

Industry trends – Metals and Steel

# A fractured outlook of declining demand and above average growth

March 2026



## Global overview

Ongoing issues hamper steel performance, contrasting with non-ferrous metals which are growing above average

After a 5.3% increase last year, global basic metals production growth is expected to slow down, to 3.3% in 2026 and 2.4% in 2027. In many markets demand from key manufacturing industries has started to decrease, as front-loading activity and tariff implementation delays have subsided. That said, global manufacturing is expected to rise by 2.9% this year, supporting ongoing metals and steel demand.

Metals and steel output is regionally divergent this year, with a 3.6% growth rate expected in the Asia Pacific region compared to 1.1% in the European Union. There are also differences among metals and steel subsectors. Global iron and steel output is forecast to increase by 3.1% in 2026 and by 2.1% in 2027. Excess capacity is weighing on the segment, and consolidation has been slow. China's prolonged construction slump has weighed heavily on steel prices, alongside protectionist measures such as the US's 50% tariffs and the EU's recent tightening of steel import restrictions. Due to tariffs and sanctions the global steel market is becoming increasingly fractured, and inefficiencies will emerge. Iron ore prices rebounded at the end of 2025 due to temporary higher demand from the steel sector in

China, where exports surged. This is not expected to last. The weak recovery in demand from the Chinese steel sector is not sufficient, nor is demand from elsewhere. A subsequent iron ore price decline of 10% and 5% in 2026 and 2027 respectively, is compounded by rising output from Australia and Brazil as well as West Africa.

Non-ferrous metals production is expected to increase by 3.5% in 2026 and by 2.9% in 2027, which is above average for the whole basic metals industry. AI-related capital spending and a more growth-friendly US policy mix is underpinning high-tech and capital-goods demand – key consumers of aluminium, copper, and speciality steels.

### Steel overcapacity will remain an issue in the coming years

Over the past 20 years, China has been the biggest contributor to steel overcapacity. There is now growing pushback, with several countries raising tariffs, or imposing restrictions on Chinese steel. Much depends on the extent to which China's administration is willing and successful in pivoting the economy away from investment-led growth through capacity closures. However, we expect that global overcapacities in the steel sector will remain an issue even if China succeeds in reining in production. This is because many emerging market economies, especially among India and Southeast Asia, plan to increase capacity by more than 100 million tonnes over the next few years.

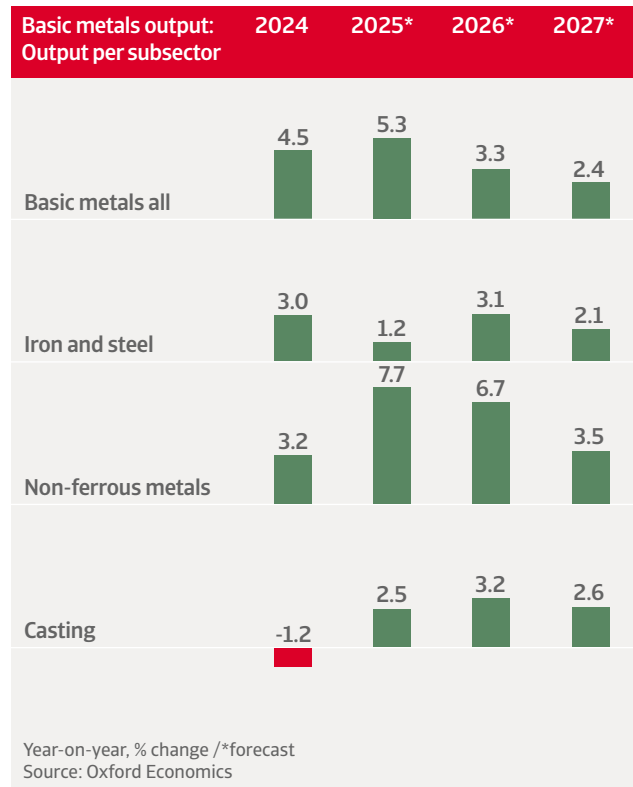
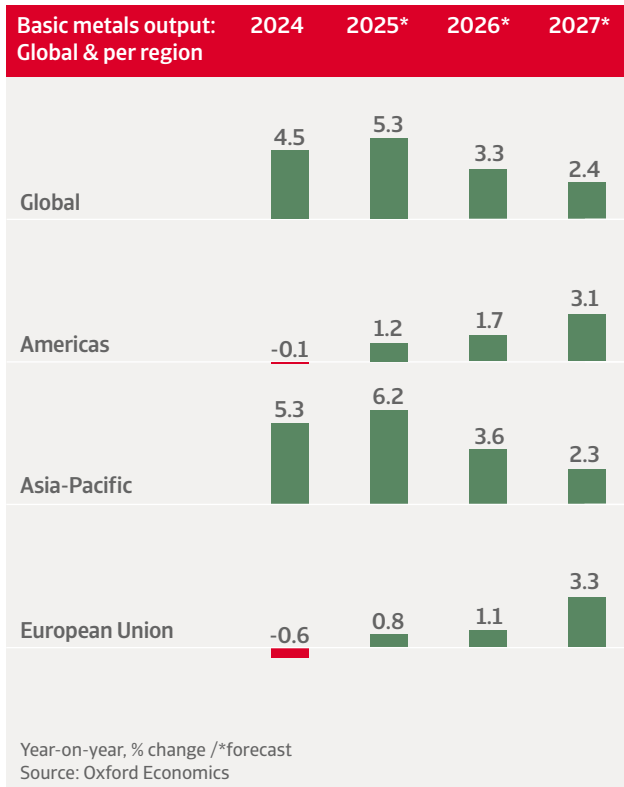
## Industry performance forecast

