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Steel Matters

CRUDE STEEL OUTPUT: AFRICA UP, SOUTH AFRICA DOWN

Africa's crude steel output rose 5.8% to 2.0 million tonnes, driven by Algeria and Egypt, but South Africa fell 19% to 287,600 tonnes amid ongoing market and production challenges. Globally, output dropped 6.5%, led by weak Chinese production, while India, the Middle East, and the US showed resilience.

EU STEEL POLICY SHIFT RAISES STAKES FOR SOUTH AFRICA

The EU's Steel and Metals Action Plan (SMAP) goes beyond CBAM, introducing overlapping rules on carbon, circularity, and trade safeguards between 2025–2027. South African exporters face rising market access risks and complex compliance requirements. Engagement with EU counterparts will be critical to navigate this systemic policy redesign.

STEEL TRADE PRESSURE PERSISTS IN 2025

South Africa's primary steel imports hit a record 1.56 million tonnes, with semi-finished steel surging six-fold, even as finished flat products and HR sections declined. Exports fell 12%, driven by steep drops in galvanised sheet and plate, while construction-related products like reinforcing bar held firm. The trade profile is clearly shifting, underscoring persistent import pressure and uneven export performance.

BUDGET 2026: STABILITY ACHIEVED — INDUSTRIAL TRANSLATION NOW REQUIRED

South Africa's macroeconomic foundation is stabilising: debt plateaus, inflation eases, and investor confidence rises with a credit rating upgrade and FATF grey-list exit. GDP growth is projected at 1.6% in 2026, edging toward 2% by 2028 — progress, but not structural recovery.

The challenge now is conversion: turning fiscal credibility into industrial momentum. Infrastructure reforms, energy stabilisation, household relief, and automotive incentives offer openings, but without disciplined localisation and expanded local value add, gains risk flowing offshore.

With over 70% of exports destined for Africa, the opportunity for regional industrial leadership is clear. Capturing it requires embedding value add across metals, engineering, automotive, energy-intensive beneficiation, and component manufacturing.

Stabilisation is achieved; strategic execution is the test, driving local production, safeguarding competitiveness, and converting policy into jobs, output, and regional influence.

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BUDGET 2026: STABILITY ACHIEVED — INDUSTRIAL TRANSLATION NOW REQUIRED

South Africa enters 2026 on firmer macroeconomic ground. Fiscal stabilisation is evident, inflation is moderating and investor confidence has improved. Real GDP is projected at 1.6% in 2026, rising gradually toward 2% by 2028.

That trajectory marks progress, but it also highlights the structural constraint. At these levels, growth remains too low to materially absorb unemployment, broaden the tax base or shift industrial capacity utilisation decisively higher.

The central question is no longer whether stability has been achieved. It is whether that stability can be converted into local value creation.

Growth Without Localisation Is Leakage South Africa is deeply integrated into global and regional trade networks. More than 70% of steel exports into Africa are absorbed within the continent, a strategic advantage. But trade integration alone does not guarantee domestic industrial deepening.

If infrastructure investment, energy reform and consumption recovery translate primarily into higher imports rather than domestic production, the growth impulse leaks out of the economy.

Local value add is therefore not a protectionist argument. It is a growth multiplier.
Every rand of infrastructure spend that incorporates domestic steel, fabricated metals, automotive components, machinery or engineering services compounds through employment, skills retention and reinvestment. Without localisation discipline, that multiplier weakens.

Sectoral Transmission: Where Value Is Won or Lost

Automotive The automotive sector remains globally competitive, but value retention depends on deepening component manufacturing and supply chain localisation. Stable macro conditions support exports, yet long-term resilience rests on expanding domestic content and supplier development.

Household Demand Tax bracket adjustments and moderating inflation provide modest relief to consumers. However, consumption-led recovery must increasingly be supplied by domestic producers. Otherwise, demand recovery strengthens imports rather than industrial output.

Energy and Heavy Industry Energy stability supports production recovery, particularly in metals and engineering. But competitiveness hinges on pricing, not just availability. For sectors such as ferrochrome and steel, electricity costs and carbon tax obligations directly shape whether beneficiation remains viable locally.

