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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

Fastest rise in export orders in close to four years

Input cost inflation at highest rate since November 2010

Business conditions faced by global steel users improved at a stronger rate in April, according to latest Global Steel Users PMI™ data. Production and incoming business both expanded at faster rates, amid the sharpest expansion in export sales since July 2017. At the same time, supply chain pressures persisted as material shortages continued to hinder vendor performance, which in turn placed further upward pressure on input costs. As a result, average cost burdens rose at the steepest pace since November 2010.

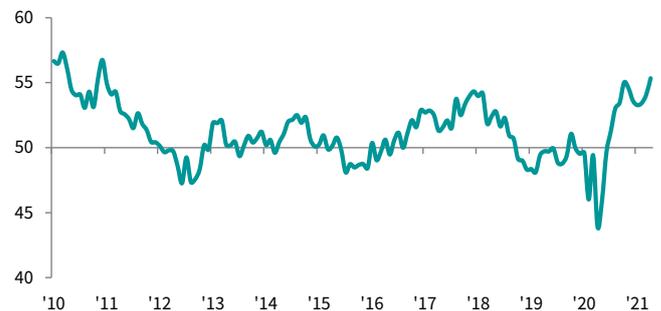
The seasonally adjusted Global Steel Users Purchasing Managers Index™ (PMI™) – a composite indicator designed to give an accurate overview of operating conditions at manufacturers identified as heavy users of steel – rose from 54.1 in March to 55.3 in April. The reading indicated a strong improvement in business conditions that was the sharpest recorded since December 2010.

April survey data revealed a further increase in output at global steel users, thereby stretching the current period of growth to 11 months. Companies that recorded higher production often linked this to rising inflows of new work. Only Asia-based firms noted an acceleration in output growth, while firms in the US and Europe, pointed to softer, but still marked increases in production, with growth in the former the strongest of the three monitored regions.

Demand

New orders at steel users worldwide rose at a strong pace in April. The rate of increase was the fastest seen for six months. Data broken down by region indicated that sales

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



Source: IHS Markit.

growth in the US eased from the survey record set in March, but remained robust overall. The rate of expansion in Europe also eased in April but was still marked overall, while Asian firms reported a quicker upturn in new business.

Total new order growth was supported by a third consecutive rise in new export sales. Moreover, the pace of growth was the fastest recorded since July 2017, as firms in Asia reported a renewed expansion in international sales. At the same time, European firms noted a further marked rise, while growth at US-based firms slowed to a marginal pace.

Capacity

Staff numbers at global steel users rose for the third month running in April. The rate of job creation accelerated to the quickest since February 2018, with all three monitored regions signalling faster expansions in employment than in March. In line with rising new orders, pressure built on production capacity as outstanding business again rose solidly. Difficulties in procuring raw materials led to a tenth consecutive rise in purchasing activity, as a survey record lengthening in delivery times in both the US and Europe led to the worst supplier performance since February 2020.

Prices

April data indicated a further sharp increase in input costs, with the rate of inflation the fastest since November 2010. Consequently, output charges rose at the steepest rate since July 2008, as firms sought to partially pass rising costs on to clients.

COMMENT

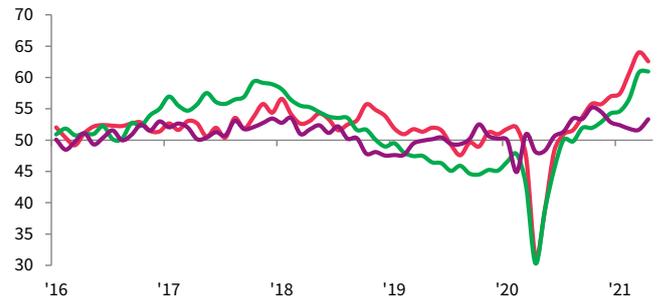
Usamah Bhatti, Economist at IHS Markit said:

“Growth at global steel users gathered further momentum at the start of the second quarter of the year, with firms signalling faster increases in both output and new orders. Growth rates remained historically strong overall, and pointed to a further sharp improvement in business conditions. The expansion was also supported by a sharper uptick in new export sales, which increased at the fastest pace in nearly four years. Nonetheless, supply chain disruption was widespread among global steel users in the latest survey period, which contributed to a rapid rise in cost burdens. As a result, input price inflation rose at the sharpest rate since November 2010.

“On a regional basis, a stronger upturn in production at Asian steel users pushed growth to the fastest for five months. Furthermore, output levels at US and European firms rose markedly in April, despite softening slightly from March. Overall output growth was led by firms in the US.”

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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