

News Release

Embargoed until 0800 (UTC) 05 August 2022

S&P Global Steel Users PMI™

Steel users signal softer improvement in operating conditions

Key findings

Output growth eases amid softer rise in new order inflows

Steepest reduction in employment levels for two years

Input price inflation slows to 25-month low

Global steel users reported a slower improvement in overall operating conditions during July. Both output and new orders rose for the second successive month, though at notably weaker rates in comparison to June. Firms noted that softer demand conditions and sustained price pressures contributed to a renewed reduction in staffing levels that was the strongest since July 2020. That said, input price inflation continued to ease in the latest survey period, as cost burdens rose at the slowest pace since June 2020.

At 52.2 in July, 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 – dipped from 53.8 in June, marking a softer and more modest improvement in the health of the sector. The strongest improvement was recorded in Asia, where firms registered the second-highest PMI reading for over a year. By contrast, the US saw the rate of growth slow to a 23-month low, while European firms recorded a second successive monthly deterioration in conditions that was the steepest since June 2020.

July saw a further rise in production levels at global steel user as firms in Asia noted a solid, yet softer, expansion in output. At the same time, businesses in the US signalled a reduction in output for the first time since last October, while the decline in Europe quickened to the sharpest since May 2020.

Demand

Global steel users indicated a second successive monthly increase in new work in July. The pace of growth was modest, having slowed from June's 11-month high. Asian firms saw the rate of growth in new business inflows ease, though the upturn was solid overall. In contrast, both US and European users highlighted the quickest falls in sales since the early stages of the pandemic in May 2020. Concurrently, new

S&P Global Steel Users PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Comment

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

"Global steel users signalled a slower improvement in the health of the sector in June amid softer rises in output and new order inflows. The fall in the headline index was partially the result of slowing growth in Asia, as the temporary boost from the lifting of strict COVID-19 restrictions in mainland China had started to wane.

"Meanwhile, firms in both the US and Europe saw further weakness in production and demand, and noted the strongest contractions in both segments since the initial stages of the pandemic in the second quarter of 2020.

"Companies indicated that global price pressures in the steel-using sector eased considerably during July. Average cost burdens rose at a moderate pace that was the slowest for 25 months amid slower, yet still rapid, inflation rates in the US and Europe, and an outright decline in input prices in Asia for the first time since May 2020. While the easing in input price inflation is welcome, there are concerns that this is mainly attributed to weaker demand conditions, particularly in Europe as it remains heavily exposed to the impacts of price and supply disruption related to the Ukraine war."

PMI™

by S&P Global

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export sales returned to contraction territory for the fourth time in five months.

Capacity

Steel users reported a decrease in staffing levels for the second time in three months in July, with the rate of job shedding the strongest for two years. Latest data also pointed to sustained pressure on supply chains, as delivery times lengthened at a steeper rate than that seen in June. Falling workforce numbers and increased supply chain disruption contributed to a stronger rate of backlog accumulation.

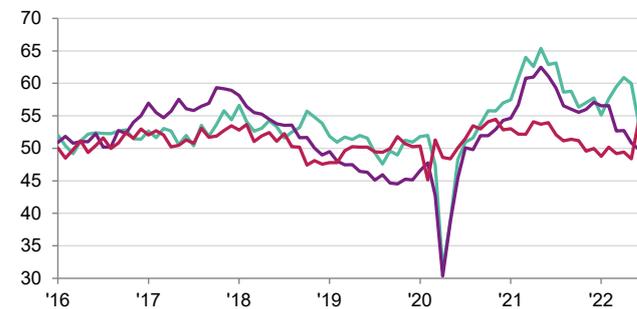
Softer demand conditions contributed to a slower rise in purchasing activity in the latest survey period. Anecdotal evidence suggested firms were increasing purchases of raw materials to protect against further price rises and delivery delays. As such, the rate of accumulation in stocks of purchases was little-changed from June and among the highest in the survey history.

Prices

Higher raw material prices drove a further increase in cost burdens in July. That said, the rate of inflation slowed sharply from June and was the softest seen since June 2020. As a result, steel users saw the rate of charge inflation ease from the previous survey period to the slowest for 20 months.

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.