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Global steel consumption in 2025:

key findings and forecasts

MARCH 2026

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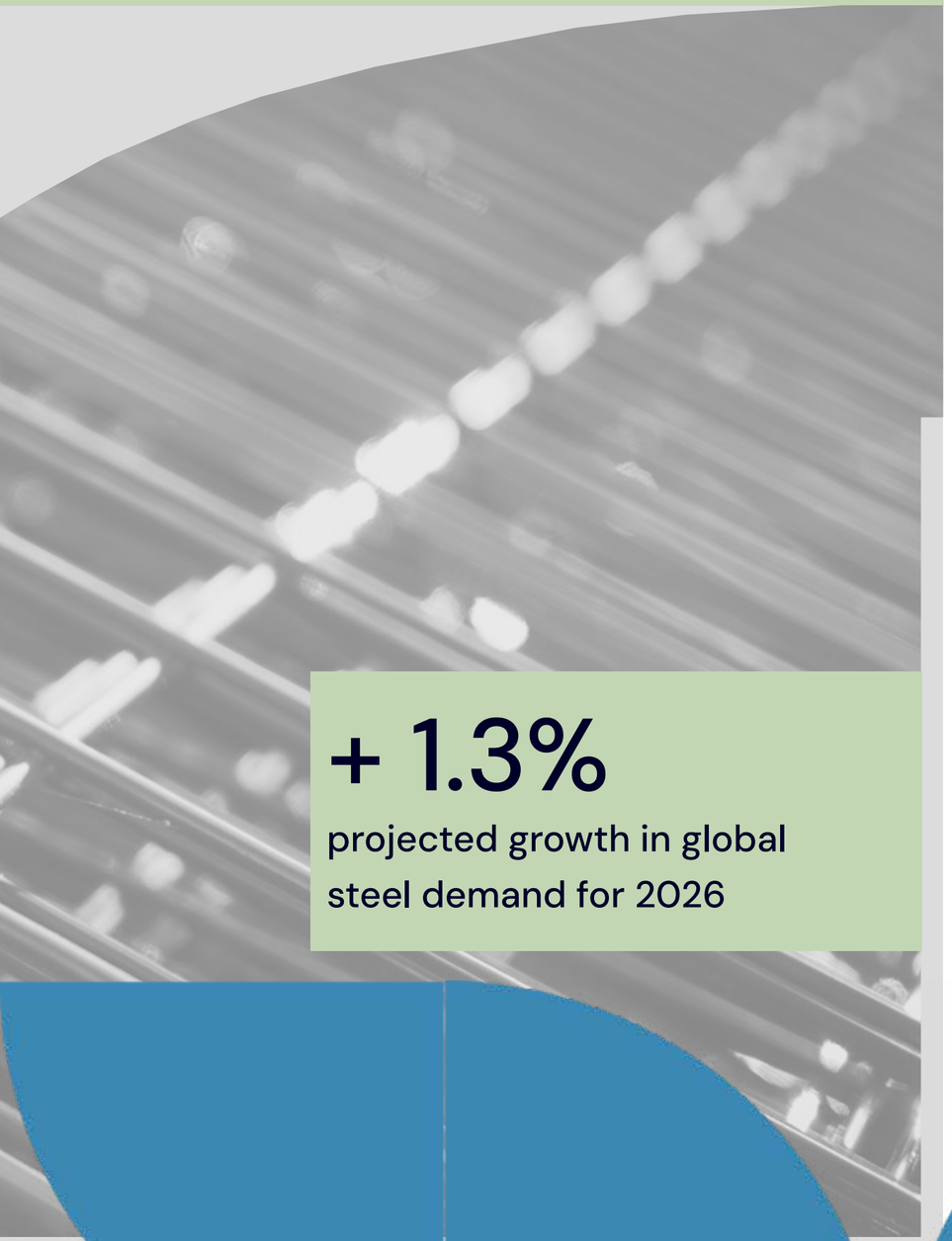


+ 1.3%

projected growth in global steel demand for 2026

By 2025, the global steel market had definitively shifted from globalization to fragmentation. Whereas global trends were once driven by the synchronized movements of major economies, today we see a deep divide. Europe's stagnation and deindustrialization contrast with India's aggressive expansion and China's painful structural transformation.

Producers' success now depends not on scale, but on their ability to integrate into local infrastructure projects (as in India and Turkey) or maintain a foothold in high-tech niches (as the automotive industries of Germany and China are attempting to do).

In this almanac, we present a detailed analysis of steel consumption in the major local markets in 2025.

China, which for decades has been the driving force behind global steel demand, has shifted to a strategy of reducing the metal intensity of its GDP. The protracted crisis in construction is no longer offset by government stimulus — Beijing is consciously shifting its economic model toward a post-industrial one. Demand for long products is falling, and excess capacity is being pushed into exports, which is becoming a "toxic" factor for the entire world.

Amid this, India is taking the baton of growth. An infrastructure boom and the development of the auto industry are making it a key consumer of flat steel. However, the first "warning sign" in 2025 has already sounded: periodic delays in budget funding are forcing Indian steel mills to redirect excess steel to exports, turning yesterday's net importer into an aggressive competitor.

Europe (as exemplified by Germany and Italy) has found itself in the tightest of straits. Here, steel consumption has reached the historic lows of the 1990s. There are two main reasons for this: the energy gap and import dependency.

The shift away from traditional power generation in favor of expensive green energy has made European steel uncompetitive. Due to weak tariff protection in Italy, steel imports account for up to 65% of the market, and the German auto industry is losing ground even in its domestic market.

High ECB rates and the bureaucracy of stimulus programs (such as Italy's "Transition 5.0") are turning the recovery in steel consumption into a slow fade. Europe is transforming from the "workshop of the world" into a market defending itself against cheap Asian rolled steel.

Amid this, some countries, such as Turkey, are demonstrating remarkable adaptability. As the largest importer of scrap, Turkish steelmakers are balancing growth in the construction sector (energy and railways) with inflationary pressures. The Turkish steel industry is adapting faster than others to the green agenda through EAF technologies, striving to maintain its status as a key supplier to the EU while the latter closes itself off with barriers such as CBAM.

The U.S. is demonstrating tough protectionism, betting on reshoring and domestic consumption. The introduction of tariffs on cars and steel is an attempt to protect the domestic market amid slowing household incomes. The high cost of mortgages and auto loans reduces the effectiveness of these tools.

The forecast for 2026, based on current market dynamics, indicates that global steel consumption will undergo a painful recovery. Moderate growth in global demand of 1,3% (to 1,77 billion tons) is expected; however, this figure masks deep market fragmentation.

STEEL CONSUMPTION IN CHINA: DOWNWARD TRAJECTORY

$1.94tn

increase in PRC enterprise lending, 10M 2025

+ 6.2%

growth in PRC industrial value-added, 9M 2025

Authorities seek to reduce steel intensity of the economy

For many years, economic growth in China meant using more and more steel. This is no longer the case. GDP grew by 5.2% in January-September, according to the National Bureau of Statistics of China. At the same time, apparent steel consumption fell by 5.7% to 649 million tons, according to estimates by the China Iron and Steel Association (CISA).

The protracted crisis in the housing sector is an important but not the main reason for the decline in demand for steel. The fundamental factor is the transition of the economy to a post-industrial model. Based on this, we should consider the trends in seel consumption in China, which has been declining for the fifth consecutive year.

Macroeconomic situation

Economic growth has had a positive impact on the solvency of Chinese households. In January-September, the average monthly disposable income per capita increased by 5.2% – to $4,570.

In addition, on May 20, the People's Bank of China lowered the base LRP interest rate on 1-year loans by 10 basis points (bp) to 3% per annum. The rate on 5-year loans was also reduced by 10 bp to 3.5%. Both rates are now at historic lows.

The five-year rate affects the cost of mortgage loans, while the annual rate affects all other loans, including car loans. As a result, total loans to households increased by $103.98 billion in January-October, and loans to businesses increased by $1.94 trillion. In turn, retail sales of consumer goods rose by 4.5% – to $5.14 trillion.

Nevertheless, household consumption still accounts for about 40% of China's GDP, compared to the global average of 56%. The authorities are aiming to increase this share. But first and foremost through services, not commodity consumption. This is a very important clarification. It is confirmed by the latest macroeconomic statistics for the first nine months.

During this period, value added in China's service sector rose by 0.8% to $8.34 trillion. It accounted for 58.4% of the country's GDP. Value added in industrial production grew faster, by 6.2%. But it accounted for only $5.19 trillion, or 36.4% of GDP.

If we look at the contribution of the manufacturing industry, it was the lowest in the last three years in the past quarter.

Investment in fixed assets declined slightly, by 0.5%, to $5.23 trillion. However, the growth rate of investment in fixed assets in the manufacturing industry has recently slowed down by half.

These are truly revolutionary changes for the Chinese economy, as the previous model was based on investment in basic industries. Now that investment is declining and consumption is growing at a relatively slow pace, it is becoming increasingly difficult to achieve the planned GDP growth. This is especially true in the context of widespread anti-dumping measures against exports from China.

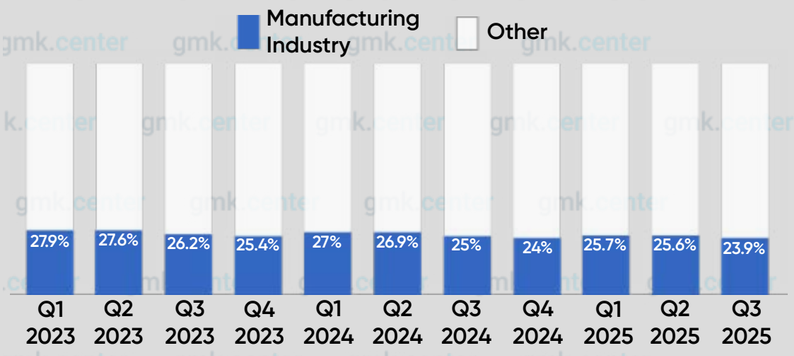
The reduction in capital investment in fixed assets has had a negative impact primarily on construction, where government financing programs play a key role, while the automotive sector has been able to benefit from increased household purchasing power. Accordingly, flat steel producers in China now feel much more confident than long steel producers.

Demand for flat-rolled steel

Passenger car production in China increased by 13.3% to 24.33 million units in January-September, according to the China Association of Automobile Manufacturers (CAAM). At the same time, domestic sales rose by 12.9% – to 24.36 million units.

Car exports from China in monetary terms increased by 14.3% – to $112.8 billion, according to the General Administration of Customs. This figure is a historic record.

THE SHARE OF MANUFACTURING IN CHINA'S GDP



Source: General Administration of Statistics of China

STEEL CONSUMPTION IN CHINA: DOWNWARD TRAJECTORY

51.7%

share of global shipbuilding completions held by China

24.13m DWT

of vessels delivered by PRC shipyards, H1 2025

This shows that Chinese car manufacturers continue to compete successfully in foreign markets. They have led the trend towards the electrification of transport. And now, electric cars from China are confidently outperforming their renowned competitors on their home turf, even despite the import duties imposed on them. This is largely contributing to the boom in Chinese car manufacturing that we are currently seeing.

But this does not mean that the industry is not facing challenges. The most important one is the tightening of government policy on electric and hybrid vehicles (NEVs), whose share of the Chinese car market has increased significantly in recent years.

- From January 1, 2026, the tax credit for purchasing a new NEV will be reduced by 50%. Currently, the maximum amount is $4,200. Accordingly, the discount can be provided for an amount not exceeding $2,100. It is also expected that the benefit will be completely abolished from January 1, 2027.

To ease the transition period, many automakers have launched tax difference guarantee programs. These are intended for customers who finalize their purchase by the end of November 2025 but will receive their car in 2026. For them, the difference in tax benefits will be compensated by the seller. This means significant additional costs for the automotive industry.

- On October 10, 2025, the Ministry of Industry and Information Technology, the Ministry of Finance, and the State Tax Administration jointly changed the technical requirements for NEVs eligible for tax deductions. Now they must have an electric range of at least 100 km, up from 72 km previously, which means that the pool of applicants for benefits has narrowed. The new requirements will come into force on January 1, 2026.

Finally, regional subsidy programs for trade-in schemes, which provide additional payments to car owners when they exchange their old car for a new one, are being tightened and even phased out.

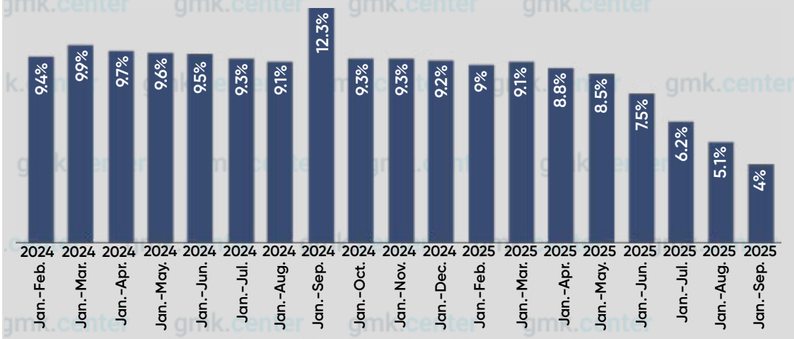
- In Shanghai, since October 13, the right to receive such subsidies has been determined by lottery. Previously, they were provided on the basis of an application accompanied by an invoice from a car dealership.
- In Jilin Province, the validity period of the subsidy is limited. Now it can only be used in the month in which the new car is purchased.
- In Hangzhou, one of the largest megacities, the subsidy program for the purchase of new cars was completely abolished on October 9.

Another important signal is the absence of NEV production from the list of strategic industries in China's draft five-year development plan for 2026–2030, adopted by the CPC Central Committee and published at the end of October 2025. NEV production was included in this list throughout 2011–2025. This exclusion means a reduction or even a complete cessation of state subsidies for this sector of the automotive industry.

Production statistics for the next few months will show how successfully the Chinese automotive industry will be able to cope with these challenges. It is possible that they will be negative, which will lead to a reduction in demand for rolled steel. This is similar to what is already happening in shipbuilding, an important consumer of thick-gauge rolled steel.

China accounts for 51.7% of global shipbuilding completions and 68.3% of new orders for January-June 2025. This is the undisputed world leader. However, the industry is showing signs of decline. During the reporting period, Chinese shipyards completed the construction of ships with a total deadweight of 24.13 million tons, a decrease of 3.5% year-on-year.

RISING INVESTMENTS IN FIXED ASSETS IN CHINA'S MANUFACTURING INDUSTRY



Source: General Administration of Statistics of China

STEEL CONSUMPTION IN CHINA: DOWNWARD TRAJECTORY

860m sq m
in PRC property sales by area, 8M 2025

–16.9%
drop in PRC real estate completions, 10M 2025

In addition to the automotive industry, other engineering industries also contribute significantly to the consumption of flat-rolled products. For example, sales of excavators in January-August increased by 17.2% to 154,180 units, according to the China Construction Machinery Manufacturers Association (CCMA). Domestic sales grew by 21.5% – to 80,630 units, while exports grew by 12.8% – to 73,550 units.