Ferrochrome and Beneficiation South Africa remains resource-rich, yet value addition remains uneven. Exporting raw or semi-processed materials limits employment and fiscal returns. Sustained energy reform and predictable industrial policy are prerequisites for retaining beneficiation capacity.

Carbon Tax The carbon tax trajectory reinforces the transition imperative. But decarbonisation policy must be sequenced alongside competitiveness safeguards. If transition costs accelerate faster than industrial support mechanisms, emissions may fall — but so may domestic production capacity.

Infrastructure: The Lever for Industrial

Deepening Budget 2026 strengthens the infrastructure financing architecture — from the Credit Guarantee Vehicle to expanded project pipelines and bond issuance. This is positive.
But infrastructure only becomes an industrial catalyst if procurement frameworks enforce localisation and designation requirements with clarity and predictability.
Public procurement is the primary interface between state expenditure and domestic manufacturing. Regulatory certainty is not administrative detail; it is capital allocation guidance.
Without procurement clarity, infrastructure reform risks becoming capital formation without industrialisation.

The Growth Constraint

At 1.6%–2% growth, South Africa stabilises, however, it does not transform.

Breaking through that ceiling requires:

- Higher domestic fixed investment
- Competitive and predictable energy pricing
- Procurement certainty
- Aggressive supplier development
- Scaled beneficiation and industrial upgrading

Local value add is the mechanism that converts macro credibility into durable GDP expansion.

Budget 2026 secures macro stability. This achievement is material. But sustained growth will not be delivered by stability alone. It will be delivered by disciplined localisation, infrastructure execution and industrial deepening.

The foundation has been restored. The multiplier now depends on how much of the next growth cycle is built and retained at home.

