News Release

Embargoed until 0800 (UTC) 08 June 2022

S&P Global Steel Users PMI™

Steel-using sector reports first deterioration in operating conditions for nearly two years

Key findings

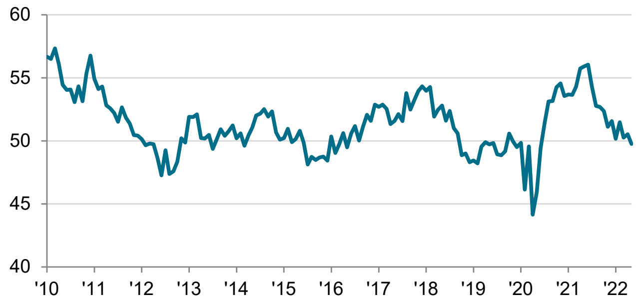
Sharpest reduction in new orders for two years

Outstanding business rises at fastest rate since last October

Input price and output charge inflation ease to three-month lows

S&P Global Steel Users PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Global steel users indicated a renewed downturn in operating conditions midway through the second quarter of 2022. Panellists commented on a further sharp reduction in production levels amid the quickest decline in new order inflows since May 2020. Anecdotal evidence suggested that material shortages, higher prices and delivery delays placed additional strain on steel users, as backlogs of work rose at the strongest rate in seven months. That said, firms noted that price pressures had showed signs of easing in May, with both input price and output charge inflation softening to the least marked since February.

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 – fell from 50.5 in April to 49.7 in May, signalling a fractional deterioration in the health of the sector. Regionally, Asia-based firms recorded the strongest decline for two years, while European companies saw the weakest expansion for 21 months. Firms in the US also saw the rate of growth ease on the month.

Steel users registered a third consecutive downturn in output in May. Although softer than that seen in April, the decline remained sharp overall. On a regional basis, output fell for a third month running in Europe and at the fastest pace for two years, while firms in Asia reported a softer, yet still steep contraction. Output growth in the US meanwhile accelerated to a ten-month high.

Demand

May survey data pointed to a further fall in total new work received by global steel users. The decline quickened from April and was the strongest seen since May 2020. New business in Europe and Asia fell at the fastest pace for 23 and 24 months respectively. By contrast, growth in the US eased only fractionally from April and was marked. Concurrently,

Comment

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

"The global steel-using industry reported a weaker PMI reading in May, indicative of dampened output and demand levels. Panel members reported that production fell at further sharp rate amid the strongest reduction in new orders for two years. Anecdotal evidence suggested that lockdown restrictions in China and the war in Ukraine had dampened confidence and exacerbated supply chain pressures. Regional data pointed to a reduction in output in Europe that was the strongest for two years, while the contraction in Asia was also steep, albeit softer than that seen in April. That said, US firms reported the fastest rate of output growth since last July.

"Although reports of supply chain disruption were widespread among steel users, firms noted that these had eased slightly on the month. However, this did little to soften pressure on existing capacity at steel users, as the level of outstanding business rose at the sharpest rate since October last year, amid a series-record increase in the US."

new export business fell for the third month in a row, and at the fastest pace for two years.

Capacity

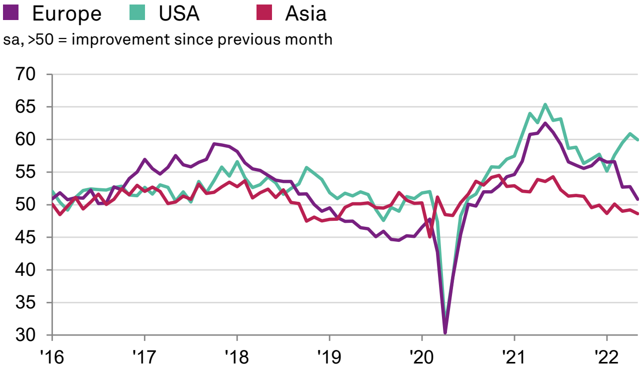
Firms in the steel-using industry reported a renewed reduction in employment in the latest survey period, the first since January. That said, the decrease in job numbers was only fractional. There was evidence of increased pressure on capacity however, as backlogs of work rose at the sharpest pace since October 2021, amid a record expansion in the US.

Purchasing activity deteriorated for the third consecutive month, although the rate of reduction eased to the softest in the current sequence. That said, reports suggested that firms were increasingly holding safety stocks of pre-production goods, with stock of purchases rising at the second-fastest pace on record amid an unprecedented rise at US firms. Positively, the time taken for inputs to be delivered lengthened to a lesser extent than in April.

Prices

Global steel users signalled a further rise in average input costs in May. The rate of inflation eased to a three-month low but remained well above the series average. This contributed to a further uptick in selling prices, though the rate of charge inflation was the softest since February.

Steel Users PMI by region



Source: S&P Global.

Contact

Usamah Bhatti
Economist
S&P Global Market Intelligence
T: +44-1344-328-370
usamah.bhatti@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
T: +44207-260-2234
joanna.vickers@spglobal.com

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.

PMI™ by S&P Global