Almost half of sales were accounted for by foreign sales. But how long will Chinese manufacturers be able to withstand the pressure of tariff barriers, which is constantly increasing? The answer to this question will largely determine the future prospects for steel demand in China.

Demand for long-term rentals

The Chinese housing sector has been significantly overheated in recent years. This is why its volume is now shrinking, despite the increasing availability of new apartments and houses.

Housing sales for January-August amounted to 860 million square meters. This is 39% lower than the average for the same period in 2021-2024. At the same time, in August, the number of projects started decreased by 20% year-on-year, to 551 million square meters, according to the National Bureau of Statistics.

The area of buildings commissioned in January-October decreased by 16.9% – to 348.61 million m2, including in the residential segment – by 18.9% – to 248.66 million m2.

The ratio of new housing sales in January-August to housing commissioned in January-October shows how large developers' "inventories" are – the volumes that remained unsold during the construction boom of previous years. This is why investment in housing construction and its volumes are declining and cannot sustain steel demand.

Therefore, consumption of long products is mainly driven by the construction of infrastructure (bridges, railways), industrial buildings, logistics complexes, and energy facilities.

For 2025, the central government has approved such projects for the provinces totaling $111.8 billion. Among them are the expansion of high-tech production centers in the Greater Bay Area and the Yangtze River Delta.

In addition, between January and May 2025, the Chinese Ministry of Transport invested $167.5 billion in infrastructure, of which $120.1 billion went to road construction.

The funds are earmarked for financing 83 major projects in 27 provinces. One of them is the construction of a 468.5 km high-speed railway from Yichang to Fulin with an estimated cost of $17.8 billion. As a result, investment in railway fixed assets increased by 5.7% – to $94.8 billion in January-October.

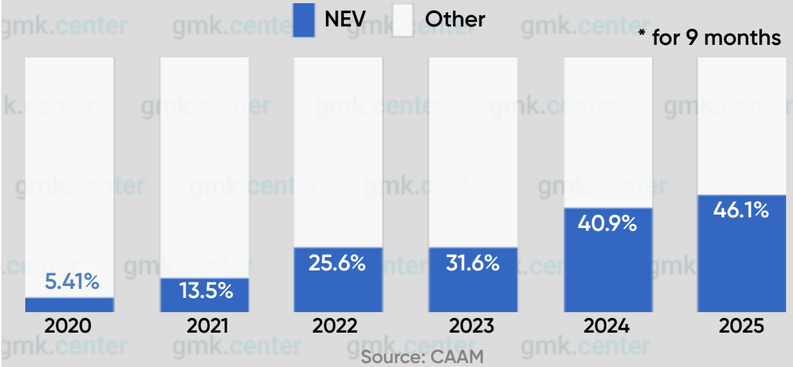
The rapid development of wind energy also has a positive impact on steel consumption. Unlike solar power plants, which have low steel intensity, wind power plants (WPPs) use steel both for the production of turbines and for the construction of wind towers.

In 2024, China set a record by commissioning 80 GW of new WPPs. The government's plans for the current year envisage an improvement to 94 GW. As a result, the total capacity of Chinese WPPs will reach 520 GW. Thus, the construction industry's target of 2.1% growth by the end of 2025, set by the party leadership, seems quite realistic.

Future prospects

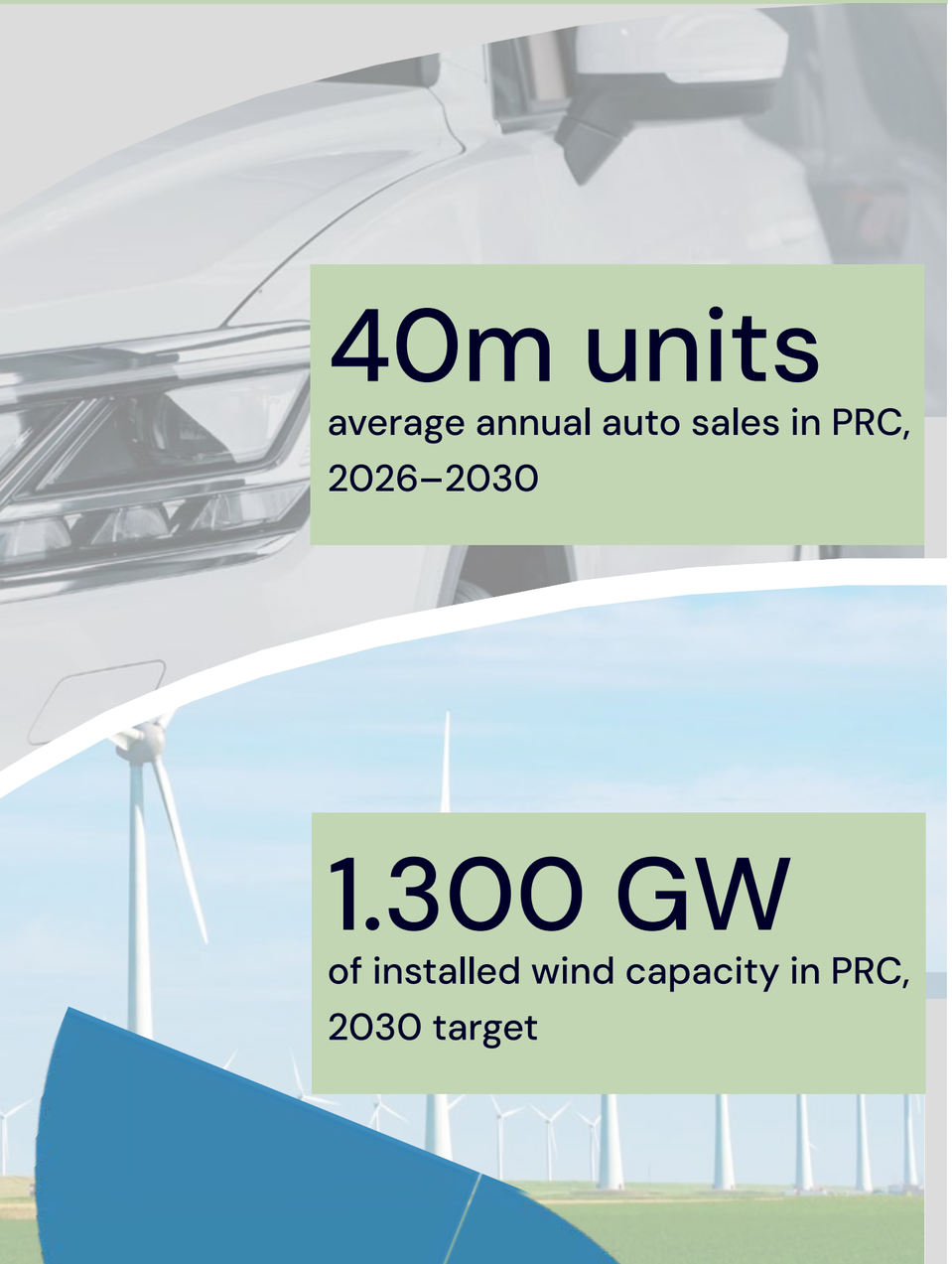
On September 11, the Ministry of Industry and Information Technology and seven other ministries jointly published the "Work Plan for Ensuring Stable Growth of the Automotive Industry (for 2025-2026)". The document envisages the production of 32.3 million cars in 2025, including 15.5 million NEVs. This is slightly less than previously forecast by CAAM: 32.9 million and 16 million units.

NEV SHARE IN TOTAL AUTO SALES IN CHINA



Source: CAAM

STEEL CONSUMPTION IN CHINA: DOWNWARD TRAJECTORY



40m units

average annual auto sales in PRC, 2026–2030

1.300 GW

of installed wind capacity in PRC, 2030 target

Car exports are expected to increase by 6%. CAAM had predicted a 14% increase to 5.46 million units.

The government plan does not contain any targets for 2026. S&P Global Mobility gives a positive forecast for the Chinese automotive industry in 2026, citing a favorable macroeconomic situation without specifying the expected production and export volumes. However, according to estimates by the China Passenger Car Association (CPCA), average annual car sales in 2026–2030 will reach 40 million units. This means a significant increase in demand for automotive steel products.

The outlook for thick-gauge rolled steel consumption is also favorable. As of July 1, the total order book of Chinese shipyards reached 234.54 million tons. This is 36.7% higher than a year ago.

The construction of metal-intensive facilities such as floating wind farms deserves special mention. The program, previously approved by the National Development and Reform Commission (NDRC), provides for the commissioning of 15 GW of offshore wind power annually in 2026-2030.

Overall, during this period, the capacity of Chinese wind farms is expected to increase 2.5 times compared to this year, to 1,300 GW. This represents enormous sales potential for manufacturers of wind turbines and steel structures for construction.

However, overall demand for long products will continue to decline, as the consequences of the housing market "overheating" have not been fully overcome. It is important to note that China's urbanization is virtually complete. According to the draft 5-year plan for 2026–2030, high-quality development will be a priority for the real estate sector.

Particular attention will be paid to comprehensive renovation – the development of "smart cities." The steel intensity of such projects is significantly lower than that of traditional construction, and investment in infrastructure and industrial buildings will continue to decline.

Therefore, based on the results of 2025, the Irish consulting company Research&Markets forecasts growth in the Chinese construction industry of only 2.1%, and an average of 3.9% in 2026–2029. For comparison, in 2020–2024, the figure was 8.6%.

The Chinese government's policy of prioritizing the development of the service sector, which includes information technology, and high-tech industries such as microchip manufacturing, is creating a steady trend toward reducing the steel intensity of the economy as a whole.

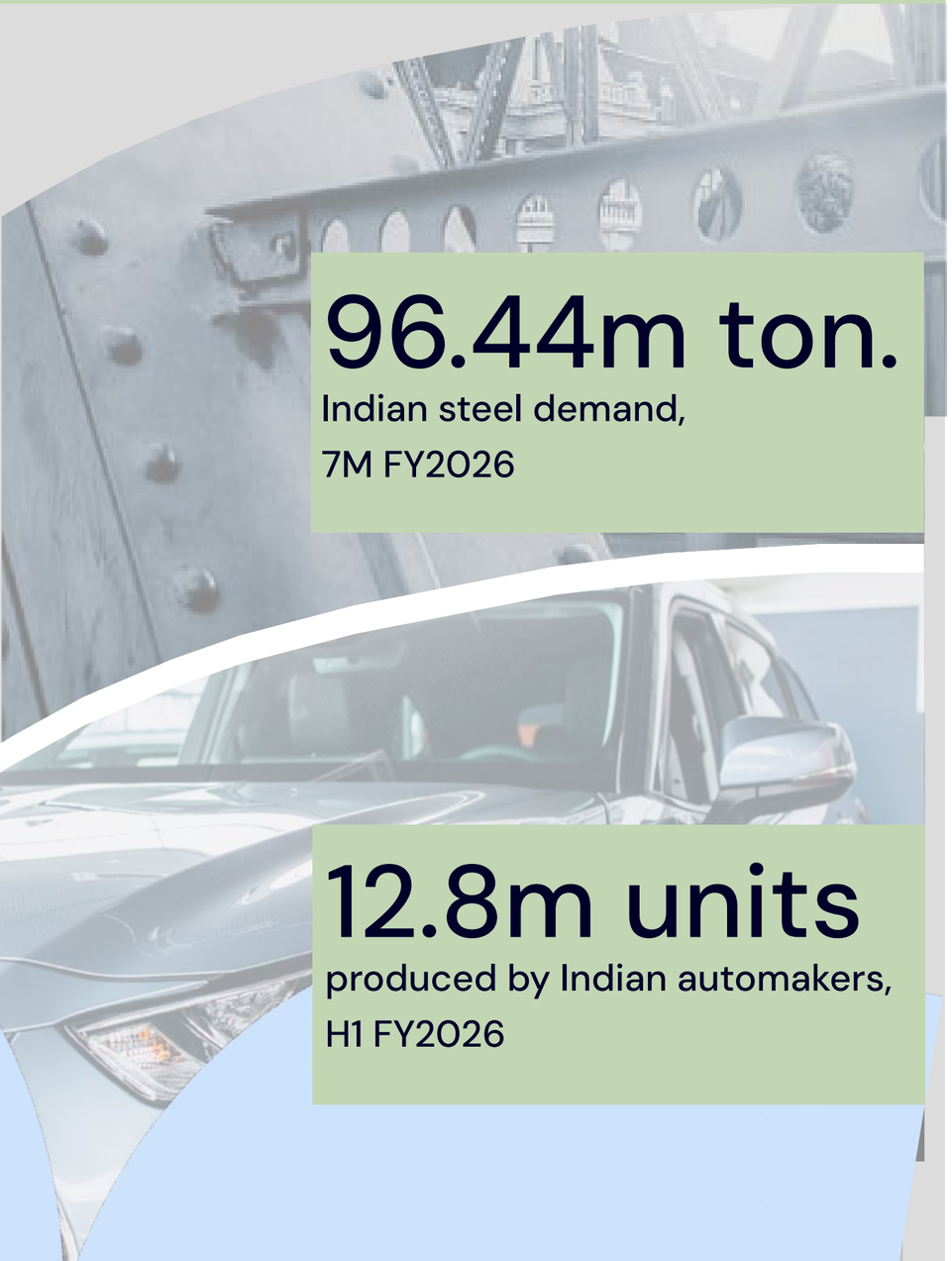
As a result, according to estimates by consulting firm Wood Mackenzie, China's share of global steel demand will decline from 49% in 2024 to 31% by 2050. The dynamics suggest an annual decline in steel consumption of 5 million tons in 2025–2035, accelerating to 7 million tons in 2036–2050.

The World Steel Association forecasts a more significant decline in 2026, by 1% compared to this year.

In turn, S&P Global Commodities, citing market participants surveyed, notes that steel consumption in China's manufacturing industry will remain stable in 2026. However, as in this year, its growth is unlikely to fully offset the decline in demand in the construction sector.

It follows that the official Beijing needs to work more actively to reduce supply by promoting the closure of excess steelmaking capacity. This is because local producers are sending more and more of their products to foreign markets amid declining domestic demand. And this could crush the global industry.

STEEL CONSUMPTION IN INDIA: THE FIRST WARNING SIGN?



96.44m ton.
Indian steel demand,
7M FY2026

12.8m units
produced by Indian automakers,
H1 FY2026

Delays in budget financing boosted rolled steel exports

In October 2025, India regained its status as a net steel exporter for the first time in a long time. Foreign supplies increased by 44.8% year-on-year – to 640,000 tons, while imports fell by 55.6% – to 459,000 tons. The last time a positive steel trade balance was recorded was in 2023. At the same time, domestic steel consumption grew by 4.7% – to 13.6 million tons. So what is happening on the Indian steel market now?

Macroeconomic situation

In early October, the World Bank improved its forecast for India's GDP growth in the 2025–2026 fiscal year from 6.3% to 6.5%. The adjustment was made after the release of the results for the second quarter of the fiscal year, according to which the Indian economy grew by 7.8%. This is the highest figure in the last 15 months.

At the same time, government spending increased by 7.5% and private consumption by 7%. Retail sales grew by 6.8% compared to the previous quarter. In particular, sales of everyday goods jumped by 13.9%.