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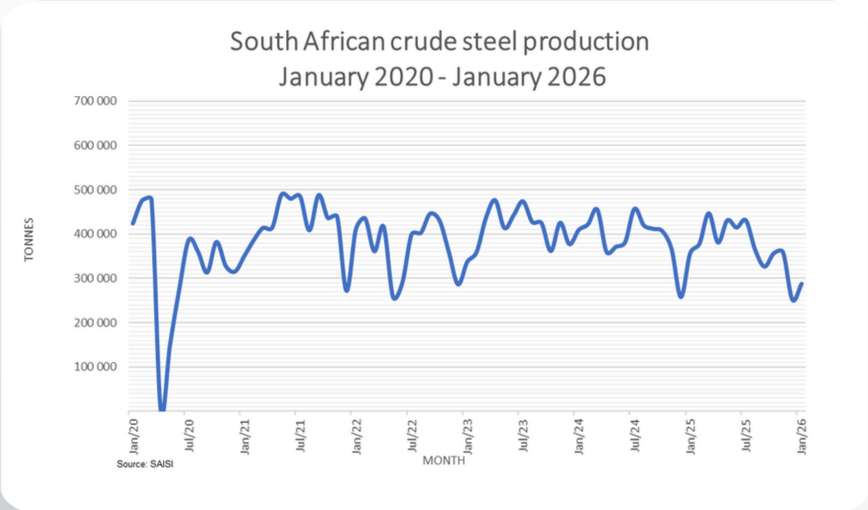
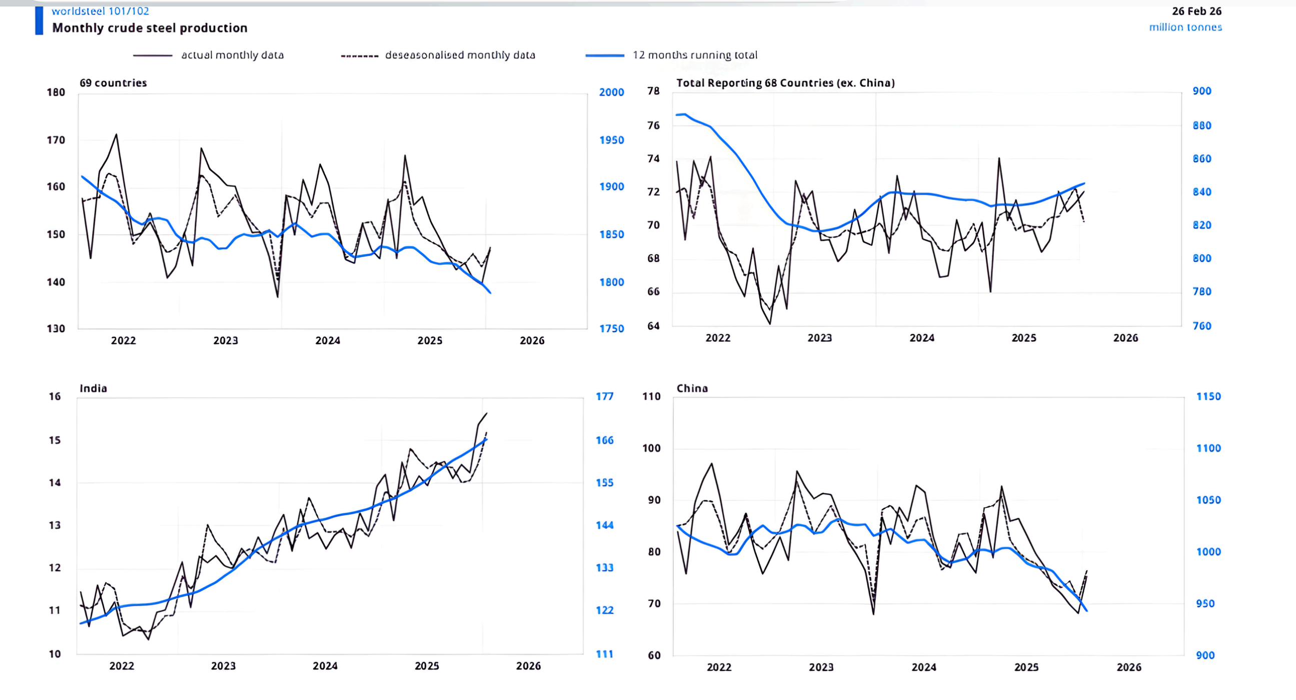
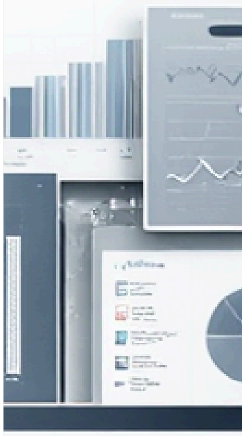
CRUDE STEEL PRODUCTION: SOUTH AFRICA SLIPS AS AFRICA GROWS, INDIA SURGES



January 2026 saw our crude steel production at 287,600 tonnes, a 19% year-on-year decline. This reflects ongoing pressures: energy constraints, raw material challenges, and competition from low-cost imports.

Yet, the resilience of our local steel producers is clear. Infrastructure development, renewable energy expansion, and regional export markets present real opportunities to stabilize and grow production





Source:Worldsteel

World crude steel production fell 6.5% year-on-year in January 2026, totaling 147.3 million tonnes, according to the World Steel Association. This contraction reflects weaker output in major producing regions, particularly Asia.

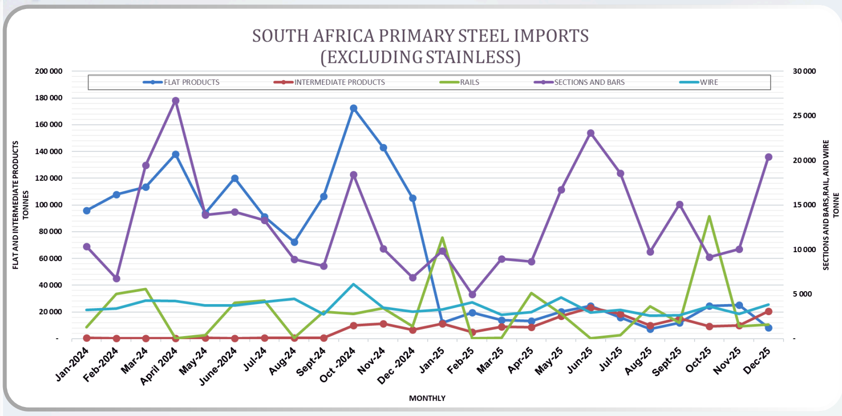
Key regional trends:

- Africa: Up 5.8% to 2.0 Mt, reflecting growth in emerging markets, driven by Algeria (+33%) and Egypt (+4%).
- Asia & Oceania: Down 8.6%, largely due to a 13.9% drop in China, but offset by India’s 10.5% growth, supported by rapid infrastructure expansion, urbanisation, industrial corridors, and targeted capacity investments. India’s steel consumption has doubled over the past decade, with government-led initiatives in housing, railways, highways, defence, and renewable energy reinforcing demand.
- EU (27): Down modestly by 2.3%.
- Middle East: Strongest regional increase at 12.6%.
- North America: Slightly down (-0.6%).

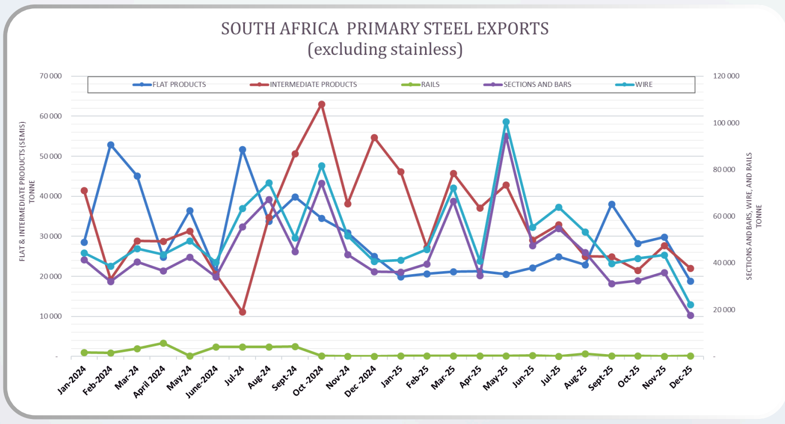
Among top producers, the United States rose 3.3%, highlighting pockets of resilience outside Asia. While global steel output softens, India’s example illustrates how coordinated industrial planning, infrastructure-led demand, and targeted investment in capacity and value-add can drive sustained growth. For export-oriented markets, this underscores the importance of embedding local value addition, scaling downstream fabrication, and aligning policy with consumption trends to capture both domestic and regional opportunities.

PRIMARY STEEL TRADE STATISTICS

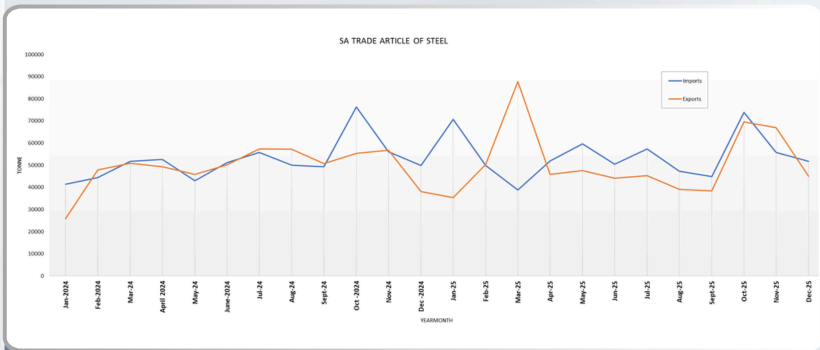
Imports: Primary Steel (excl. Stainless)



Exports: Primary Steel (excl. Stainless)



Value-added Steel Products



SA has been subjected to an escalating flood of imported

According to SARS data, primary steel imports (excluding stainless, wire and rail) reached a record 1.56 million tonnes in 2025, remaining structurally elevated despite being flat year-on-year.

The composition shifted materially:

- Semi-finished steel (billets, blooms, slabs) surged six-fold to 195,723 tonnes (+514%).
- Long steel remained stable (+1%), while heavy and light HR sections declined sharply to 38,582 tonnes (-41%) from 65,898 tonnes in 2024.
- Finished flat steel fell 11% to 147,923 tonnes, driven by a 34% drop in hot-rolled coil (-123,069 tonnes).

