South Africa

Short Range Outlook

August 2026 Survey

South African Iron & Steel Institute (SAISI)

Key indicators

1.1% Real GDP growth, 2025	**0.5%** GDP q/q, Q1 2026	**0.1%** Household consumption, Q1 2026
4.3% Headline CPI, July 2026	**7.0%** Repo rate, July MPC	**13.9%** GFCF as % of GDP, 2025
4.4 Mt Apparent steel use, 2025	**R22.4bn** Q1 2026 inventory drawdown	**2026–27** Outlook: cautiously positive

Summary view

South Africa is on a path of **gradual recovery rather than a strong cyclical upswing**. Steel demand is expected to normalise slowly over 2026–27. The infrastructure pipeline (electricity, rail, ports, roads, water) is the main medium-term opportunity, but the timing depends on how quickly announced projects convert into procurement and local steel orders. Import pressure and high input costs remain the principal constraints.

SECTION 1

General Economic Situation

Growth and demand

South Africa's macroeconomic environment remains subdued, with modest growth constrained by weak domestic demand, low fixed investment and persistent infrastructure and network-sector bottlenecks. Real GDP expanded by 1.1% in 2025, and increased by 0.5% quarter-on-quarter in Q1 2026. However, real gross domestic expenditure declined by 0.3%, reflecting a drawdown in inventories and weaker fixed investment, despite continued growth in household and government consumption.

The outlook remains for a gradual recovery rather than a strong cyclical upswing, with growth dependent on structural reforms, infrastructure execution and a stabilisation of the external environment.

Household consumption

Household consumption remains an important support to domestic activity, but momentum has weakened. Real household consumption growth slowed sharply to **0.1% in Q1 2026** from 1.2% in Q4 2025. Higher fuel and

transport costs during the first half of 2026, together with elevated household debt, have constrained real purchasing power. The near-term consumption outlook is therefore more cautious, although lower inflation and eventual easing in financial conditions should provide support once current cost pressures dissipate.

Fixed investment

Gross fixed capital formation (GFCF) remains a key constraint on the growth outlook. Real GFCF contracted in Q1 2026 following two consecutive quarters of expansion. At an annual level, GFCF amounted to only **13.9% of GDP in 2025**, highlighting South Africa's low investment intensity and the constraint this places on productive capacity and sustained investment-led growth.

The 2026 Budget continues to prioritise infrastructure investment and reforms aimed at improving transport, logistics, electricity and municipal infrastructure.

> **What this means for steel**
> The critical issue is not the availability of announced infrastructure allocations, but the pace at which projects translate into actual procurement, construction activity and local manufacturing orders.

External sector

Net exports made the largest contribution to Q1 2026 GDP growth, while domestic expenditure remained subdued. For steel, this signals a fragile growth mix: export-led growth alone is unlikely to lift domestic steel consumption materially, particularly in the absence of a stronger recovery in investment, construction and manufacturing. Regional competitive pressures also remain relevant to South African exporters, reinforcing the importance of cost competitiveness and efficient logistics in export markets.

Inflation and interest rates

Headline CPI, June 2026	Headline CPI, July 2026	Repo rate (July MPC)
5.0%	4.3%	7.0% (unchanged)

Inflation moved materially higher during the first half of 2026 before easing in July. Headline CPI reached 5.0% in June 2026, driven primarily by higher fuel costs, before moderating to 4.3% in July. The South African Reserve Bank's policy rate remained unchanged at 7.0% following the July 2026 MPC meeting, which indicated that inflation was expected to remain above 4% until early the following year. For steel users, elevated financing, transport and energy costs continue to place pressure on operating costs, although the July moderation provides some relief.

Structural constraints on growth and steel demand

- **Logistics:** freight rail and port inefficiencies limiting mining and industrial logistics.
- **Costs:** elevated electricity and transport costs affecting manufacturing and construction.
- **Investment:** low GFCF (13.9% of GDP in 2025), restricting investment in steel-intensive sectors.
- **Imports:** high imports and trade diversion placing pressure on domestic steel demand and local production.

While services and selected parts of the tertiary economy remain comparatively resilient, manufacturing, construction and other steel-intensive sectors continue to face weak domestic demand, high input costs and import competition.

Structural reforms in electricity, transport and logistics, together with higher public infrastructure spending and increased private-sector participation, provide a basis for stronger medium-term growth. However, the transmission of these measures into higher economic activity remains dependent on project execution and investment mobilisation. A sustained recovery in domestic steel demand will ultimately depend on stronger fixed investment, construction and manufacturing activity, alongside improved infrastructure and logistics performance.