The main driver was the tax reform carried out in September. As part of this reform, the tax rate on goods and services (GST, similar to VAT) was reduced for a wide range of items. In particular, the tax on cement was reduced from 28% to 18%, which significantly reduces the cost of housing and infrastructure construction and, therefore, affects their final cost.

In addition, the GST rate on commercial and small cars (with an engine capacity of up to 1.5 liters) was reduced from 28% to 18%. This stimulated demand in the automotive and construction sectors, which are the main consumers of finished steel.

Other tax innovations also indirectly contributed to growth, such as the reduction of the GST rate from 12–18% to 5% for a wide range of food products, as well as for medical and insurance services, etc. All of this ultimately led to an increase in household income.

It is also worth noting the low consumer inflation rate of 0.3% year-on-year at the end of October. The last time it was recorded at this level was in November 1999 (!). Overall, the Reserve Bank of India (RBI) forecasts inflation of 4.2% for the 2025–2026 fiscal year.

Price stability has further increased the purchasing power of Indians. Finally, on February 9, the RBI lowered its key rate by 25 basis points (bp) to 6.25%. This decision was made for the first time in the last five years. It made lending more accessible, including for the purchase of new cars and housing.

Consumption situation

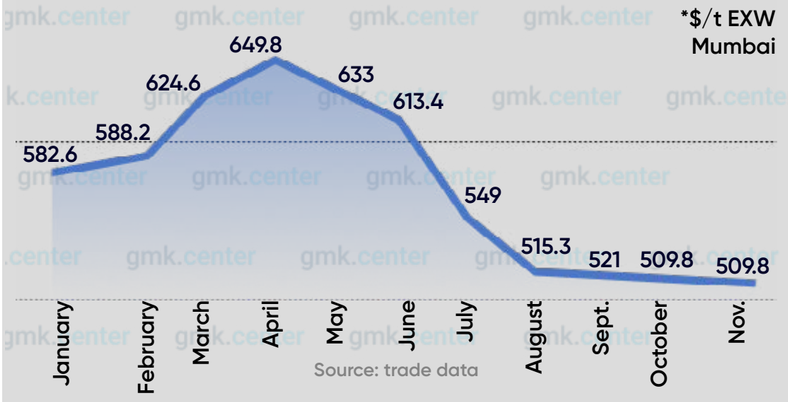
Positive trends in macroeconomics have had a favorable impact on steel consumption. In October, it grew by 4.7% y/y – to 13.6 million tons. Overall, in April-October, the indicator increased by 12.53% – to 96.44 million tons. It should be noted that steady growth has been observed in recent years, except during the pandemic period.

The Indian automotive industry increased production by 4.6% – to 12.8 million units (including passenger and commercial vehicles, quad bikes, and motorcycles) in April-September, according to the Society of Indian Automobile Manufacturers (SIAM). This ensured increased demand for rolled steel.

In October, India's auto market experienced a new surge. Sales of new passenger cars grew by 11% y/y – to 557,000 units. This was a historic record, according to the Federation of Automobile Dealers Associations (FADA).

In addition to explosive domestic demand, increased utilization of sheet rolling capacities was ensured by external sales. Exports of passenger cars in April–September grew by 18.4% – to 445,900 units, and exports of trucks grew by 26% – to 211,400 units.

PRICES OF STEEL REBAR IN INDIA IN 2025*



STEEL CONSUMPTION IN INDIA: THE FIRST WARNING SIGN?

25.3%
surge in Indian steel exports, 7M FY2026

9.2%
construction sector contribution to India's GDP

The situation with demand for long-length rolled products is not so clear-cut. Its main consumer is the construction industry, in which government investment in both infrastructure and new housing plays a very important role.

For example, the Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) program, funded by the Ministry of Rural Development, envisages the construction of 49.5 million houses in the country by March 2029. However, due to problems with the allocation of funds, as of April 1 of this year (i.e., at the end of the 2024–2025 fiscal year), only 13% of the plan has been implemented. It is already clear that at this rate, it will not be possible to achieve the set goals within the specified time frame.

The progress of the Pradhan Mantri Gram Sadak Yojana program, the main driver of road construction, has slowed significantly. Its funding in the current fiscal year has been reduced by 37% compared to the previous one.

The deterioration of the situation is also evidenced by a 30% year-on-year drop in October sales of construction equipment. At the end of fiscal year 2024–2025, growth slowed to 4% compared to 26% in fiscal year 2023–2024.

Indian sources, citing construction market participants, report delays in payments from the government. This applies to both state authorities and state-owned companies that are construction customers.

«Manufacturers have accumulated large stocks (of long-length rolled products – ed.), but there is simply no demand. Even infrastructure projects are not absorbing the required volumes. Unfinished approvals, delays in the allocation of funds, and cash flow problems for contractors caused by previous delays are holding back the implementation of projects,»

said a Mumbai-based steel trader in a comment to Kallanish in the first half of October.

These stocks are forcing Indian steel companies, first, to lower prices.

Second, to send more and more products for export. Overall, exports grew by 25.3% in April–October, to 3.45 million tons, including a 44.8% year-on-year increase in October, to 640,000 tons. Two-thirds of these exports were long products.

All this creates additional tension in the markets of the European Union, the Persian Gulf countries, and some countries in Southeast Asia, particularly Vietnam. These are the main destinations for Indian steelmakers' foreign sales.

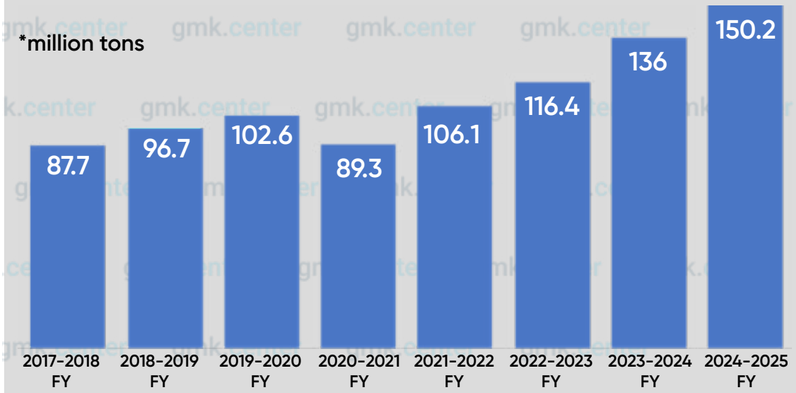
Further forecasts for steel demand in India

The sharp decline in GST revenues as a result of tax reform poses risks to the implementation of federal and regional budgets. Therefore, it can be assumed that it will be difficult to quickly restore payment discipline. This means that Indian construction companies will continue to have problems financing work under government programs, and demand for long products will therefore remain volatile.

At the same time, the high share of the construction industry in national GDP should be taken into account – 9.2% at the end of the 2024–2025 fiscal year. Therefore, it seems logical that the Asian Development Bank downgraded its forecast for Indian economic growth in fiscal year 2025–2026 from 7% to 6.5% in September. Consulting firm Deloitte expects a slowdown to 6.5–6.9% in the next fiscal year compared to 6.7–6.9% in the current one (base forecast).

The government has more optimistic expectations.

DYNAMICS OF STEEL CONSUMPTION IN INDIA*



Source: open data, calculations of GMK Center

STEEL CONSUMPTION IN INDIA: THE FIRST WARNING SIGN?

9–10%
expected rise in India's steel demand, FY2026

5–7%
target share of world shipbuilding for India, 2030

At the end of September, Steel Secretary Sandeep Pundarik said that steel consumption in fiscal year 2025–2026 would increase by 9–10%. According to estimates by the Indian rating agency ICRA, it will increase by 7–8%.

The automotive industry will remain the main driver of demand for flat steel. Moody's forecasts a 5% increase in new car sales in India in 2025 and another 5% in 2026. The previous forecast for next year predicted a slowdown in growth to 2.5%. Moody's explains the improvement in the forecast by the impact of tax reform.

ICRA provides similar estimates. It forecasts a 3-5% increase in sales of passenger and commercial vehicles in the 2026-2027 financial year. Passenger car sales will amount to 6-6.5 million units.

Demand for thick-gauge steel will grow thanks to an ambitious shipbuilding development program. It envisages increasing India's share in the global shipbuilding industry to 5-7% by 2030, compared to the current figure of 1%. In this regard, there are plans to build new shipyards and modernize and expand existing ones.

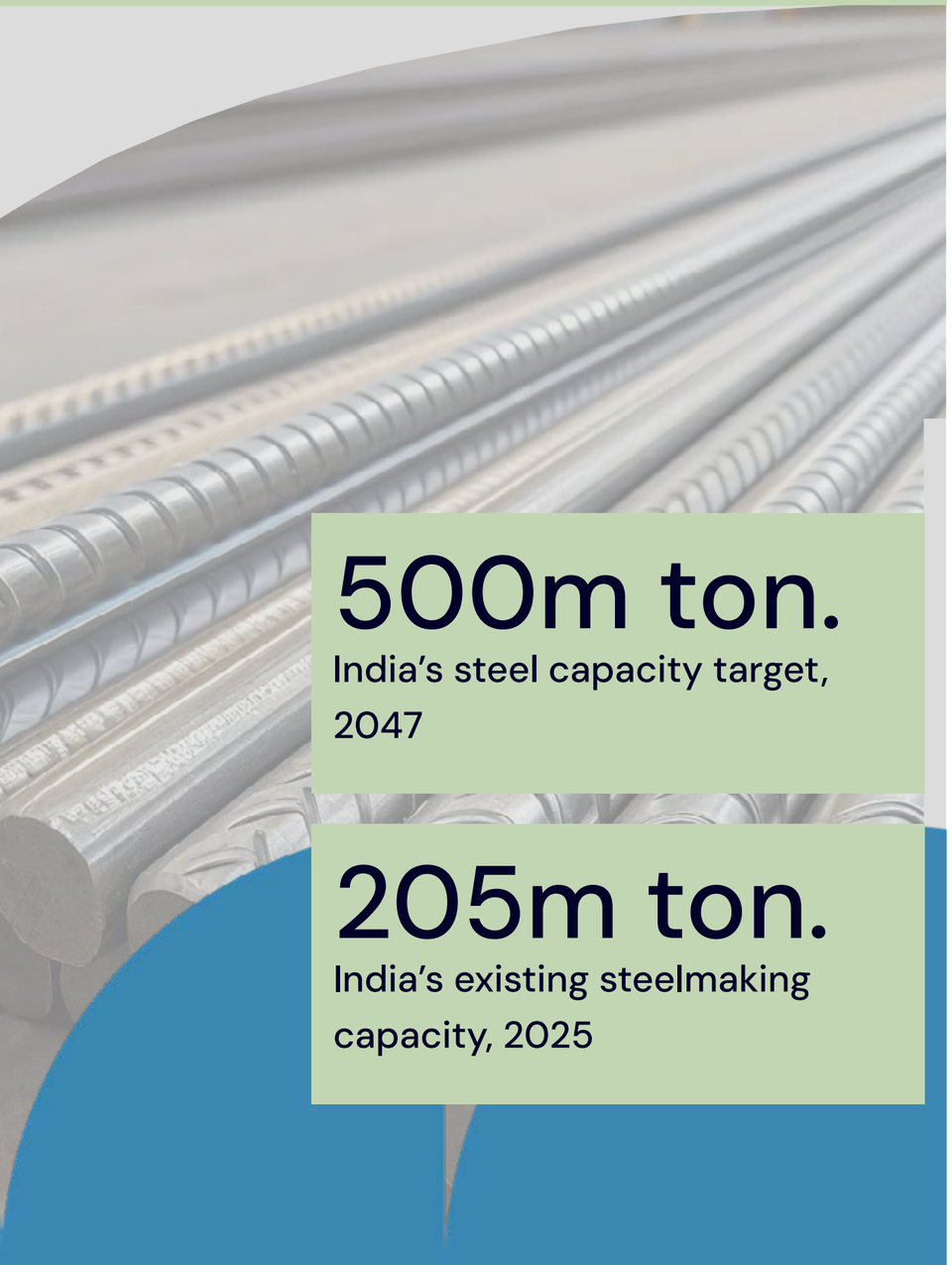
According to the government's plans, eight shipbuilding clusters will be created. Five of them will be new sites in the states of Andhra Pradesh, Odisha, Tamil Nadu, Gujarat, and Maharashtra. Another three will be based on existing facilities in Vadinar, Kandla (Gujarat), and Kochi (Kerala).

Despite volatility, demand for long-length rolled products remains strong, with good prospects. Despite the slowdown in the implementation of local projects, Irish research company Research&Markets expects the Indian construction industry to grow by 7.1% in real terms in 2025. In 2026–2029, it is expected to grow by an average of 6.1%.

As noted, this forecast carries significant risks. However, there are also reasons for optimism: numerous government programs that support demand for steel.

- In August, the federal government allocated $3.1 billion for the development of 128 km of railways in Delhi, including the 65 km Delhi–Dehradun line and the 17 km Delhi–Tronik City line. In total, the federal budget for the 2025–2026 fiscal year allocates $603 billion to the transport sector. Of this, $34.5 billion goes to the Ministry of Road Transport and Highways and $30.9 billion to the Ministry of Railways.
- In July, the Maharashtra state government approved the $8.43 billion My Home My Right program, which provides for the construction of 3.5 million affordable housing units by 2030. In addition, in August, the authorities signed an agreement with Singapore's CapitaLand. The company has committed to investing $2.3 billion in the construction of industrial parks, data centers, and logistics complexes in Maharashtra by 2030.
- In June, the state-owned National Thermal Power Corporation (NTPC) announced plans to build new hydropower plants with a total capacity of 20 GW. Of these, 3–5 GW are to be completed by 2032.

STEEL CONSUMPTION IN INDIA: THE FIRST WARNING SIGN?



500m ton.
India's steel capacity target, 2047

205m ton.
India's existing steelmaking capacity, 2025

- In July, the federal government signed agreements with private companies to build four pumped storage power plants with a total capacity of 6.5 GW. The cost of the projects is $3.8 billion.
- In April, the Ministry of Energy announced plans to expand nuclear power capacity from 8.9 GW in 2024 to 100 GW by 2047. Eight reactors with a total capacity of 6.6 GW are currently under construction.

The implementation of these large-scale investment plans will drive the construction industry and, as a result, demand for long-length rolled products. This will be the case in 2026 and in the years to come.

Impact on foreign markets

India's steel production capacity has already reached 205 million tons in the current fiscal year, according to estimates by BigMint. The government has very ambitious plans for the further development of the industry. By 2030, it should reach 300 million tons, and by 2047, 500 million tons.

Such plans seem logical given the large-scale long-term programs in the field of transport infrastructure, commercial, industrial, and residential construction, and the expansion of production and energy capacity, which should create and maintain sustainable demand for steel in the domestic market.

However, government funding cannot be a reliable and stable factor in steel demand. Even minor changes related to reforms can negatively affect domestic steel demand. As events in recent months have shown, this leads to a sharp increase in Indian steel exports.