However, pressure persists, with HR strip and universal plate reaching a five-year peak of 28,512 tonnes, alongside notable increases in coated flat products. The trend reflects a reconfiguration of import flows rather than a broad-based easing of pressure.

Primary steel exports decline 12.1% to 1.20 million tonnes

Primary steel exports fell 12.1% to 1.20 million tonnes. While some product lines remained resilient, others saw sharp contractions, reshaping the export profile.

Material declines were recorded:

- HD Galvanised Sheet (-63%), marking the steepest fall.
- Plate in Coil ≥4.75mm (-41%).
- Billets, Blooms & Slabs (-9%), from 418 888 tonnes in 2025 to 382 604 tonnes.

Growth was recorded for Other Bars & Rods (45%).
This resilience highlights continued strength in construction-related products, with reinforcing bar also holding steady at 239 658 tonnes.

Rising inflows in construction and infrastructure-related products

In 2025, South Africa's imports of value-added steel products totaled 652,449 tonnes, a 4.9% increase compared to 2024. Growth is concentrated in construction-related and infrastructure products (wire rope, seamless tubes, structures), while certain traditional product lines like alloy wires, large welded pipes, and cast iron are contracting. This indicates a shifting reliance on imports aligned with domestic industrial demand.

Exports showed a stronger performance, increasing by 5.2% year-on-year. Cumulative exports 615,494 tonnes from reached 585,270 tonnes, reflecting a modest recovery in international demand. Growth was driven by strong performance in seamless pipes, wire products, and forged articles. However, sharp declines in railway material and fasteners highlight areas of concern for industrial supply chains.

EU STEEL STRATEGY 2025–2027: EMERGING COMPLIANCE AND COMPETITIVENESS PRESSURES

Tulip Consulting, in collaboration with Europe Jacques Delors (EJD), has released a policy paper assessing the global implications of the EU's Steel and Metals Action Plan (SMAP).

While CBAM has dominated discussion, the paper argues that the EU's broader steel policy architecture may have more consequential long-term effects on market access.

Four Pillars with External Impact The analysis examines:

- Carbon leakage measures (CBAM)
- Low-carbon steel labelling (lead market creation)
- Circularity requirements (ESPR and scrap restrictions)
- Trade defence instruments, including the proposed replacement safeguard

Individually, these instruments advance competitiveness and decarbonisation objectives. Collectively, they may materially tighten EU market access conditions.

The regulatory timeline is compressed. Between 2025 and 2027, exporters will face CBAM review and scope expansion, delegated acts under ESPR, expiry and replacement of safeguards, and new waste shipment restrictions. The sequencing matters: compliance layers will overlap.

