalled continued weakness in operating conditions in April. Output levels remained in contraction territory, falling at the sharpest pace since April 2020, most notably in Asia. Nevertheless, the PMI remained above the 50.0 mark, and rose slightly due to a softer reduction in new orders and longer delivery times.

"Regional data continued to signal improving conditions among US-based steel users, where both output and new order growth accelerated to nine-month highs.

"Elsewhere though, companies often indicated that activity and demand had been hindered by strict COVID-19 restrictions in China, as well as the prolongation of the war in Ukraine, which has exacerbated price and supply pressures. This was evidenced by the longest extension of average lead times in the history of the survey, with panel members noting that severe material shortages and transport issues had hindered operating conditions. It is likely that supply chains will remain under considerable pressure until a point where the pandemic impact and uncertainty surrounding the war eases."

PMI™

by S&P Global

month high. Concurrently, new export sales globally fell at a slower, albeit still moderate pace.

Capacity

Steel users reported a further rise in staffing levels in April, however the rate of job creation was only fractional. With employment growth limited, and reports of increased supply shortages, there was a stronger accumulation in backlogs of work.

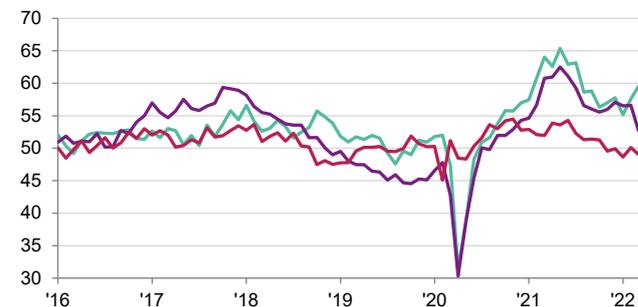
Latest data pointed to sustained pressure on suppliers, as delivery times lengthened at the most marked rate in the survey history. Delays in receiving inputs, as well as material shortages and rising prices, contributed to the sharpest reduction in purchasing activity since June 2020. At the same time, stocks of purchases increased only fractionally.

Prices

Rising raw material prices drove a robust increase in cost burdens in April. The rate of inflation eased from that seen in March, however. Concurrently, steel users saw the rate of charge inflation remain broadly similar to the previous survey period, but was still steep overall.

Steel Users PMI by region

■ Europe ■ USA ■ Asia
sa, >50 = improvement since previous month



Source: S&P Global.

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Survey methodology

The Global Steel Users PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in manufacturers identified as heavy users of steel. The sample is selected from S&P Global's worldwide PMI survey panels, covering over 40 countries.

Survey responses are weighted by country, based on national steel consumption figures sourced from S&P Global'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. ihsmarkit.com/products/pmi.html.