Already, with local steelmakers having 205 million tons of capacity, the impact of additional volumes is beginning to be felt in foreign markets, particularly in the European Union and the Persian Gulf countries. But what will happen when productivity reaches 300 million tons and domestic demand is unstable due to a lack of government funding or macroeconomic problems?

Currently, the oversupply in global steel trade is primarily driven by China amid declining domestic consumption. India may become the next factor in the volatility of global steel prices.

STEEL CONSUMPTION IN THE US: MAJOR UPHEAVALS

$18.6tn

U.S. household debt outstanding, Q3 2025

10.6%

decrease in U.S. steel import volumes, 8M 2025

Demand for steel is affected by several negative factors

The decline in household solvency and the rise in prices for finished rolled products in 2025 had a negative impact on production volumes in the sectors that generate the main demand for steel. Passing on the additional costs to end consumers after the introduction and increase of import duties on steel proved to be very problematic for many customers of steel companies.

The impact of macroeconomics

The US economy is not experiencing the best of times. Real disposable household income growth in 2025 slowed significantly compared to the dynamics of the past five years. The unemployment rate reached 4.3% in August, the highest monthly figure since October 2021.

At the same time, US household debt rose by $197 billion quarter-on-quarter in the third quarter to a record $18.6 trillion. Of this, $13.07 trillion was mortgage debt, another $1.66 trillion was auto loans, student loans accounted for $1.65 trillion, and consumer loans accounted for $1.23 trillion.

At the same time, the level of loans overdue by 90 days or more was 33%. This is the most significant quarterly figure since 2014. Overall, 80% of debts are in arrears.

Banking conditions remain tight. According to the Mortgage Bankers Association, the average 30-year mortgage rate was 6.71% at the end of March. It is still above 6% today. Meanwhile, according to investment bank JPMorgan, a significant recovery in new home sales is only possible if rates fall to 5% or below.

As for auto loans, rates have actually increased by 32 basis points to 9.41% in October. Consulting firm Cox Automotive attributes this to a reduction in the number of special offers from automakers' financial divisions.

Unsurprisingly, consumers are pessimistic about new spending, especially on housing and cars.

Current steel consumption

The second important factor determining the situation on the US market in 2025 was unprecedented protectionist measures.

From March 12, steel imports into the US from all countries were subject to a 25% tariff, and on June 4, President Donald Trump raised it to 50% by executive order.

The 50% tariff barrier caused steel imports to plummet by 10.6% in January-August, to 13.9 million tons. At the same time, only 1.4 million tons were imported in August, and the share of foreign supplies in the steel consumption balance fell to 16%, a historic low. In previous years, the figure was 20-23%.

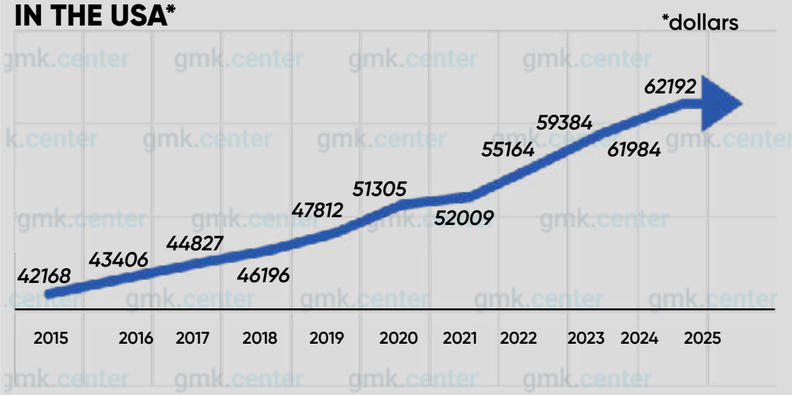
It can be assumed that by the end of 2025, monthly imports are unlikely to exceed 1.5 million tons, and the annual decline will be about 12%. Meanwhile, domestic steel production in January-October increased by only 3% to 75.47 million tons. This did not fully compensate for the decline in foreign supplies, indicating a significant reduction in steel consumption.

An analysis by industry shows that the long products segment was hit the hardest. Here, the main demand comes from the construction industry. Meanwhile, flat products, whose main consumer is the automotive industry, proved to be less vulnerable.

Market situation

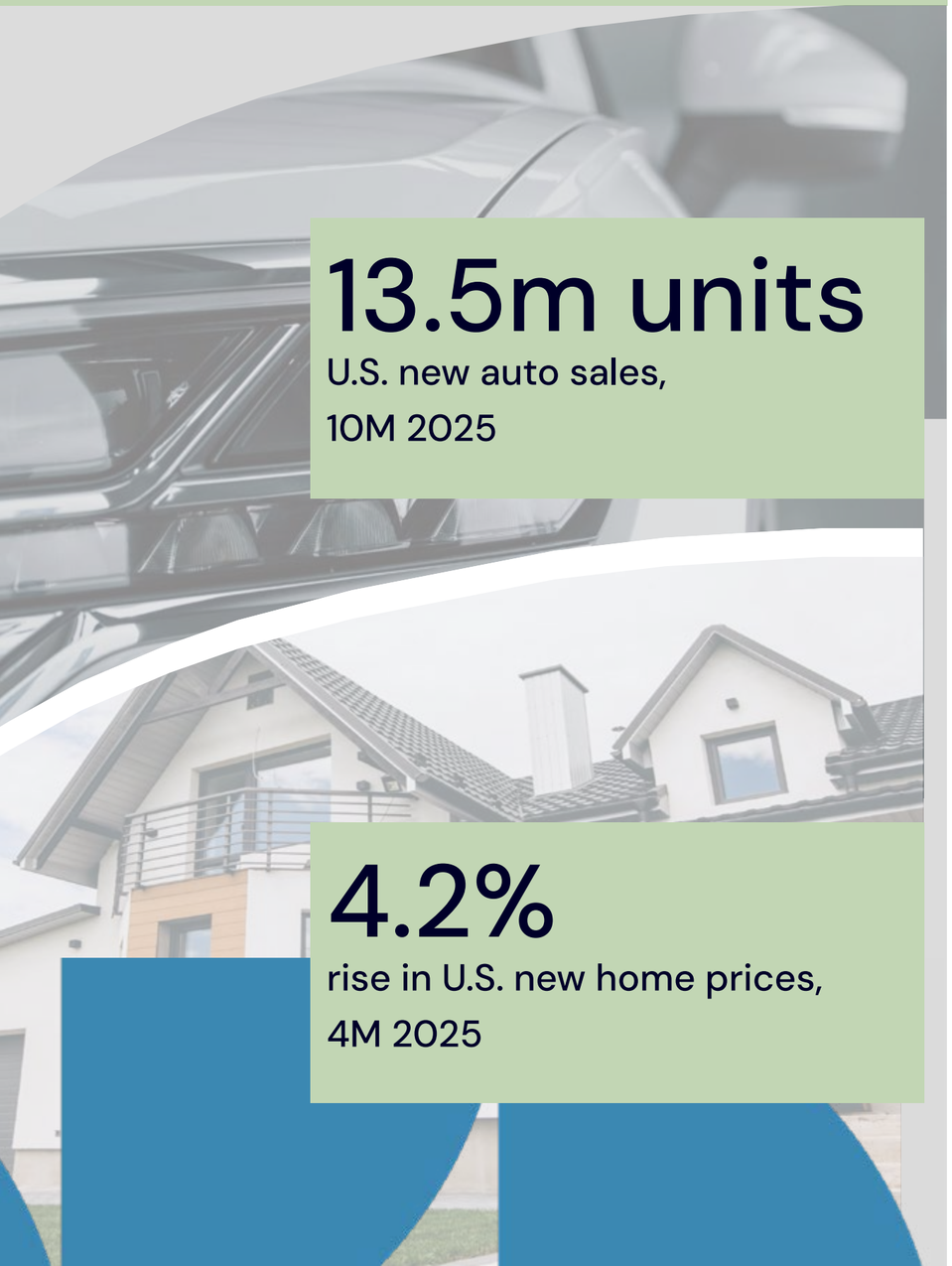
The number of new housing permits issued in the US in January-April fell by 3.5%. The volume of new housing construction started fell by 1.6%. From February to September, the indicator was lower than in January, showing a steady downward trend.

AVERAGE ANNUAL HOUSEHOLD INCOME IN THE USA*



Source: Bureau of Labor Statistics

STEEL CONSUMPTION IN THE US: MAJOR UPHEAVALS



13.5m units

U.S. new auto sales, 10M 2025

4.2%

rise in U.S. new home prices, 4M 2025

The situation is similar in the industrial and civil construction sector. In the first quarter of 2025, 418,000 square meters of retail space was commissioned, the lowest figure in the last 10 years. The commissioning of industrial space amounted to 20.44 million square meters. This is the lowest figure since 2017, according to consulting company CBRE.

In contrast, the automotive industry saw positive dynamics. Sales of new cars in January-October increased to 13.5 million units. This is 3.8% more than in the same period in 2024. However, the decline was avoided thanks to a situational factor: the cancellation of a tax credit of up to $7,500 for the purchase of electric vehicles from September 30.

Upon learning of the upcoming cancellation of the preferential terms, many Americans rushed to take advantage of them. This became the market driver in the third quarter. Due to the effect of borrowing from future sales, S&P Global Mobility expects the US auto industry to reach 16.1 million units by the end of 2025. This is higher than last year's figure of 15.83 million units. Cox Automotive has similar expectations – 16.1 million units.

The demand for pipe products deserves a separate mention. According to the October forecast by the US Department of Energy, production at the end of this year will amount to 13.53 million barrels per day (bpd). At the end of 2024, 13.21 million b/d was recorded, which is a positive trend. However, the number of active drilling rigs decreased from 482 at the beginning of January to 414 at the end of October.

Thus, demand for pipe products in the oil industry has declined significantly. This is explained by both the rise in the price of rolled steel due to import duties and the decline in world oil prices from $81/bbl in January to $63.9/bbl in early November.

Impact of steel tariffs on demand

The introduction of tariffs forced large consumers in the construction and automotive sectors to switch to purchasing locally produced steel, rejecting foreign offers. In turn, US steel companies, taking advantage of the lack of competition from importers, sharply increased their own prices.

According to Business Security Group estimates, the additional costs to consumers resulting from the introduction and increase of steel tariffs in the US will amount to $29 billion per year.

In particular, the cost of US-made passenger cars is increasing by $2,000 per unit due to the rise in the price of imported parts, according to Cox Automotive estimates. As a result, the average recommended retail price of a new car in August rose by 3.3% year-on-year to $51,099.

According to the U.S. Census Bureau, the price index for new single-family homes under construction rose 4.2% in January-April. For the same period in 2024, the figure was 2.2%. In other words, inflation in the construction industry nearly doubled in the first phase of import duties. According to UBS Group estimates, tariffs could increase the cost of building a single home by approximately $6,400.

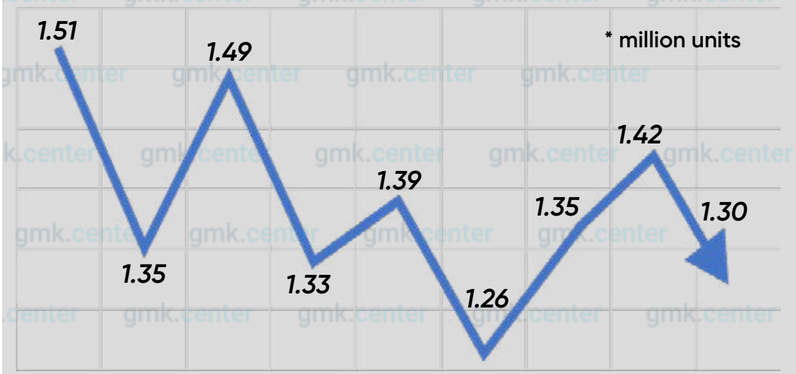
This undoubtedly affects and will continue to affect household demand, both this year and next.

What's next?

S&P Global Mobility predicts a decline in car sales in Q4 due to electric vehicles. Plus, ongoing problems with the availability of new cars. Americans will not stop driving, but with rising prices, many will extend the life of their old cars and trucks.

In the first half of 2026, American analysts expect further Fed rate cuts. Despite this, households' financial reserves will continue to decline. S&P Global Mobility forecasts a decline in new passenger car sales in the US to 15.3 million units in 2026. This means that demand for sheet steel from automakers will decline.

THE VOLUME OF RESIDENTIAL CONSTRUCTION STARTS IN THE US IN 2025*



Source: U.S. Census Bureau

STEEL CONSUMPTION IN THE US: MAJOR UPHEAVALS

3%

rise in U.S. total construction value, 2026 forecast

$47bn

in U.S. border infrastructure spending

This raises the question: what about the record $13 billion investment by leading US automaker Stellantis in expanding production? Or Hyundai Motor Group's plans to increase production capacity in the US to 1.2 million vehicles per year? Won't this lead to an increase in demand for automotive steel?

Of course it will. But not next year. It's a longer story. For example, the launch of the Stellantis car plant in Belvidere, Illinois, which has been idle since 2023, is scheduled for 2027, and the new Hyundai car plant in Georgia will not be operational until 2028 at the earliest.

There are also no prerequisites for an increase in demand for strip steel from pipe manufacturers. The World Bank forecasts an average oil price of $60/bbl for 2026. This means stagnation in US oil production, which will amount to 13.51 million bpd, according to estimates by the Ministry of Energy.

The outlook for long products in 2026 is also not very optimistic. The American Institute of Architects (AIA) expects total construction spending to increase by 2.6% to $2.24 trillion by the end of this year. In 2026, the increase will be another 3%.

"The projected growth is unlikely to even offset the increase in material and labor costs. Therefore, it is assumed that the volume of construction will not increase in the next two years,"

according to the AIA consensus forecast.

The AIA also notes a sharp decline in the number of projects started in the manufacturing sectors. This may be partially offset by the construction of data centers and infrastructure facilities, which are receiving government investment.