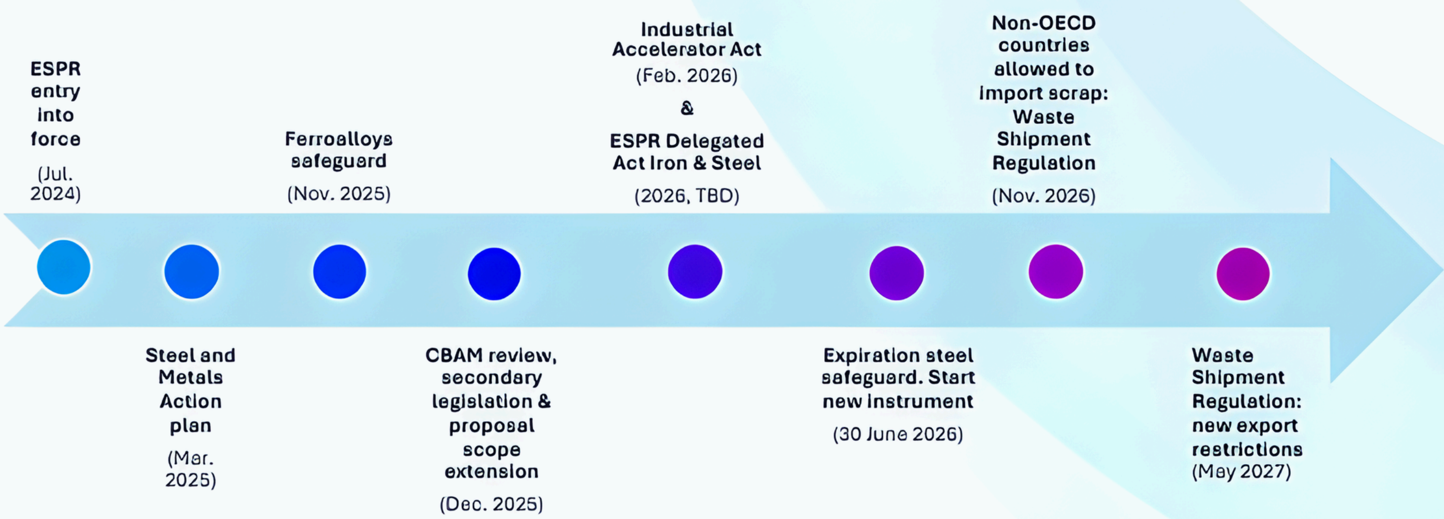
Implications for South Africa

For South Africa, where steel exports, industrial competitiveness, and decarbonisation pathways are interlinked, the EU's evolving framework presents three immediate considerations:

1. Market Access Risk: Safeguard replacement and regulatory layering may materially affect export viability.
2. Compliance Complexity: Alignment will require coordinated carbon accounting, product certification, and circularity positioning.
3. Strategic Engagement: Early, sector-specific engagement with EU counterparts will be critical to mitigate cumulative impacts.

The issue is no longer CBAM in isolation. It is the systemic redesign of EU steel trade policy.

Figure 1: Timeline of key regulations with implications for steel exporters to the EU



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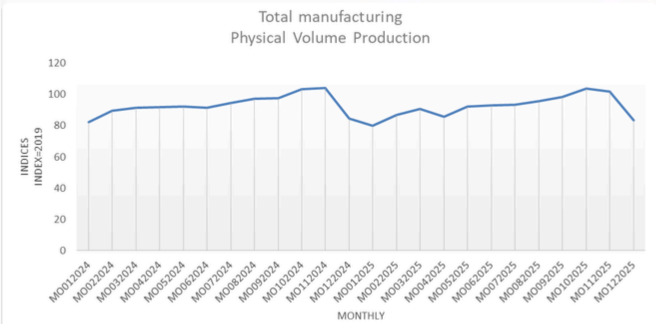
STEEL CONSUMING SECTORS

Construction Starts Slow, Private-Sector Building Statistics Reported by Local Governments, December 2025

Province	Plans Passed (nominal)	Weight	Overal trend
Western Cape	+6.8%	32%	Strong growth
Eastern Cape	+18.8%	5.5%	Solid upside
Free State	+18.6%	2.4%	Good regional lift
Gauteng	**-14.0%**	**32%**	Major drag (largest market)
KwaZulu-Natal	-5.4%	14.7%	Mild weakness
Northern Cape	-38.5%	1.4%	Sharp contraction

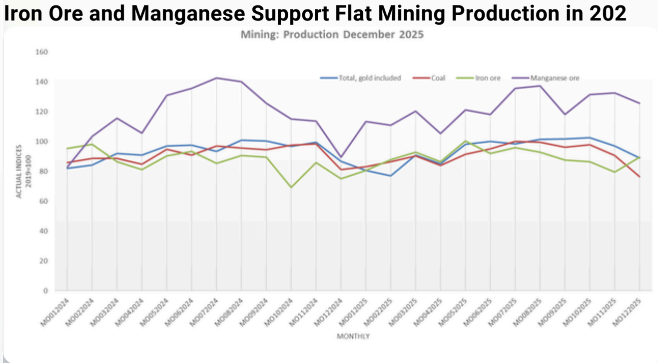
Stats SA data for 2025 show a weaker construction pipeline, pointing to softer steel demand in 2026. Building plans passed fell 2.6% nominal / 4.9% real, with sharp declines in non-residential and residential projects, while additions and alterations provided limited support. Completed buildings held up, especially multi-unit residential, giving a short-term boost, but Q4 signals warn of weaker new starts ahead. Regionally, Western and Eastern Cape show growth opportunities, while Gauteng and Northern Cape face significant contractions.