Europe		Asia and Oceania		Americas		
Austria	Netherlands	Australia	Phillipines	Brazil	<b>Excellent</b> The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.	
Belgium	Poland	China	Singapore	Canada		
Czech Republic	Portugal	Hong Kong	South Korea	Mexico		
Denmark	Slovakia	India	Taiwan	USA		
France	Spain	Indonesia	Thailand			
Germany	Sweden	Japan	UAE		<b>Good</b> The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.	
Hungary	Switzerland	Malaysia	Vietnam			
Ireland	Turkey	New Zealand				
Italy	UK					
						<b>Fair</b> The credit risk situation in the sector is average / business performance in the sector is stable.
					<b>Poor</b> The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.	
					<b>Bleak</b> The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.	



# Industry trends

## Metals and Steel



### Strengths and growth drivers

**Green metals and steel.** Demand for green metals and steel is growing, particularly from EV manufacturers as they increasingly include Scope 3 emissions within decarbonisation strategies. (These are the carbon emissions generated in the production of vehicle materials.)

**Increased competitiveness.** Increased demand for green metals and steel by automotive and also areas such as wind turbine production, means 'green' producers can gain a competitive advantage over manufacturers that are slower to transition.

**Emerging markets.** Growing urbanisation is driving demand for new housing and infrastructure improvement projects. This is resulting in increased demand from construction businesses in emerging markets.

### Constraints and downside risks

**Tariffs and sanctions.** Global metal markets are becoming increasingly fractured, and inefficiencies will emerge while demand is constrained.

**Clean energy transition.** Transitioning to greener production carries high capital intensity and costs, which can be compounded by difficulties in sourcing finance for SMEs. Many could find it difficult to pass on higher costs to customers.

**Overcapacity.** Historically, the steel industry has been seen as vital to national interests, and domestic production has been encouraged and protected. But increased globalisation has led to excess capacity and consolidation has been slow.

**Supply chain issues.** Securing and developing sustainable supply chains can be a challenge, especially for mining, transportation and materials processing. This could lead to sourcing and commodity deficits for metals and steel producers.





# Metals and Steel outlook Americas

Basic metals output	2024	2025*	2026*	2027*
Brazil	2.7	0.8	-1.0	1.6
Canada	-2.5	-2.5	-4.2	5.0
Mexico	-5.1	-0.7	2.3	5.2
USA	1.3	2.0	2.9	2.9

Year-on-year, % change /\*forecast – Source: Oxford Economics

## USA

### Domestic steel producers benefit from import tariffs

We forecast basic metals production to increase by 2.9% in both 2026 and 2027. Lower interest rates and positive investment incentives due to the One Big Beautiful Bill (OBBA) should pave the way for growth in US manufacturing and related metals and steel demand. However, ongoing trade policy insecurity for businesses and investors is a downside risk for US economic growth.