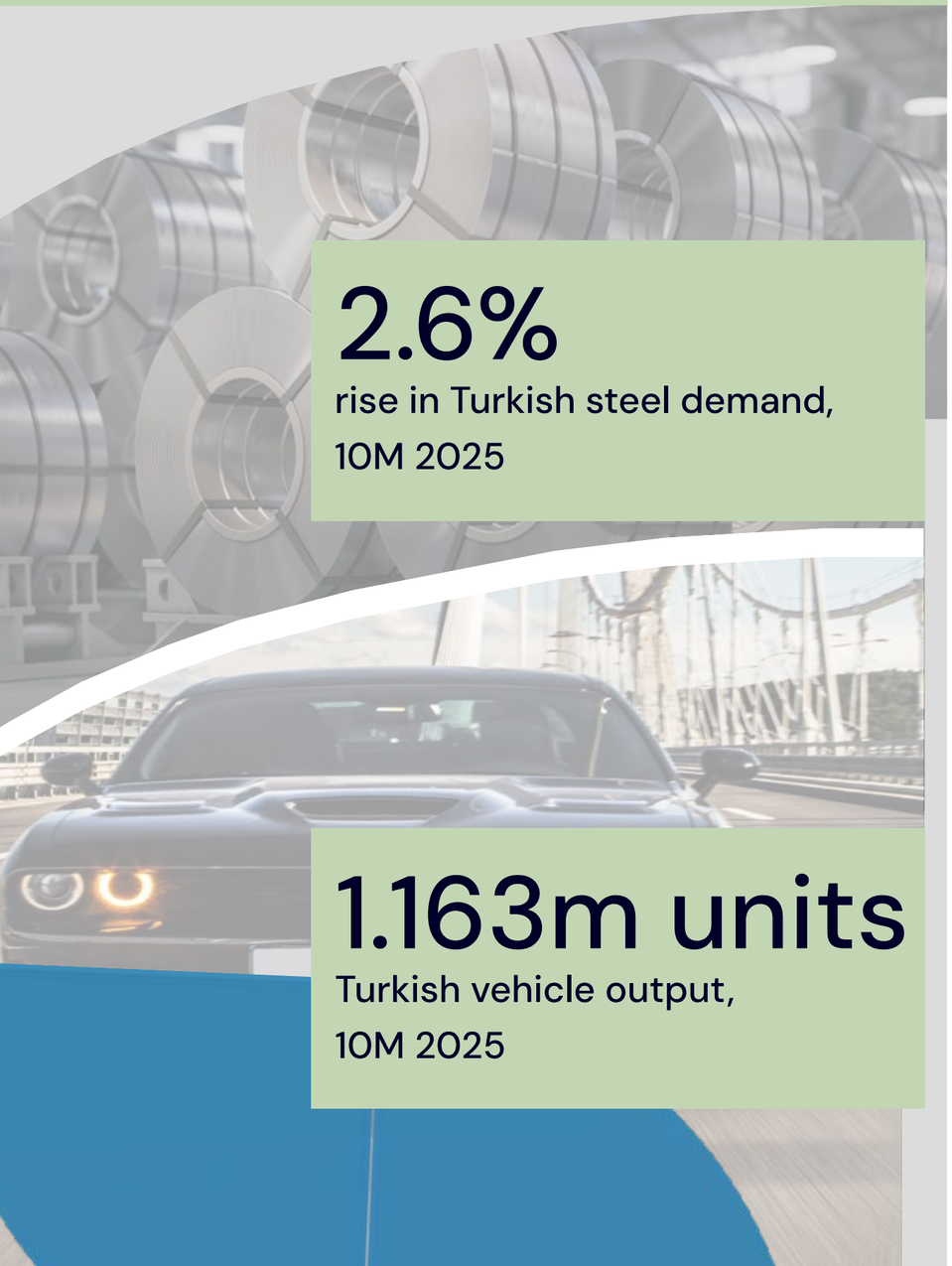
For example, the $4.9 billion federal "Invest in the Bridge" program announced in June this year involves the replacement and repair of approximately 42,000 existing road bridges. Of this amount, the Federal Highway Administration (FHWA) has allocated only $500 million in 2025. Most of the spending is planned for next year.

Other major federal government investments include $45 billion for the construction of detention centers for illegal immigrants and $47 billion for the construction of infrastructure on the border with Mexico, including a wall, roads, checkpoints, etc.

Based on this, the following conclusions can be drawn:

- Demand for finished steel in the US will remain weak next year in key consumption sectors – the automotive and oil industries, as well as construction.
- Government investment will partially offset the overall decline in construction.
- The negative effect of tariffs on imported steel will persist, combined with macroeconomic problems that are causing pessimism among households.

STEEL CONSUMPTION IN TURKEY: UPWARD TREND



2.6%
rise in Turkish steel demand, 10M 2025

1.163m units
Turkish vehicle output, 10M 2025

Major steel-consuming industries show positive dynamics

Domestic demand for steel in January-October 2025 increased by 2.6% – to 32.2 million tons, according to the Turkish Steel Producers Association (TCUD). This was driven by both growth in domestic production (by 1.2% – to 31.3 million tons) and imports (by 13.8% – to 15.6 million tons).

The upward trend reflects the favorable macroeconomic situation. Turkey's actual GDP grew by 2.3% in the first quarter and 4.8% in the second quarter. It is very important that this is sustainable growth. The Turkish economy has not experienced a recession for 20 consecutive quarters. Accordingly, the main consumers of steel feel quite confident.

The impact of macroeconomics

The main driver can be considered the significant devaluation of the Turkish lira, which began in 2021 and continues to this day.

On the one hand, this has increased the competitiveness of Turkish exporters, particularly car manufacturers, who are the main consumers of flat-rolled steel, as their costs in dollar terms have decreased. Exports are also of great importance to Turkey's construction industry, the main consumer of long-rolled steel.

On the other hand, the devaluation of the lira and the associated high inflation are forcing Turkish households to consider buying new cars, houses, and apartments as an investment to protect their savings.

This approach has become particularly attractive this year after President Recep Erdogan issued a decree on July 9 raising income tax rates on short-term deposits (up to 6 months) from 15% to 17.5% and on deposits up to one year from 12% to 15%. The tax on income from mutual investment funds was also raised from 15% to 17.5%, except for long-term real estate funds.

In this way, the authorities are encouraging citizens to spend money rather than keep it in bank accounts. Moreover, households maintain high purchasing power despite devaluation.

This was facilitated by a 30% increase in the minimum wage to ₺22,104 on January 1.

As a result, the share of workers' wages in gross value added at current prices was 43.7% in the first quarter, compared to 41.7% in 2024, according to the Turkish Statistical Institute (TUIK).

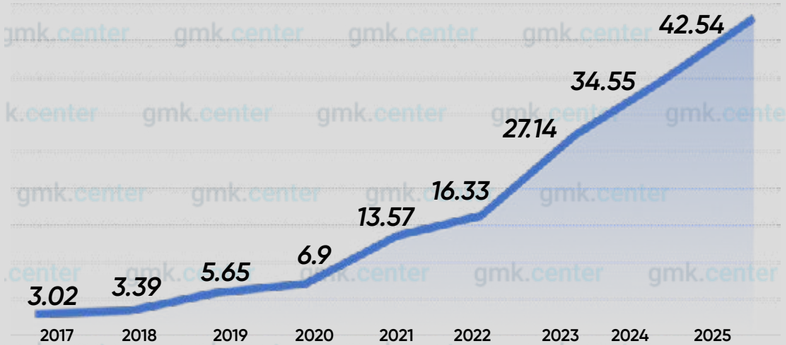
Accordingly, final household consumption increased by 3.9% y/y in the first quarter and by 2% in the second quarter. The state also began to spend more. Its final consumption expenditure increased by 1.6% and 1.2%. All this affected the indicators achieved by steel-consuming industries.

Market situation

Passenger car and commercial vehicle production rose 3.6% to 1.163 million units in January-October, according to the Turkish Automobile Manufacturers Association (OSD). Domestic sales grew at a faster pace, by 9.6% – to 1.079 million units, indicating strong demand. Foreign sales increased by 4.7% – to 864,800 units, thanks to a trade agreement with the European Union that exempts new cars from Turkey from import duties.

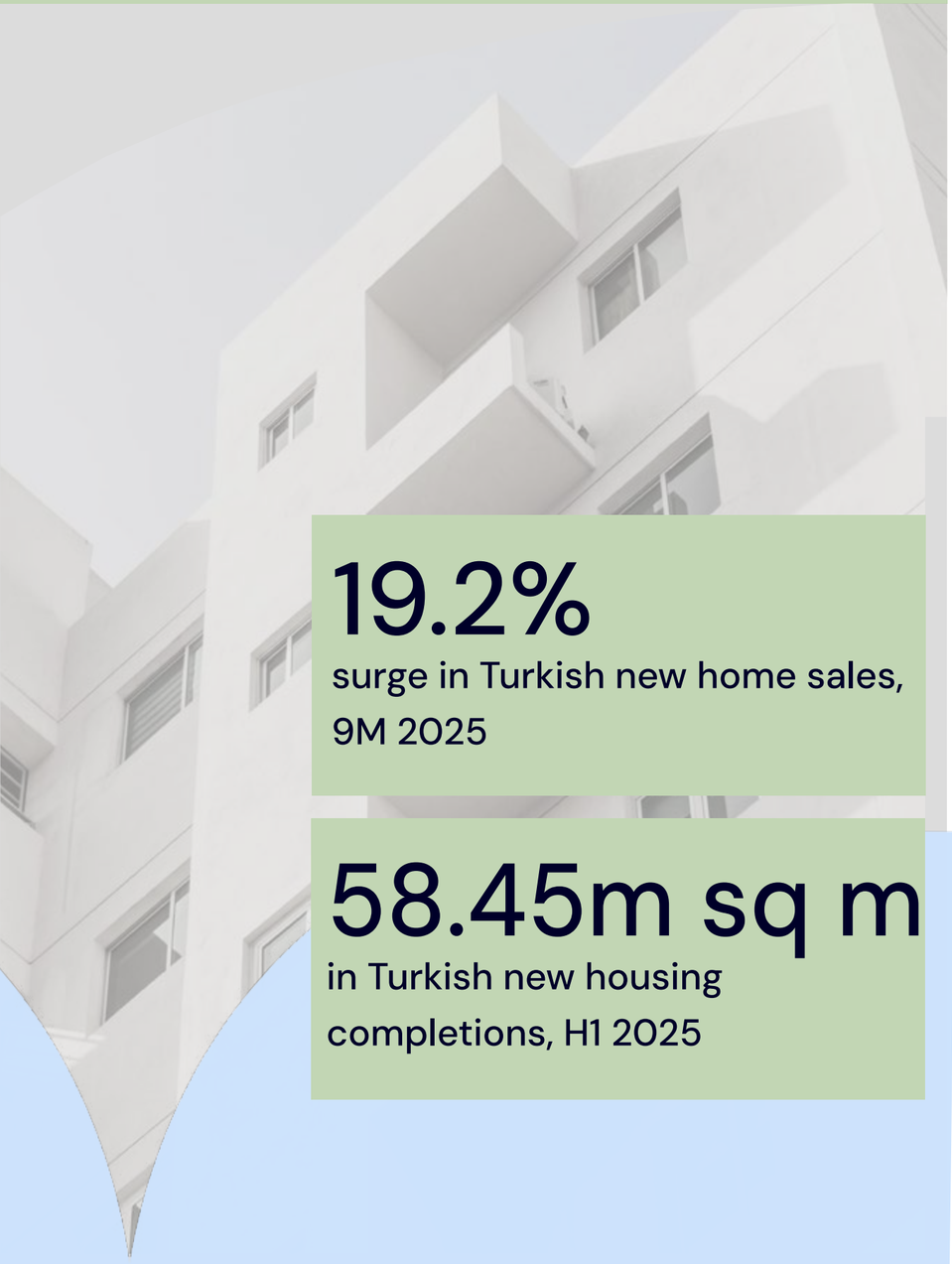
Amid this, the sharp deterioration in agricultural machinery performance is particularly noticeable. Tractor production in January-October fell by 40% – to 23,590 units. This is due to problems in the agricultural sector. According to the forecast of the Ministry of Agriculture and Forestry of Turkey, in 2025, grain production will decrease by 12.4% – to 34.2 million tons, vegetables by 0.8% – to 33.3 million tons, and fruits by 30.4% – to 19.8 million tons.

TURKISH LIRA TO US DOLLAR EXCHANGE RATE



Source: Trade Economics

STEEL CONSUMPTION IN TURKEY: UPWARD TREND



19.2%
surge in Turkish new home sales, 9M 2025

58.45m sq m
in Turkish new housing completions, H1 2025

The situation is not entirely favorable in the household appliances segment, another major consumer of sheet steel. According to the industry association TURKBESD, production and exports fell by 9% in January-October, while domestic sales fell by 5%.

At the same time, exports in October fell by 15% year-on-year, to 2 million units. Production in October decreased by 9% – to 2.54 million units, despite an 8% increase in domestic sales to 836,000 units. This indicates large inventories accumulated by manufacturers during the year and highlights the industry's significant dependence on external markets.

The export component is also very important for the construction sector, the main consumer of long-length rolled products. Turkey is among the top 10 countries that are the largest exporters of construction services. In January-September 2025, Turkish companies implemented foreign projects worth $9.2 billion, according to the Ministry of Trade.

When carrying out work, they try to use Turkish steel as much as possible. For example, Doğuş Grubu used Turkish-made steel pipes to build a 3 km cable-stayed bridge across the Dnieper River in Kremenchuk, Ukraine.

Domestic demand also stimulated growth in the construction sector. In January-September, housing sales by developers increased by 19.2% y/y – to 1.129 million units, according to the Turkish Contractors Association (TMB). At the same time, in the first half of the year, the area of housing commissioned increased by 30.2% – to 58.45 million m².

Industrial construction grew primarily due to the energy sector. And here, from the point of view of steel consumption, wind energy is the most important. In the first half of 2025, new wind farms with a total capacity of 593 MW were commissioned in Turkey. This is 38% more than in the same period a year earlier.

Overall, the industry's stable position is worth noting. April-June 2025 was the 11th consecutive quarter with positive growth in construction volumes. The growth began after the devastating earthquakes in February 2023, which required the restoration of a huge number of buildings, residential houses, and infrastructure facilities.

Steel demand outlook

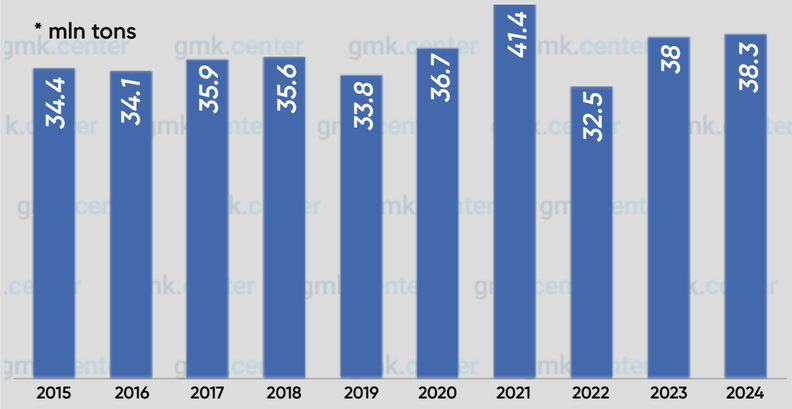
Steel consumption in Turkey continues to recover after a decline in 2022. However, the pace has slowed somewhat, and it will certainly not be possible to repeat the record result of 2021 this year. At the same time, forecasts for the main steel-consuming industries give reason to expect the upward trend to continue in 2026.

Since the Turkish automotive industry is strongly export-oriented, domestic demand was largely met by imports. In January-October, it grew by 11.8% – to 764,700 units. The main destinations remained Russia, China, and the US. This is despite the 40% import duty on Chinese cars, which has been in effect since July 7, 2024.

However, the situation will soon change. By Presidential Decree No. 10436, Recep Erdogan introduced import duties on cars from non-EU countries. For gasoline and diesel cars, the duty is 25%, but not less than $6,000; for hybrids and electric cars, it is 30%, but not less than $7,000 and $8,000, respectively.