Steel Output Declines in 2025 Amid Broad Manufacturing Slowdown



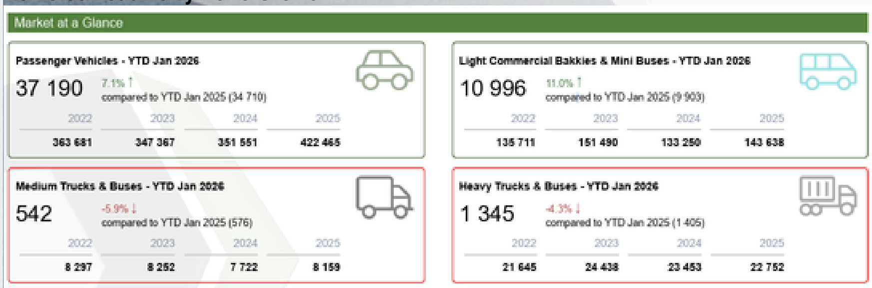
STATS SA reported Manufacturing production declined 1.4% year-on-year in December 2025, driven primarily by food & beverages (-4.6%), wood, paper & printing (-5.2%), and basic iron & steel, non-ferrous metals, and machinery (-2.3%). Seasonally adjusted production fell 1.2% month-on-month, following -2.1% in November and +1.1% in October, and decreased 0.5% in Q4 vs Q3 2025, with eight of ten divisions reporting negative growth. For the full year, total manufacturing production dropped 1.3% vs 2024, with steel, machinery, motor vehicles, and wood/paper sectors contributing most to the decline.

Iron Ore and Manganese Support Flat Mining Production in 202



Mining production increased 2.5% year-on-year in December 2025, driven by iron ore (+19.0%, contributing 2.7 percentage points) and manganese ore (+40.4%, contributing 2.4 points). The largest negative contributors were PGMs (-7.7%, -2.5 pp) and coal (-5.7%, -1.4 pp). Quarterly, output fell 0.5% in Q4 vs Q3 2025, with coal (-3.6%, -0.9 pp) and PGMs (-2.9%, -0.8 pp) contracting, while manganese ore (+15.0%, +1.1 pp) supported growth. Total mining production for 2025 was 0.1% higher than 2024, following modest growth in prior years.

Passenger Cars and Light Commercial Vehicles Lead Early 2026 Growth



Source:naamsa

The South African new vehicle market started 2026 strongly, building on 2025 momentum. Domestic sales reached 50,073 units (+7.5% y-o-y), with passenger cars up 7.1% to 37,190 units and light commercial vehicles rising 11.0% to 10,996 units. Medium and heavy commercial vehicles remained weak, down 5.9% and 4.3% respectively. Exports grew slightly (+0.6% to 24,568 units), supported by currency stability, though trade restrictions remain a risk.

The market is underpinned by stable inflation, low interest rates, and improved affordability. NAAMSA stresses that a forward-looking automotive policy framework is key to sustaining competitiveness, attracting investment, and securing South Africa's position in global and regional automotive value chains.