Steel-Using Sectors

Sector outlook at a glance

Sector	ISIC Div.	Near-term outlook	Key driver / constraint
Construction	45	**Gradual improvement**	Public infrastructure execution; weak private investment
Automotive	34	**Cautiously positive**	Export-led production; rising vehicle imports
Other transport equipment	35	**Cautiously positive**	Rail and logistics rehabilitation; weak freight volumes
Metal goods	28	**Subdued**	Import competition; margin pressure
Mechanical engineering	29 (excl. 293)	**Constructive, medium term**	Dependent on fixed investment recovery
Domestic appliances	293	**Subdued**	Weak real disposable income; imports
Electrical engineering	30, 31, 32	**Strong medium-term pipeline**	Grid, generation and renewables; execution risk

Outlook labels are a summary of the narrative assessments below.

Construction Div. 45

GRADUAL IMPROVEMENT

The South African construction sector remains structurally weak, with activity still below pre-pandemic levels. Weak private fixed investment, high financing and input costs, and delays in public infrastructure execution continue to constrain activity. While the infrastructure pipeline provides a significant medium-term opportunity, the key constraint for steel demand remains the conversion of announced investment into actual procurement and construction activity.

The outlook has improved modestly, supported by higher public infrastructure spending and reforms targeting electricity, transport and logistics. Rail reform is particularly relevant because it has both demand- and supply-side implications. Rehabilitation and expansion of rail infrastructure, rolling stock and related logistics assets should generate additional steel demand, while improved freight-rail performance would lower logistics costs, improve the reliability of inbound raw materials and outbound steel movements, and strengthen the competitiveness of domestic steel producers and users.

The strongest potential growth is concentrated in **roads, rail, ports, electricity transmission, renewable energy, water and non-residential construction**. However, procurement delays, project preparation constraints and execution capacity remain material risks. Construction is expected to provide a gradual source of incremental steel demand over 2026–27 rather than a sharp recovery.

> **Upside**
> Rail and logistics reform could simultaneously increase steel-intensive infrastructure investment and improve the cost competitiveness and market reach of the domestic steel industry.

Automotive Div. 34

CAUTIOUSLY POSITIVE

The South African automotive sector remains an important manufacturing and steel-consuming industry, but 2026 performance is mixed. Stats SA data indicate that production in the motor vehicles, parts and other transport equipment division remained under pressure, 5.3% lower year-on-year in June 2026. At the same time, domestic vehicle demand remained relatively resilient, with motor-trade sales increasing 6.5% year-on-year, supported by a 14.0% increase in new-vehicle purchases.

–5.3%	+6.5%	+14.0%	414,271
Production y/y, June 2026	Motor-trade sales y/y	New-vehicle purchases	Vehicle exports, 2025 (record)

The sector remains strongly export-oriented. In 2025, vehicle production increased 2.9% to 618,077 units, while vehicle exports reached a record 414,271 units. Automotive vehicle and component exports increased to R291.0 billion, representing 15.6% of total South African exports. However, light-vehicle imports increased 28.6% to 391,287 units, accounting for 69.1% of light-vehicle sales, while Chinese brands increased their share of light-vehicle imports to 23.3%. The rising import share limits the extent to which growth in domestic vehicle sales translates into additional domestic steel demand.

The 2026–27 outlook is cautiously positive, supported by resilient domestic vehicle demand, export-oriented production and the policy focus on localisation and competitiveness under APDP2 and the Automotive Masterplan. However, weaker production, rising vehicle imports, global trade uncertainty and continued reliance on imported components remain constraints. Steel demand will depend primarily on vehicle production, investment and local sourcing, rather than vehicle sales alone. The policy review remains important for supporting investment, localisation and domestic component production.

Other Transport Equipment Div. 35

CAUTIOUSLY POSITIVE

The broader transport-equipment segment remains in recovery, but activity is still below the levels required to generate a strong increase in steel consumption. Rail and logistics infrastructure present a significant medium-term opportunity, particularly as private-sector participation and infrastructure rehabilitation progress. However, execution and procurement remain the principal determinants of when this potential demand will materialise.

For 2026, the contribution is likely to remain modest. Rail rehabilitation and logistics investment provide a structural upside to steel consumption, but weak freight volumes and implementation constraints limit the pace of recovery. Infrastructure-led demand is expected to strengthen progressively rather than generate a sharp near-term increase.

Metal Goods Div. 28

SUBDUED

The Metal Goods sector remains under pressure, reflecting weak domestic demand, subdued private investment and continued import competition. While activity has shown pockets of resilience, manufacturers of fabricated metal products and industrial equipment continue to face margin pressure from imported products and elevated operating costs.

Steel demand from the sector is expected to remain subdued in the near term. Infrastructure and energy-related investment provide some support, but high import penetration limits the transmission of project activity into domestic manufacturing and steel consumption. A sustained recovery in private fixed investment, together with improved infrastructure execution and more competitive trading conditions, will be required for a stronger recovery in downstream steel demand.