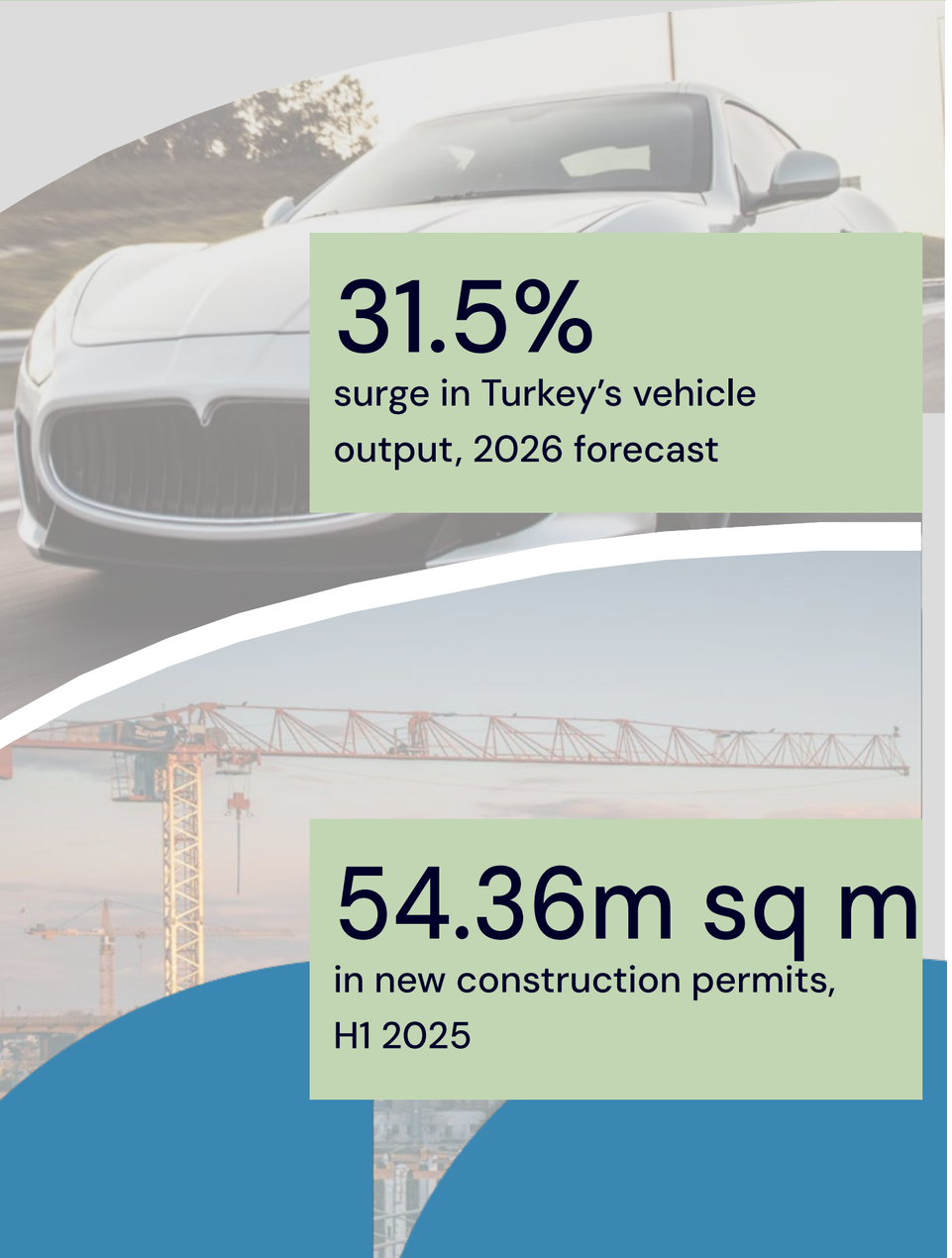
These tariffs came into effect on November 22. Given that the average selling price of a car in Turkey is $27,800, they can be considered protective. This means that in the near future, the market share previously held by importers will shift to local car manufacturers, which will be able to increase production and, accordingly, begin to purchase more rolled steel.

STEEL CONSUMPTION IN TURKIYE*



Source: SIB

STEEL CONSUMPTION IN TURKEY: UPWARD TREND



31.5%
surge in Turkey's vehicle output, 2026 forecast

54.36m sq m
in new construction permits, H1 2025

In addition, the launch of two new car factories in 2026 — by the Chinese concern BYD and South Korea's Hyundai — will contribute to the growth in production. Both projects will start operating in the second half of the year. The Chinese car factory will have a capacity of 150,000 cars per year. Moreover, this is not about large-scale assembly, but about full-fledged production: the agreement with the government also provides for the transfer of technology.

It is expected that the European Union will be the main market for the new enterprises. Thus, all the prerequisites are in place for the government to achieve its plans to reach car exports of $39.2 billion in 2025 and $43.7 billion in 2026. The index of production of cars (including auto parts) and other wheeled vehicles is expected to grow by 26.7% in 2025 and 31.5% in 2026.

The existence of large long-term foreign contracts provides additional grounds for optimism. For example, in October, Tofas agreed with the American automotive group Stellantis to export 230,000 light commercial trucks to North America in 2026–2032.

The construction industry also has a significant backlog of projects for next year. The number of permits for new construction in January-June 2025 increased by 61.8%, with the total area of new facilities amounting to 54.36 million m². Of these, 37.8 million m² will be residential, and 6.2 million m² will be industrial and warehouse buildings. In July-August, the number of buildings that received building permits increased by 22.3%, and their total area increased by 42.6%.

Irish research company Research&Markets forecasts a 4.2% increase in construction output in Turkey in 2025 and a 3.7% increase in 2026. Among the main drivers are the continuation of government programs to restore destroyed housing stock and the development of green energy. And this is not just wind energy.

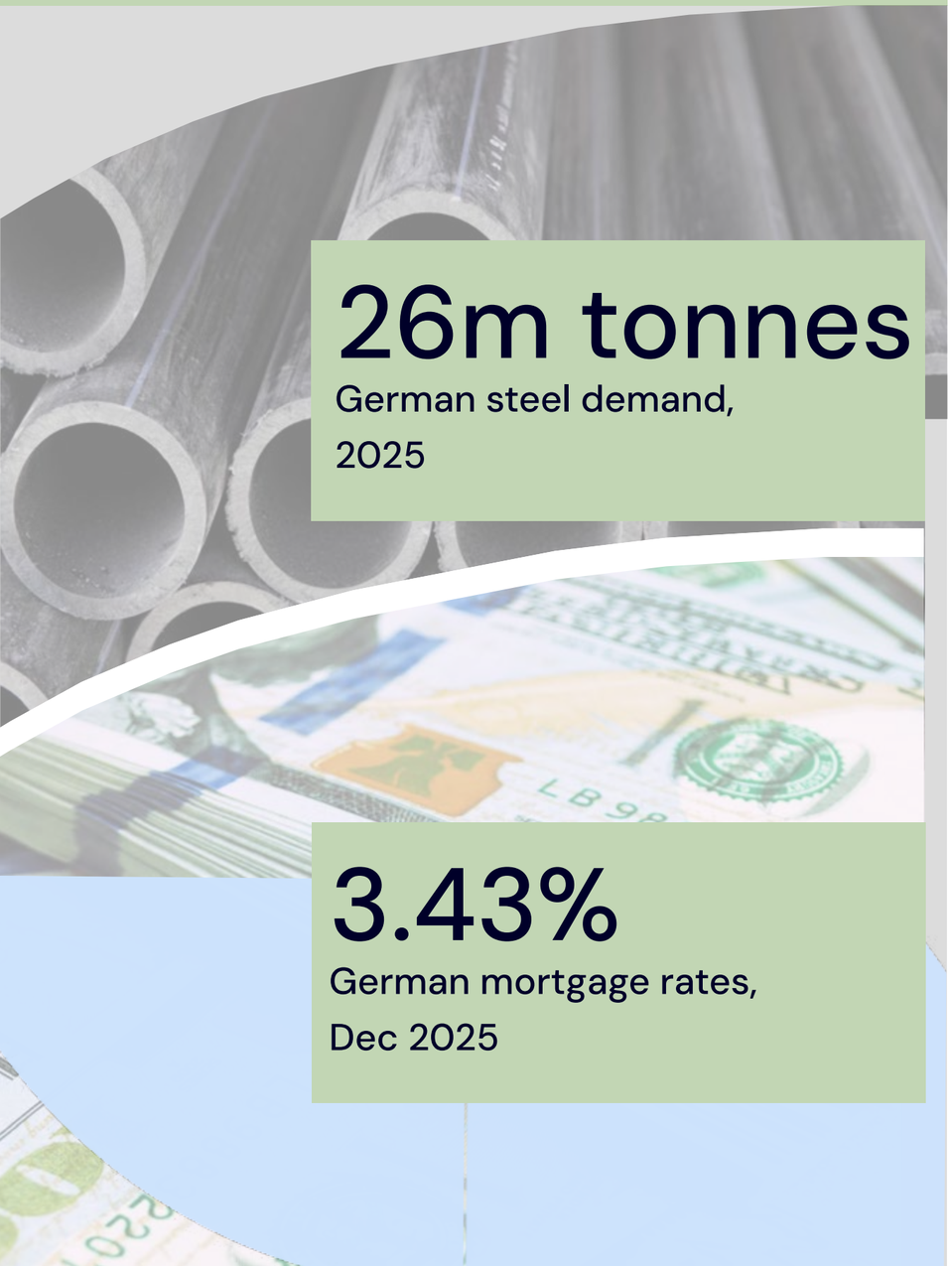
The state program envisages an increase in the capacity of small hydropower plants by 1 GW from the current 2.7 GW in 2026–2030. Turkish companies will also continue to build large facilities abroad.

In particular, in August 2025, Orta Asya Yatırım Holding signed an agreement with the Kyrgyz government to build six hydropower plants with a total capacity of 2.2 GW. The estimated cost of the project is $6.3 billion. As before, builders will seek to make maximum use of Turkish-made steel.

It is also worth noting the government's plan to expand the railway network from 13,919 km in 2024 to 17,500 km by 2028. This will require significant volumes of rails and steel products.

Thus, domestic demand for steel in Turkey will remain positive in 2025 and beyond in 2026. It will be supported by stable economic growth. The government plan adopted in September forecasts GDP growth of 3.3% in 2025, 3.8% in 2026, 4.3% in 2027, and 5% in 2028.

STEEL CONSUMPTION IN GERMANY: GRADUAL SLOWDOWN



26m tonnes

German steel demand, 2025

3.43%

German mortgage rates, Dec 2025

Demand for steel is declining due to fundamental problems in the German economy

Steel consumption in Germany fell to 27 million tons in 2024, the lowest level since the mid-1990s. Based on the results of the current year, the Association of German Steel Manufacturers (WV Stahl) expects a further decline to 26 million tons.

This negative forecast is confirmed by data from the Association of German Metal Traders (BDS), according to which domestic steel sales by BDS companies in January-September 2025 fell to 7.3 million tons, compared to 7.4 million tons a year earlier. Last year's figure was 0.1% lower than in the first nine months of 2023.

There is no reason to talk about a rapid decline in the German steel market. We can only observe a gradual slowdown. GMK Center investigated what is really happening.

Macroeconomic situation

One of the main problems facing the German economy is the excessively high cost of electricity for industry. This is linked to the "green" transformation of the energy sector – the development of renewable energy sources and the move away from fossil fuels.

Green electricity is, by definition, more expensive than traditional electricity. There is also instability caused by natural factors. For example, at the end of August, Western Europe experienced calm weather, so electricity generation at wind farms could only cover 8% of Germany's daily energy consumption.

In 2024, WPPs still accounted for 27.9% of all generating capacity. The price on the day-ahead market rose to €123.56/MWh. For comparison, in neighboring France, electricity rose to €66.02/MWh, although the weather was similar. There are 57 nuclear reactors still in operation there, while Germany has abandoned not only coal-fired power plants but also nuclear power plants.

The second reason is the Ukrainian-Russian war, which has caused energy prices in Europe to rise. This year, electricity for industry in Germany has begun to rise again after a slight decline last year. It is now almost three times more expensive than during the COVID crisis.

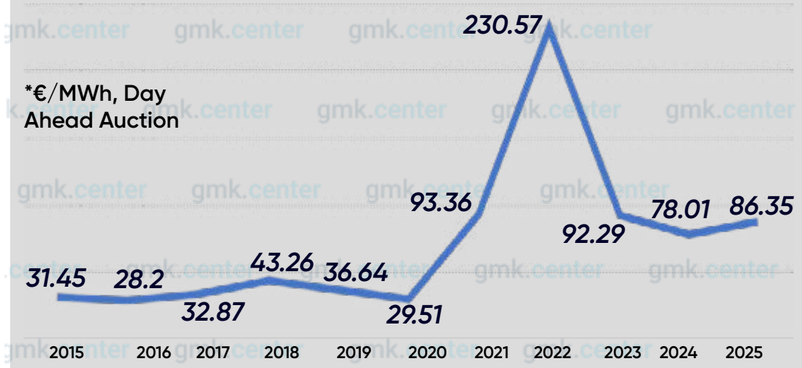
The automotive and construction industries, which are the main consumers of rolled steel, are not energy-intensive sectors, but the metallurgical and cement industries are. German car manufacturers and construction companies are facing constant increases in material prices and are unable to pass these costs on to their customers.

In a survey conducted in Germany by the European Construction Industry Federation (FIEC) in early 2025, 55% of construction company executives cited energy and construction material prices as the main risk factor for their businesses.

The second fundamental problem is the high cost of loans for purchasing homes and cars, caused by the monetary policy of the European Central Bank (ECB). From July 2022 to September 2023, the ECB raised its key interest rate from 0.00% to 4.5% as part of its efforts to combat inflation caused by a sharp rise in energy prices. The rate on 10-year mortgages in Germany rose from 1% to 4.23%, meaning that the cost of servicing such loans increased fourfold.