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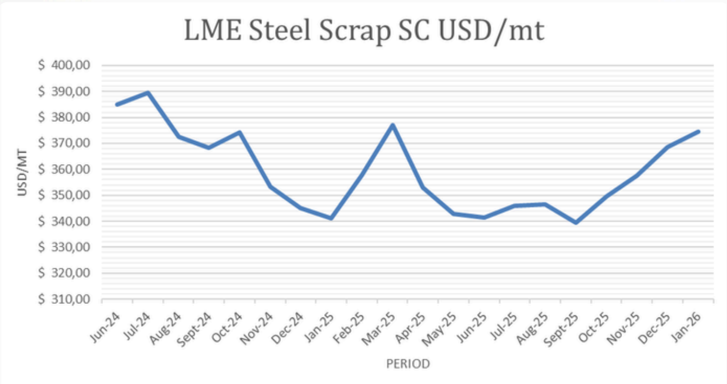
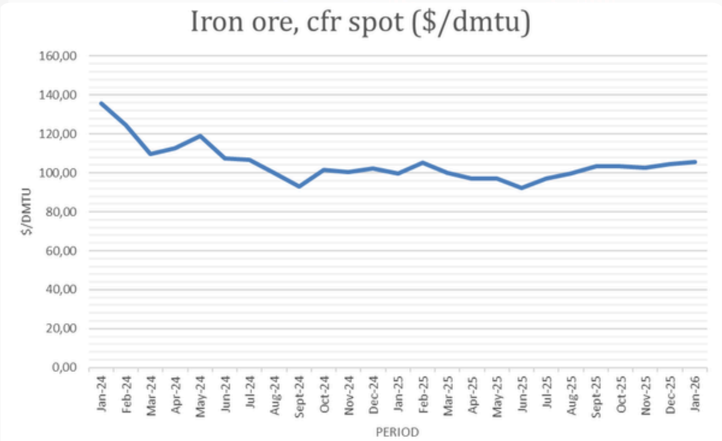
INTERNATIONAL STEEL PRICES



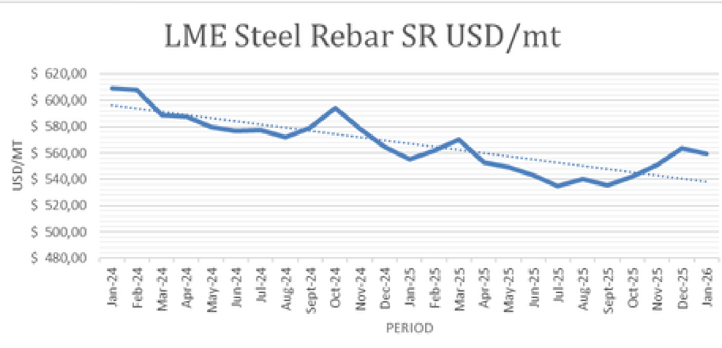
LME Steel Scrap prices hit $374.55/mt, reflecting tighter global supply and rising input costs

LME Steel Scrap rose to $374.55/mt in January 2026, up 9.8% YoY from $341.00/mt, reflecting tighter global scrap supply and a moderately elevated cost environment for EAF steelmak



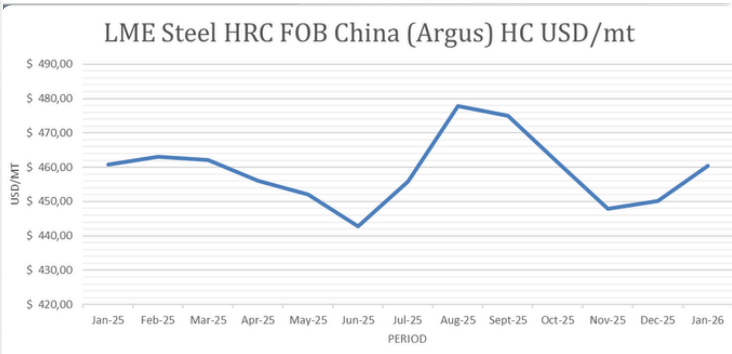
Iron ore CFR spot prices rYoY on steady seaborne demand amid subdued Chinese

Iron ore CFR spot prices reported by worldbank firmed to $105.53/dmtu in January 2026, up modestly from $99.58/dmtu in January 2025, underpinned by a more supportive cost curve and continued appetite for seaborne material even as Chinese hot-metal output remains subdued and global supply dynamics evolve. This is consistent with analysts's observation that iron ore markets are balancing weak demand with ample supply and broader steelmaking raw material adjustment



LME Steel Rebar prices held steady in January 2026

LME Steel Rebar prices edged slightly lower to $559.33/mt in January 2026, down $4.12/mt (-0.7% YoY) from $555.45/mt in January 2025



Global HRC Market Stability Amid Weak Chinese Domestic Prices

While China's domestic steel prices—including rebar, square billet, and hot-rolled coil—slipped amid weak demand, January 2026 LME HRC FOB China prices held steady at $460.43/mt year-on-year.