We expect US iron and steel output to grow by 3% in 2026 and 3.3% in 2027. Demand is bolstered by data centre-driven flat steel use, federal infrastructure spending and reshoring, with tariffs and disciplined capacity supporting margins. Most domestic iron and steel producers are gaining market share and additional revenue due to higher prices. A quarter of steel consumption in the US relies on imports to meet domestic demand, which has driven prices higher. However, investment in new domestic iron and steel production facilities remains limited, as tariffs could be removed at any point.

Non-ferrous metals production is expected to rise by 3.1% in 2026 and 2.7% in 2027. Aluminium is the largest subsector by volume, and tariffs have pushed prices to record highs. However, with only four aluminium producers still operating and all facing elevated input costs we expect only a modest supply response. Copper refining has expanded, helped by strong AI and data centre demand. However, with 60% of global inventories now held in the US (traders have shipped significant amounts of copper, in anticipation of tariffs), excess supply will likely constrain production growth.

Energy prices are much lower in the US than in other regions, due to the size of US domestic energy production. Therefore, US metals and steel producers have a competitive advantage over their peers in Europe and Japan.

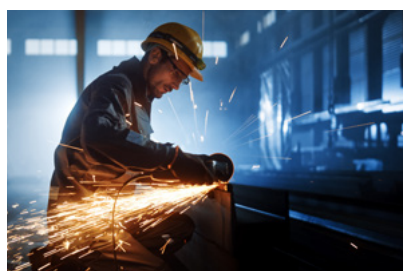
Most US metals and steel companies do not have problems renewing or extending their credit lines amid an environment of good payment behaviour and low insolvency levels. However, credit risk is higher for some small and mid-sized companies, especially those with a leveraged balance sheet and liquidity issues. Businesses that rely on imports have seen higher input costs, which led them to increase prices in order to protect their profit margins.

## Canada

### Credit risk has increased due to US tariffs

We expect basic metals output to contract by 4.2% again in 2026 after two years of decreases. The US-imposed 50% tariff is cutting off Canadian steel companies' main export market and has started to affect sales and profits. Steel producers are aggressively pursuing cost-cutting measures, and layoffs are occurring. Aluminium trade flows from Canada to the US are expected to continue, even as demand will likely weaken due to higher prices.

Both federal and provincial governments have begun providing loans to support the industry and are requiring companies with government contracts to buy Canadian steel to help stabilise the sector. Despite this short-term protection, steel producers remain exposed to weaker US demand and longer-standing constraints, such as high costs. The credit risk has deteriorated, and we have downgraded the industry from 'Fair' to 'Poor'.



Industry performance forecast

- Brazil**
- Canada**
- Mexico**
- USA**

**Excellent**  
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.

**Good**  
The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.

**Fair**  
The credit risk situation in the sector is average / business performance in the sector is stable.

**Poor**  
The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.

**Bleak**  
The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.



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# Metals and Steel outlook Asia Pacific

Basic metals output	2024	2025*	2026*	2027*
China	6.6	6.1	2.5	1.0
India	7.9	14.2	8.7	6.5
Japan	-2.1	-0.4	-0.2	0.7
South Korea	-4.4	-5.5	0.2	1.6

Year-on-year, % change /\*forecast – Source: Oxford Economics

## China

### A marked output slowdown

We expect Chinese basic metals output growth to slow down to 2.5% in 2026 and 1.0% in 2027. This is mainly due to lower steel output. Steel supply exceeds demand, which has put prices and margins under increasing pressure. Steel producers suffer from the ongoing liquidity woes in the property sector and economic growth slowdown. Export growth offers only limited relief as countries increase trade protectionism against China's steel exports. In the course of this year steel prices should recover slightly due to China's anti-involution policy, which seeks to curb excessive competition and overcapacity, though its impact on supply is gradual rather than immediate.

The non-ferrous metals subsector is faring better, as the government prioritises advanced manufacturing, electric vehicles and renewable energy production. This segment is expected to grow by 3.3% this year. However, there are overcapacities in some major segments like aluminium, nickel and copper.

Credit risk in the Chinese metals and steel sector remains elevated due to the challenging business environment with

low prices and margins. In particular in the steel segment some financially weak and smaller players may encounter liquidity issues if they fail to source funding externally.

China's falling population will demand less steel in the long-term as residential construction and urbanisation slows over the coming years. With weaker investment and declining demographics, we forecast China's steel output to plateau between now and 2030.