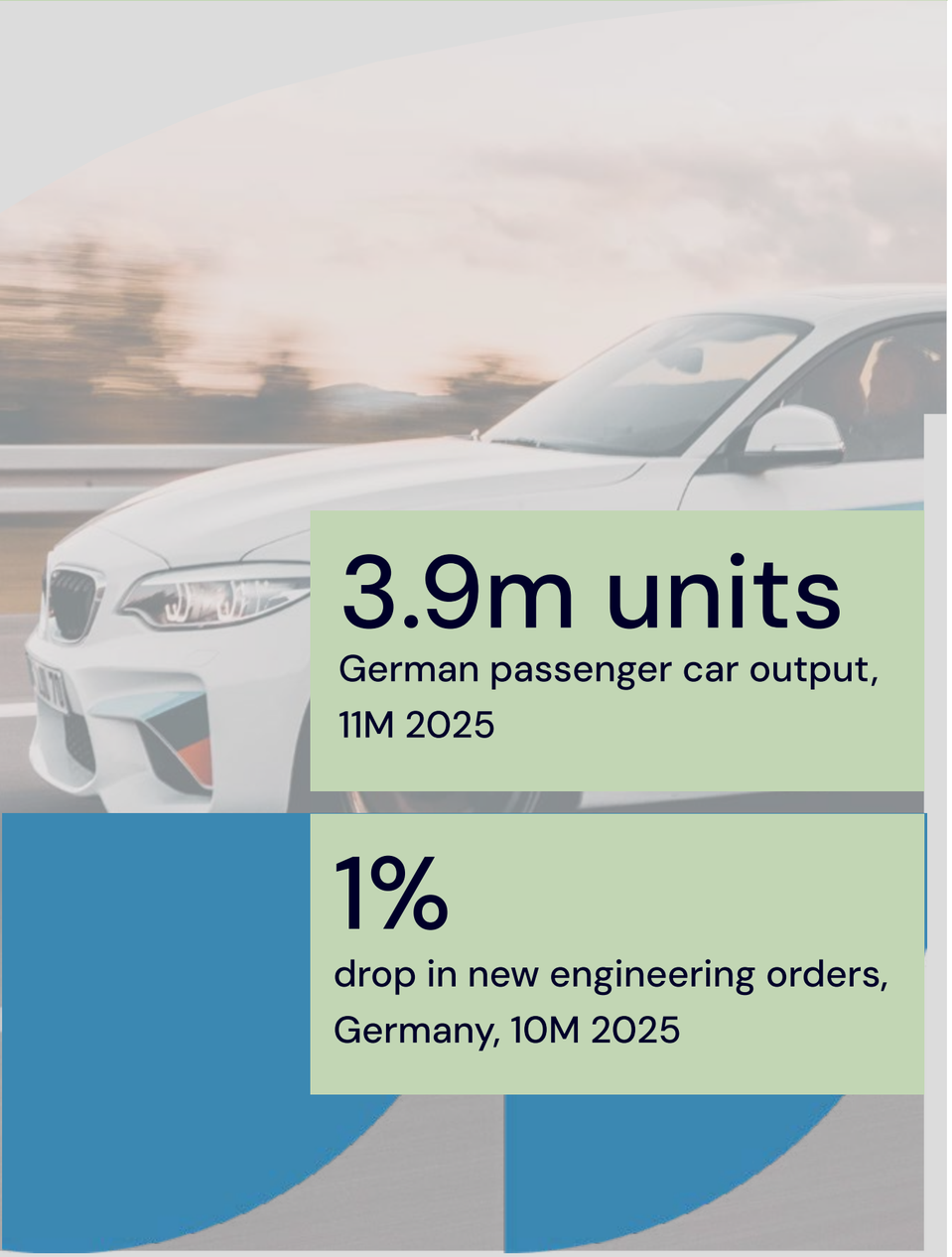
In June 2024, the ECB returned to easing monetary restrictions. The discount rate began to decline, reaching 2.15% after September 2025. Current German mortgage rates are at 3.43%, which is still too high for potential customers, similar to car loans, which currently have rates in the 6-9% range. Domestic demand does not play a major role for the German automotive industry.

AVERAGE ANNUAL ELECTRICITY PRICES FOR INDUSTRY IN GERMANY*



Source: Energy Charts

STEEL CONSUMPTION IN GERMANY: GRADUAL SLOWDOWN



3.9m units

German passenger car output, 11M 2025

1%

drop in new engineering orders, Germany, 10M 2025

Market situation

The automotive industry is the calling card of the German economy, as it represents its achievements in domestic and foreign markets.

According to the German Association of Automobile Manufacturers (VDA), passenger car production in the country increased by 1% to 3.9 million units in January-November. Exports remained at last year's level of 3 million units. New car sales in Germany increased by 1% – to 2.6 million units.

This is far from the 3.6 million units, the best pre-crisis result achieved in 2019. The reason for this is the significant increase in the cost of car loans.

Only 34% of domestic demand was met by local car manufacturers, with importers accounting for two-thirds. Imports of new cars into Germany are subject to a 10% duty plus 19% VAT. Even with such a markup, cars from Turkey, China, and India remain more preferable for German buyers.

We can talk about insufficient tariff protection of the domestic car market in Germany. This is another factor determining the low demand for sheet metal.

In terms of external problems, the main blow to the German automotive industry was the 25% tariffs on car imports to the US, introduced by Donald Trump and effective from April 2, 2025.

In August, he agreed to reduce the tariff on cars from the EU to 15%. Even this tariff significantly reduces the competitiveness of German cars in the US market, which was the main export destination for German manufacturers. In 2024, Germany accounted for $71.3 billion of the total $240.1 billion in US car imports.

The situation is no better in the German engineering industry, the second largest consumer of flat steel. From 2018 to 2023, production fell by about 20%, and the number of jobs in the industry by more than 200,000. In 2024, output fell by 8% and capacity utilization was below 80%, according to the German Engineering Federation (VDMA).

In a survey conducted by the VDMA in November last year, 61% of companies predicted job cuts in 2025. These expectations are being confirmed, as new orders fell by 1% in January-October.

"Machinery and equipment production continues to stagnate,"

noted VDMA Chief Economist Dr. Johannes Hernand.

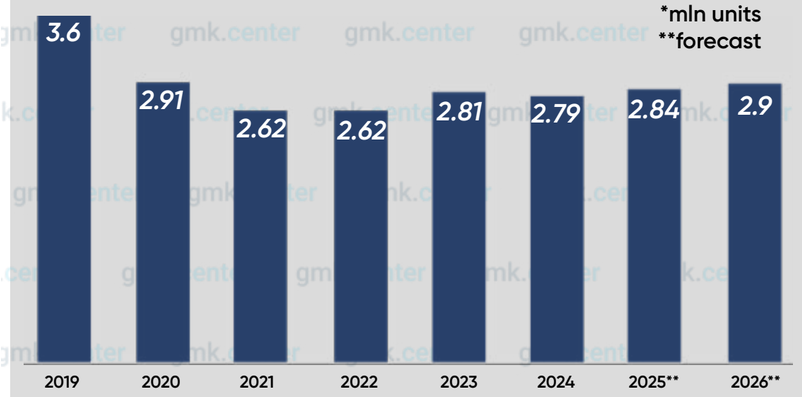
The decline in the construction sector, the main consumer of long products, is clearly illustrated by the reduction in permits for new projects. In 2023, the figure fell by 27%, the sharpest decline since 2007. In 2024, a further decline of 17% was recorded, including a 20.4% decline in residential construction and a 5.8% decline in industrial, warehouse, and commercial construction.

Earlier, the federal government set a target for the industry: to build 400,000 new housing units per year. However, in 2023, 294,000 units were built, and in 2024, 215,000 units, which was the lowest level since 2010.

Another indicator is the increase in the number of bankruptcies among German construction companies. In 2022 and 2023, the figure increased by 12% annually, accelerating to 19% in 2024.

There is a simple explanation for this trend. Expensive mortgages are reducing potential demand for new housing from households, while the profitability of production is being eroded by rising construction material costs. Between 2022 and 2024 alone, these costs rose by 30%.

SALES OF NEW PASSENGER CARS IN GERMANY*



Source: VDA

STEEL CONSUMPTION IN GERMANY: GRADUAL SLOWDOWN

1%

drop in Germany's vehicle output, 2026 forecast

7.851 GW

German wind power permitting, 2025

In January-September of this year, the number of new housing construction permits increased by 11.7% to 200,000 units. Last year's figure was the worst in 15 years, so it is premature to talk about the German construction industry emerging from the crisis, as it is to talk about a recovery in demand for long-rolled products.

Future prospects

Analysts agree that the ECB will continue to lower its key interest rate in 2026. Loans for new homes and cars will become more accessible, but will still not return to pre-crisis levels. The VDA forecasts a slight recovery in the German car market of 2%, to 2.9 million sales.

Local automakers will not be able to benefit from this, as Chinese companies will continue to increase their car deliveries. German car exports will decline by 1% to 3.2 million units, as the prospects for a trade deal between the US and the EU, which would eliminate import duties on cars, remain unclear. Car production in Germany will decrease by 1% to 4.11 million units.

The outlook for mechanical engineering is no better. The VDMA forecasts a 5% decline in production by the end of 2025, which will be the worst performance in the industry in recent years. The expected 1% recovery in 2026 will only partially alleviate the situation. Demand for flat-rolled steel in Germany will continue to decline.

The same applies to the consumption of long products. The crisis in the German construction industry, as in the economy as a whole, is caused by fundamental rather than situational reasons, so there will be no rapid change in the trend.

The Munich-based Institute for Economic Research (IFO) forecasts an 18% decline in housing construction in the country by the end of 2025 and a 44% decline between 2023 and 2027.

"High construction costs in Germany are currently hindering a rapid recovery of the market,"

noted IFO economist Ludwig Dorfmeister.

The industry could be helped by the government's plans to modernize the railway infrastructure in 2024–2027 (€40 billion has been allocated for this program) and the continued development of wind energy. In the first half of 2025, 1 GW of new capacity was commissioned in the country, with a total of 2.2 GW expected for the year as a whole.

The outlook for next year is optimistic. In 2025, the Federal Network Agency (BNetzA) held two tenders, at which companies were granted permits to build wind farms with a total capacity of 7.851 GW, which is a record figure.

Further progress is facing challenges due to the end of government subsidies. The German Wind Energy Association (BWE) is proposing a number of legislative changes to restore the investment attractiveness of such projects. Even if they are approved by the Bundestag in 2026, they will only come into force in 2027.

In early December, the European Steel Association (EUROFER) raised its forecast for construction growth in the EU in 2025 to 0.1% and predicts a 3% increase in steel consumption in 2026. There are no grounds for such optimistic forecasts in Germany.

A recovery in steel demand in the country is only possible after structural reforms in the energy sector and the adoption of laws stimulating investment, including in real estate and production assets. The effect of these measures will not be immediate.

Much depends on the resolution of trade disputes with the US and the strengthening of tariff protection for the domestic market, primarily in the automotive segment. Without these conditions, German steel consumption will continue to decline.

The entry into force of the CBA on January 1, 2026, will have an additional negative impact on the market. Charging importers for the "carbon footprint" of steel products will lead to a reduction in foreign supplies, which will drive up domestic prices in Germany.

Current HRC quotes in Northern Europe are €610/t EXW. According to calculations by consulting firm Jefferies, the introduction of the CBAM, along with a 50% reduction in steel import quotas proposed by the European Commission, will lead to an increase in HRC prices to €750/t.

STEEL CONSUMPTION IN ITALY: IN THE GRIP OF CRISIS

€3.08tn

Italian public debt, end-Q3 2025

65%

share of imports in total Italian steel sales, 2024

Steel consumption statistics reflect the depth of the problems facing the Italian economy

According to data from the Italian steel association Federacciai, demand for steel in Italy fell by 2.1% – to 26.1 million tons in 2024. This is one of the worst results on record. Since 2015, only COVID-19-stricken 2020 saw lower demand, at 23.9 million tonnes. The situation in the main steel-consuming industries suggests a further decline in steel sales in 2025 and 2026.

Macroeconomic overview

The local economic crisis has its own specific characteristics. In addition to pan-European problems, such as a sharp increase in electricity prices for industry and the associated high interest rate of the European Central Bank, Italy has another problem: huge external public debt.

In September 2025, it reached €3.08 trillion, more than 21% of the total public debt of the European Union member states. This is forcing the authorities to pursue a tight fiscal policy. The VAT (IVA) rate in Italy is 22%, and the income tax (IRPEF) rate is 23% (for annual incomes up to €28,000). This is despite some tax breaks introduced by Giorgia Meloni's government in 2024.

In such conditions, there is no question of high purchasing power among Italian households, which are the main driver of demand for new cars and housing.

According to a report by the Rome-based Center for Social Investment Research (Censis), 70% of Italian citizens want tax cuts in 2025. At the same time:

- 45% of families have already cut back on spending;
  46% can no longer save money;
  44% expect the situation to worsen over the next three years;
  41% of families with children receive regular assistance from retired parents.

The enormous costs of servicing the national debt reduce the possibility of investing budget funds in infrastructure development and stimulating sales of new cars and household appliances through trade-in schemes using tax incentives, as is done in China and India, the most powerful developing economies.

Payments on public debt accounted for 6.8% of all Italian government budget expenditures in 2023 and will account for 7.5% in 2024.

The situation in Italy's main steel-consuming industries should be viewed from this perspective.

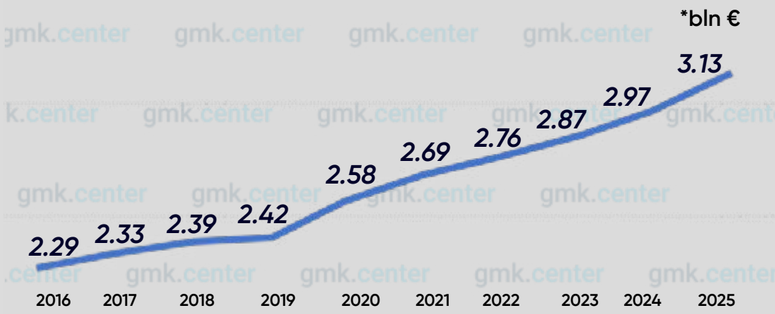
Demand for flat products

Italian consumers prefer imported steel due to the significant price difference. At the end of November, quotes for locally produced thick plate were at €700/t EXW (with delivery in January 2026), while Asian offers were at €640–650 SFR. For wire rod, prices were €565–600/t EXW, compared to €505–570/t SFR from Indonesia and North Africa.

In 2024, out of 26.1 million tons of total steel sales, foreign deliveries accounted for 17 million tons, or 65%. Of these, 10 million tons, or 38.3%, came from countries outside the EU. Similar figures were recorded in previous years. In 2022, with a total market capacity of 29 million tons, imports accounted for 64.5%, in particular from outside the EU – 35.2%. This indicates the weak tariff protection of the European steel market, since foreign trade policy is the prerogative of official Brussels.

