November 2023

Industry trends
Metals and Steel

Atradius
Managing risk, enabling trade

Global economic outlook, high energy prices and weak demand subdue metals markets

Global overview

We expect global basic metals output to increase by 3.6% in 2023, helped by the reopening of the Chinese economy early this year and decreased energy prices.

However, this momentum is unlikely to last. In 2024 basic metals production is forecast to decrease to about 1%. A weaker global economic performance and tighter credit conditions will have a dampening effect on metals and steel demand and prices.

Steel output is expected to grow less than 1% next year, as demand from Chinese construction and infrastructure – both critical factors for global steel demand and price development – remains subdued.

Energy prices remain high by historical levels, and we expect them to increase again towards the end of this year, although to a much lesser extent than last winter. Together with higher labour and material costs, this will affect businesses´ margins.

In the medium-term, metals and steel performance will be affected by the extent to which China is successful in pivoting the economy away from investment-led growth through capacity closures. Another factor is the extent to which carbon tariffs can support greener production. The emphasis on reducing carbon emissions could help prop up production in less profitable regions, such as Western Europe.

Industry performance forecast

Europe		Asia and Oceania		Americas
Austria	Netherlands	Australia	New Zealand	Brazil
Belgium	Poland	China	Phillippines	Canada
Czech Republic	Portugal	Hong Kong	Singapore	Mexico
Denmark	Slovakia	India	South Korea	USA
France	Spain	Indonesia	Taiwan	
Germany	Sweden	Japan	Thailand	
Hungary	Switzerland	Malaysia	Vietnam	
Ireland	Turkey			
Italy	UK			

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

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Industry trends
Metals and Steel

Basic metals output: Global and per region	2022	2023*	2024*	2025*
Global	0.4	3.6	1.1	2.9
Americas	-2.3	-0.4	0.4	2.3
Asia Pacific	1.6	5.4	1.4	3.1
Europe	-3.6	-1.6	-0.3	2.4

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

Basic metals output: Output per subsector	2022	2023*	2024*	2025*
Basic metals all	0.4	3.6	1.1	2.9
Iron and steel	-1.3	3.2	0.9	3.0
Non-ferrous metals	2.9	4.8	1.7	2.8
Casting	1.2	0.8	-0.1	2.7

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

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 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 for metals/steel from construction businesses in emerging markets.

Constraints and downside risks

Clean energy transition. Transitioning to greener production carries high capital intensity and costs, which can be compounded by difficulties in sourcing finance (especially for smaller and medium-sized businesses). 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. China is the biggest contributor to overcapacity and has only recently started to shut down excess capacity.

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	2022	2023*	2024*	2025*
Brazil	-3.6	-2.5	3.0	2.7
Canada	1.0	-0.3	-0.4	5.5
Mexico	2.9	-1.0	-1.1	1.2
United States	-3.3	-0.2	0.2	2.1

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

Industry performance forecast
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Canada
Mexico
USA

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USA

We expect US basic metals output to shrink slightly by 0.2% in 2023, followed by a modest 0.2% growth in 2024. Over the past couple of months, the US economy has performed better than anticipated, which has supported demand for basic metals.

The Infrastructure Investment and Jobs Act is providing stimulus for metals and steel consuming sectors. In the infrastructure segment, power plant projects continue to grow in order to ensure energy resilience. In addition, energy and sustainability projects driven by the Inflation Reduction Act will sustain metals and steel demand. The latter will also spur increased production and sales of electric vehicles, and subsequently, demand for related metals.

US automotive production rebounded in Q2 of 2023, supported by pent-up demand and continued easing of supply chain constraints. However, the ongoing strike in the industry presents a downside risk. What's more, tighter lending standards and the ongoing slump in residential construction activity continue to drag on metals and steel growth.

Energy prices are much lower in the US than in other regions, due to the size of US domestic energy production. This means that competitiveness and margins of US metals and steel businesses have been less affected than that of their peers in Asia and Europe. That said, input costs and labour expenses remain high, putting pressure on the margins of businesses.

Metals and Steel outlook
Asia Pacific

Basic metals output	2022	2023*	2024*	2025*
China	3.4	6.0	1.6	1.2
India	2.5	10.5	-1.5	8.4
Japan	-3.9	-2.9	2.8	5.0
South Korea	-8.4	5.0	2.2	4.1

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

China

Chinese basic metals output is forecast to increase 6% in 2023, followed by a more modest 1.6% growth in 2024. Steel production will slow down to less than 1% next year.

Liquidity problems are emerging among large private-sector property developers and shadow banking entities as they struggle to restructure debts in the troubled real estate sector. This is leading to increased fears of contagion risks. Manufacturers are also destocking inventories built up in Q1, further adding to the economic weakness. At the same time external demand and export performance are subdued. All this is dragging on metals and steel demand and production in the coming months.

Steel supply is currently exceeding demand, putting prices and margins increasingly under pressure. Steel inventory levels have sharply decreased in H2 of 2023, as businesses have destocked. In addition, the government is likely to force steel mills to curb production to 2022 levels, in a bid to limit carbon emissions.

India

Indian basic metals output is expected to increase 10.5% in 2023, despite higher input costs and weaker margins. In 2024 a 2.5% contraction is forecast, as metals and steel demand will be impacted by an economic slowdown and monetary tightening.

India's rapid economic development, urbanisation, and growing population will sustain metals and steel production in the mid to long-term.

Industry performance forecast
Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Phillippines
Singapore
South Korea
Taiwan
Thailand
Vietnam

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Metals and Steel outlook
Europe

Basic metals output	2022	2023*	2024*	2025*
France	-5.9	-8.2	4.9	7.7
Germany	-4.6	-2.5	-1.9	3.5
Italy	-8.4	-7.4	2.5	8.1
United Kingdom	3.1	-1.4	-8.2	-5.1

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

Eurozone

We expect Eurozone basic metals output to contract in 2023 and 2024, by 2.9% and 0.5% respectively. Energy prices remain historically high and have continued to weigh on production.

While the sector should benefit from public investment driven by the Next Generation EU recovery plan, credit tightening is hampering private construction activity. More restrictive credit conditions, along with tighter monetary and fiscal policies, are also weighing on demand from other key buyer industries.

External demand for metals and steel demand is suffering from a subdued global economic outlook. That said, we expect a recovery in industrial output and investment in the course of next year, as external demand improves, and the current destocking cycle ends.

United Kingdom

The UK's basic metals output is forecast to shrink 1.4% in 2023 and by as much as 8.2% in 2024. One main reason is energy prices are above regional average, putting British metals and steel producers at competitive disadvantage.

Additionally, demand from key buyer industries like construction is affected by tighter credit conditions. Brexit has reduced access to EU markets for metals and steel businesses as well as for end-user industries.

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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