## India

### Robust growth in the coming years

We expect Indian basic metals output to grow by 8.7% in 2026 and by 6.5% in 2027. Demand is driven by robust economic growth. India's rapid economic progress, urbanisation, and growing population will sustain metals and steel production in the mid to long-term. India is already the world's second largest steel and aluminium producer. Substantial new capacity additions are planned across both ferrous and non-ferrous segments over the rest of the decade. India is scaling toward 300 million tonnes of steelmaking capacity by 2030, with a growing focus on higher-value electrical and speciality steels.

Industry performance forecast	
	Australia
	China
	Hong Kong
	India
	Indonesia
	Japan
	Malaysia
	New Zealand
	Phillippines
	Singapore
	South Korea
	Taiwan
	Thailand
	UAE
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# Metals and Steel outlook

## Asia Pacific

### Japan

#### US import tariffs are hurting the industry

We expect Japanese basic metals output to shrink by 0.4% this year, followed by a 0.7% rebound in 2027. US tariffs and trade policy uncertainty are weighing on exports and investment of key buyer industries like machinery and automotive. About 12% of Japanese exported metal products and one third of Japanese automotive products go to the US, so tariffs on steel/aluminium and car imports are likely to hurt. The automotive sector is a main end-user of Japanese steel and aluminium, and cost pressures are high.

Other issues are subdued domestic demand, rising imports – particularly from China – and high reliance on raw materials and energy imports. At the same time, metals and steel producers are facing growing pressure to decarbonise, with nearly half of Japan's blast furnaces due for reinvestment by 2030.

### Southeast Asia

#### Capacity expansion meets financial stress

In Southeast Asia demand for metals and steel is stable due to growth in housing (construction), ongoing government infrastructure projects and foreign investment in data centres and manufacturing. Regional production is growing and becoming self-sufficient as it reduces imports. In 2026 gross output of basic metals is expected to grow by 9% in Indonesia, 3% in Singapore, 3% in Thailand and 9% in Vietnam.

Despite pockets of stable demand, the sector continues to operate under significant pressure. Persistent global oversupply and ongoing price volatility are weighing heavily on margins across the region. At the same time, high capital intensity and elevated debt levels remain a burden, as many producers have taken on additional leverage to fund capacity upgrades and meet the transition toward green-steel technologies. Vietnam and Indonesia are pursuing massive capacity targets, whereas Thailand and Malaysia are positioning as green steel pioneers with carbon taxes to capture high-value automotive markets. Overall, the outlook remains challenging, with financial vulnerability most pronounced among highly leveraged and smaller operators.





# Metals and Steel outlook Europe

Basic metals output	2024	2025*	2026*	2027*
France	0.2	-1.3	7.3	2.0
Germany	-1.4	-1.8	0.5	5.7
Italy	0.3	2.7	1.3	0.5
United Kingdom	-4.0	-11.4	-8.4	-1.2

Year-on-year, % change /\*forecast – Source: Oxford Economics

## European Union

### Measures to support the domestic metals and steel industry are underway

After a 0.8% increase in 2025 we expect basic metals output in the EU to grow by 1.1% in 2026. Eurozone economic growth remains subdued at 1.0% this year, affected by weaker global demand and ongoing heightened uncertainty. We expect a gradually recovery of metals performance in H2 of 2026 as past shocks fade and industrial demand rebounds. In 2027 EU basic metals output is forecast to increase by 3.3%.

The EU Steel and Metals Action Plan (SMAP) aims to lower energy costs, strengthen fair competition through trade rules and to promote circularity and recycling. This should enhance competitiveness and accelerate the shift towards low-carbon, scrap-based output. The Cross Border Adjustment Mechanism (CBAM) definitive period started on 1 January 2026. It raises the cost of importing carbon-intensive metals into the EU by applying a carbon price to foreign basic metals, thereby bringing importers' carbon costs in line with those faced by EU producers under the EU Emission Trading System (ETS). This removes the cost advantage of higher-emission, non-EU producers and is expected to support EU market share, strengthen domestic pricing power and stimulate investment in low-carbon production. Furthermore, the EU has also tightened its steel import restrictions which come into place mid-2026, which should give a further boost to domestic steel producers.

## Germany

### A rebound on the horizon, but major issues remain

After three years of contraction, we expect German basic metals output to rebound only modestly in 2026, by 0.5%. For quite some time the sector has suffered from weak demand of the key buyer industries automotive, construction and engineering, while the US import tariffs are a blow to exports. Positive exceptions are demand from defence companies, railway (track construction) and the renewable energy sector.