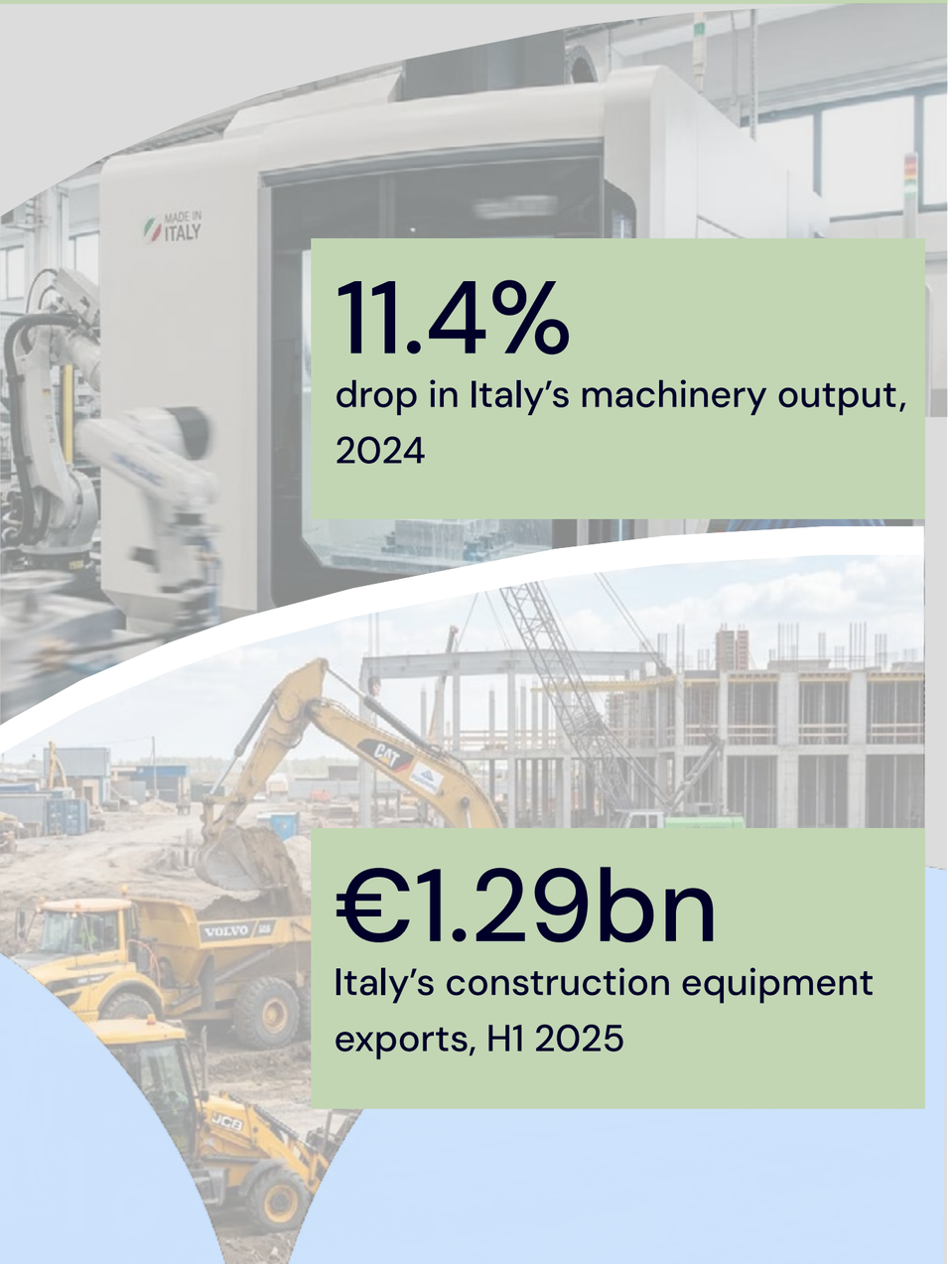
The same is true of the Italian car market. It contracted sharply in 2020 during the COVID crisis. This was followed by a slight recovery after the bottom was tested in 2022.

PUBLIC DEBT OF ITALY*



Source: Trade Economics

STEEL CONSUMPTION IN ITALY: IN THE GRIP OF CRISIS



11.4%

drop in Italy's machinery output, 2024

€1.29bn

Italy's construction equipment exports, H1 2025

In 2024, passenger car production in Italy fell by 42.8% to 309,800 units, according to the Italian Automobile Manufacturers Association (ANFIA). This is one of the lowest levels in the last decade. This led to a 1.6% decline in flat steel consumption to 14.7 million tons. A new record low may be set at the end of this year.

In January-September 2025, new car sales fell slightly, by 2.9%, to 1.168 million units. At the same time, passenger car production fell by 29.9% to 179,700 units. The share of local car manufacturers in total sales was less than 15%. It is difficult for them to compete with foreign companies, primarily Chinese ones, which use cheaper steel and labor and receive tax and export subsidies from the state. Under these conditions, the basic 10% duty on car imports into the EU is not enough to support local car factories.

The machine-building industry is also in a difficult situation. In 2024, the production of machine tools and equipment fell by 11.4% to €6.75 billion, according to the industry association UCIMU. This was primarily due to a 33.5% collapse in the domestic market to €2.26 billion. A 6.3% increase in exports to €4.49 billion only slightly increased consumption of flat-rolled products, although this was a record figure.

"2024 was a completely lost year for the Italian machine tool industry, which tried unsuccessfully to save the end result through overseas activities,"

said UCIMU President Riccardo Rosa.

In 2025, there was some improvement. In the first quarter, the machine tool order index increased by 8.5% compared to the previous quarter and reached 94.5 points. The domestic order index rose by 71.5% year-on-year. Given the disastrous results of the previous year, we can say that there has been some recovery in the market, but not growth.

The dependence of Italian machine tool manufacturing on exports poses risks for steel consumption. In 2025, machine-building products imported into the US will be subject to an additional 50% duty. In 2024, the US accounted for 10% of machine tool exports from Italy.

Italian manufacturers have high hopes for the government's "Transition 5.0" program. It provides tax breaks for replacing outdated machine-building equipment with new equipment. Due to insufficient regulation of bureaucratic procedures, this tool is not working properly. In 2024, only €600 million, or 10%, of the €6.3 billion allocated to the program was used.

The situation with the production of construction equipment is similar. In 2024, sales in Italy fell by 11% to 22,000 units, according to the industry association Unacea. Exports decreased by 8% year-on-year to €2.6 billion. In the first half of 2025, domestic sales increased by 3% to 9,500 units, while exports continued to decline by 8.8% to €1.29 billion.

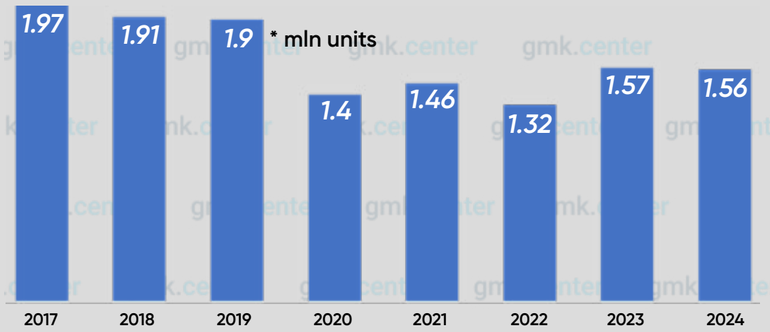
The weak recovery of the domestic market does not compensate for the previous decline and is combined with a deterioration in foreign trade caused by new tariff barriers. All this is reflected in a further decline in demand for flat-rolled products.

Demand for long-length rolled products

Consumption of long-length rolled products is under pressure from the crisis in the construction industry. Housing construction volumes are declining, which is reflected in a reduction in the number of permits issued for new homes. The reason for this is the deterioration in access to long-term mortgage loans.

This problem is common to all eurozone countries.

NEW PASSENGER CAR SALES IN ITALY*



Source: urce: ANFIA

STEEL CONSUMPTION IN ITALY: IN THE GRIP OF CRISIS

11.7%
drop in Italy's new building completions, H1 2025

€180.45bn
Italian Recovery and Resilience Plan

This is more than twice the pre-crisis level. According to data from the Italian National Institute of Statistics (Istat), in the first half of 2025, the total area of new houses and buildings commissioned decreased by 11.7% year-on-year.

Infrastructure projects, in which the state plays an important role, remain the main driver of the Italian construction industry. In 2024, public investment accounted for 71.8% of Italy's transport infrastructure construction volume.

State funding is allocated under the National Recovery and Resilience Plan (PNRR). Most often, these are regional development plans for southern Italy based on the creation of new transport infrastructure. The total amount of the PNRR is €180.45 billion. In addition, there is the European Commission's Connecting Europe Facility program, under which Italy receives €6.5 billion per year for the modernization of pan-European transport corridors.

In 2024, motorways accounted for 49.1% of the total volume of work in the transport infrastructure construction segment in Italy. The share of railways is gradually increasing, by an average of 5.12% per year. As a result, demand for long products remained stable at 9.4 million tons in 2024, but it is unlikely that this figure will be maintained at the end of 2025.

Further forecasts

According to calculations by the National Association of Italian Builders (ANCE), investment in housing construction will decline by 25.8% in 2025. This includes a 30% decline in the renovation of existing housing stock and a 2.6% decline in new housing. Private investment in industrial and commercial construction will decline by 1.4%. This implies a decrease in the volume of work performed in 2026.

According to estimates by the international company GlobalData, the construction industry will shrink by 0.8% in real terms in 2025 due to a decrease in the number of building permits issued, and by a further 4.1% in 2026. The detailed forecast by segment is as follows:

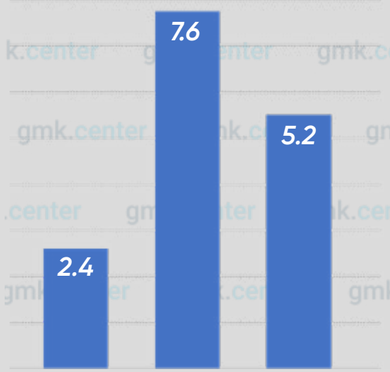
- Commercial construction will increase by 0.4% in 2025, followed by a 1.3% decline in 2026.
- Industrial construction will increase by 0.3% in 2025 and decline by 1% in 2026.
- Infrastructure construction will increase by 5.6% in 2025, slowing to 1.5% in 2026.
- Residential construction will decline by 3.5% in 2025, worsening to 7.5% in 2026.
- Energy construction – an increase of 5.4% in 2025, slowing to 1% in 2026.

In the energy sector, wind power is the main driver of steel consumption. According to Wind Europe, Italy ranked 7th in the European Union with an installed capacity of 12.9 GW at the end of 2024.

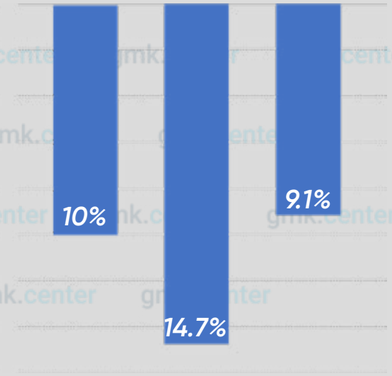
The pace of development is quite slow. Last year's 6% growth was achieved by commissioning 685 new wind turbines with a total capacity of 0.685 GW. Wind Europe predicts that by 2030, Italy's wind energy capacity could reach 20.09 GW.

Growing public debt will limit the government's ability to invest in infrastructure construction. The decision by the Italian Court of Auditors to block the previously approved government project to build the world's largest suspension bridge, 3.3 km long, between Sicily and mainland Italy at a cost of €13.5 billion, will also have a negative impact on long-rolled steel consumption.

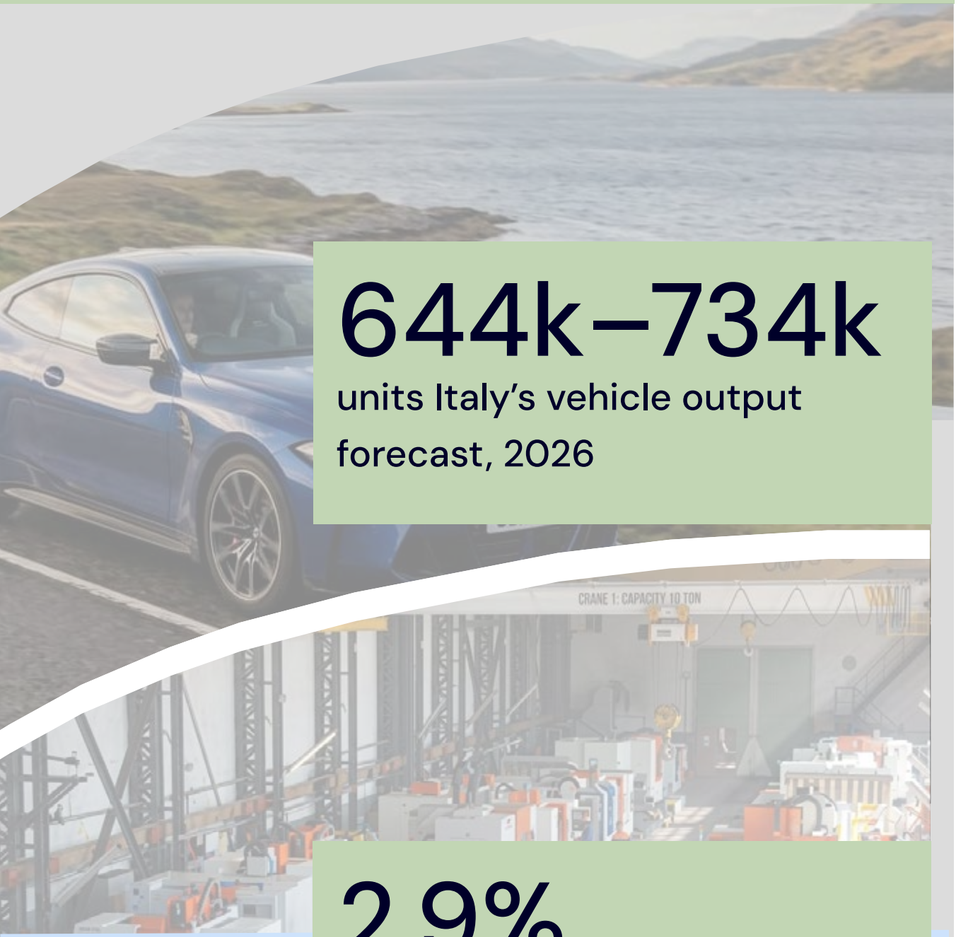
DYNAMICS OF HOUSING CONSTRUCTION PERMITS IN ITALY



DYNAMICS OF MORTGAGE LENDING IN ITALY



STEEL CONSUMPTION IN ITALY: IN THE GRIP OF CRISIS



644k–734k

units Italy's vehicle output forecast, 2026

2.9%

rise in Italy's machinery output, 2026 forecast

The outlook for demand for flat steel in 2026 is moderately pessimistic. Italian manufacturers Alfa Romeo Automobiles S.p.A. and Lancia Automobiles S.p.A., part of the Fiat Group Automobiles S.p.A., are essentially fighting for survival. There is no talk of expanding production at the car plants in Turin, Arese, and Portello.

ANFIA expects that in 2026, new car production in Italy will, at best, return to 2022–2023 levels. This is 644–734 thousand units, including trucks. At the end of 2024, the figure was 519,000 units.

The UCIMU association forecasts a return to positive growth for Italian machine tool manufacturing in 2026, but with very moderate growth of 2.9% to €6.94 billion.

The European CBA, which will come into force on January 1, 2026, may even hinder these modest expectations. According to estimates by Italian steel traders, the imposition of an additional charge for the "carbon footprint" of imported steel will lead to an increase in its cost by €60-80/t for low-emission producers. For Indian steel mills with high CO2 emissions, the price increase could be €90-300/t.

Italian steel consumers are unable to pass on the additional costs to end buyers. The decline in demand for finished rolled products may accelerate even further.

Attention!

This study is intended for informational purposes only. The presented results and conclusions are considered reliable only taking into account the assumptions and reservations described by the authors. The conclusions and recommendations are personal, unbiased and professional judgments of the members of LLC «GMK-Center». Employees of LLC «GMK-Center» have no personal or financial interest in the subject of the study.

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