The credit risk situation of the industry remains strained, as subdued demand, elevated energy costs, and low sales prices have deteriorated margins. Payment delays and insolvencies have increased over the past year, and the situation will remain tense in the coming months. Mainly in focus are automotive suppliers and highly geared companies. Most basic metals SMEs are dependent on credit lines in order to finance their working capital/increase of inventory. However, banks have increased checks before lending credits, often demanding more securities.

We expect that the recovery gains momentum in H2 of 2026, due to higher economic growth in Germany, as the government's large fiscal stimulus gets underway. New infrastructure investment and higher defence spending should support metals and steel demand. The EU CBAM and steel import restrictions should additionally support the industry. However, planning and implementation delays are likely, while US tariffs and prevailing uncertainty continue to weigh on export opportunities. While basic metals output is expected to recover by 5.7% in 2027, a full rebound to pre-pandemic levels over the coming years is not on the cards. Germany is by far the largest steel producer in Europe, and with 75% of its capacity using traditional blast furnaces, it is at a disadvantage to neighbouring countries as it will need to invest in cleaner technologies.

Industry performance forecast	
	Austria
	Belgium
	Czech Republic
	Denmark
	France
	Germany
	Hungary
	Ireland
	Italy
	Netherlands
	Poland
	Portugal
	Slovakia
	Spain
	Sweden
	Switzerland
	Turkey
	UK
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## Metals and Steel outlook Europe

### Italy

#### Margins remain under pressure

We forecast Italian basic metals production to increase by 1.3% in 2026 and 0.5% in 2027. The sector is entering a phase of slight recovery and consolidation, with increasing prices and demand for non-ferrous metals due to energy transition and AI investment. CBAM measures, stock depletion and increasing demand in Europe should lead to a slight steel segment rebound during the second half of 2026. However, tariffs and a weaker USD make the cost of special steel products and aluminum imported from Italy more expensive for US companies, which will lead to a further decrease in exports to the US. Energy costs in Italy are much higher than in other countries, which makes domestic metals and steel producers less competitive.

Margins of metals and steel businesses have deteriorated in 2025 and are likely to remain under pressure this year due to modest demand, still elevated energy and borrowing costs, and higher raw materials, shipping, and labour costs. Regarding external financing the approach of banks is generally prudent, as they frequently ask for collateral guarantees from metals and steel businesses.

Credit risk in the industry remains high. We are observing longer payment terms and several requests for payment plans, in particular by weaker companies.

Metals and steel insolvencies have increased in 2025, and we expect no major improvement in 2026. Mainly at risk are producers with high energy consumption and/or high dependence on the automotive industry, such as steel and rolling mills and the casting and forging segment.

### United Kingdom

#### An ongoing subdued performance outlook for 2026

Basic metals and steel output are expected to decrease by 8.4% in 2026. This sharp contraction is in part caused by the closure of several blast furnace mills which are being replaced by electric arc furnaces that should come online between late 2026 and early 2028. Another issue is weaker demand due to a slowdown of UK economic growth to 0.9% this year from a meagre 1.4% in 2025. In addition, metals and steel manufacturers and suppliers continue to face unrelenting higher input costs including wages and high debt servicing fees. There is no expectation for significant demand recovery in the near-term. An exception are niche markets such as aerospace alloys and battery metals. Trade barriers (US tariffs, prospective EU quota tightening are weighing on exports). This environment favours a shift towards higher-value and niche-oriented production.

Debt reliance increased during pandemic closures and has remained high since. There has also been a high number of leveraged management buy-outs and employee ownership trust transitions in recent years, which has added to the debt profile of many businesses, often via second-tier lenders. For businesses reliant on debtor-backed funding models, the decrease in output and pricing has materially weakened funding availability. While bank lending rates have eased somewhat, the lagging effect of lenders unwinding their own charges remains slow, meaning pressures persist.

Failures of metals and steel businesses were above historic levels during 2024. These insolvencies were concentrated primarily in the fabricated metals sub-sector. While there was a decrease in 2025, we expect the number of metals and steel insolvencies to remain elevated in 2026. Mainly at risk are heavily-stocked and debt-reliant businesses vulnerable to further price fluctuations and reliant on expensive debt to support working capital.





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