Mechanical Engineering Div. 29 except sub-div. 293

CONSTRUCTIVE, MEDIUM TERM

Machinery and equipment manufacturing continues to operate below full capacity, reflecting weak domestic investment, cost pressures and intermittent supply-side constraints. The sector is particularly sensitive to fixed investment and therefore remains closely linked to the pace of recovery in mining, construction, energy and industrial projects.

The medium-term outlook remains constructive, particularly for equipment associated with electricity generation and transmission, logistics infrastructure, mining investment and industrial upgrading. However, the Q1 2026 contraction in fixed investment indicates that the recovery in capital-equipment demand has yet to become firmly established.

Domestic Appliances Sub-div. 293

SUBDUED NEAR TERM

Domestic appliance production remains supported by replacement demand and the local manufacturing base, but household purchasing power has come under pressure from higher fuel and transport costs during 2026. The July moderation in inflation provides some relief, but the sector remains sensitive to interest rates, real disposable income and imported finished products.

Household consumption remains a significant component of domestic demand, but its contribution has weakened materially, with real growth slowing to 0.1% in Q1 2026. The near-term outlook is therefore more subdued than anticipated at the time of the March survey, with a recovery dependent on easing inflation and improved household confidence.

Local investment in appliance manufacturing remains relevant to steel demand and industrial localisation. Continued investment by manufacturers can support domestic consumption of coated flat steel and other value-added steel products, provided local production remains competitive against imports.

Electrical Engineering Div. 30, 31, 32

STRONG MEDIUM-TERM PIPELINE

Electrical engineering activity remains strategically important despite near-term weakness. The sector is exposed to high input costs and material constraints, but the medium-term demand pipeline is supported by electricity generation, grid expansion, transmission, distribution and renewable-energy investment.

South Africa’s energy transition and grid investment requirements provide a substantial long-term source of demand for electrical equipment and steel-intensive infrastructure. The key near-term constraint remains project execution, including procurement timelines, grid capacity and the financial position of public entities.

The sector is therefore expected to be an increasingly important source of structural and electrical steel demand. The opportunity is substantial, but the timing will depend on the pace of infrastructure execution and the localisation of equipment manufacturing.

SECTION 3

Steel Industry Outlook

Steel demand: apparent use, real use and inventories

~4.4 Mt	R22.4bn	Gradual
Apparent steel use, 2025	Q1 2026 inventory drawdown	Demand normalisation, 2026–27

South Africa's apparent steel use remained broadly stable at approximately 4.4 million tonnes in 2025, following subdued demand in 2024 and remaining above the levels recorded in 2022 and 2023. This indicates a degree of stabilisation in the domestic market, although apparent consumption does not necessarily provide a complete indication of underlying end-user demand where inventory movements are material.

The R22.4 billion inventory drawdown recorded in Q1 2026, particularly within manufacturing, trade and mining, indicates that businesses were using existing inventories to meet demand rather than accumulating additional stocks. From a steel-demand perspective, this may have reduced the immediate requirement for new steel purchases. However, if underlying demand remains stable or strengthens, the depletion of inventories could result in replenishment over the short term, providing support to new steel orders.

2026–27 demand outlook: cautiously positive

Growth is expected to remain gradual rather than pronounced. Potential sources of incremental demand include:

- **Public infrastructure investment,** particularly electricity transmission, renewable energy, roads, ports and logistics.
- **Industrial and mechanical engineering investment,** including plant expansions, machinery upgrades and equipment replacement.
- **Automotive and transport equipment investment,** supported by export-oriented production and domestic replacement demand.

The extent to which these factors translate into additional steel consumption will depend on the execution of announced projects and a sustained improvement in fixed investment.

The macroeconomic environment remains a constraint on the pace of recovery. Real GDP increased by 1.1% in 2025, followed by 0.5% quarter-on-quarter growth in Q1 2026. While economic activity remains on a positive trajectory, the pace of expansion is insufficient to support a strong acceleration in steel-intensive investment. The baseline therefore remains one of gradual normalisation in steel demand rather than a strong cyclical recovery.

> **Indicator to watch**
> The evolution of inventories will remain an important indicator of the underlying demand trajectory, in particular whether the current drawdown is followed by inventory replenishment as end-user demand strengthens.

SECTION 4

Issues and Concerns for the Next Two Years

The economic and steel-market outlook over the next two years is characterised by weak near-term demand, substantial import pressure and a potentially stronger medium-term infrastructure pipeline. The main issues are:

1	**Import reliance** Continued reliance on imported fabricated, specialised and high-specification products constrains domestic steel production and downstream manufacturing.
2	**Cost competitiveness** High energy, transport, labour and raw-material costs continue to pressure the competitiveness of domestic producers.
3	**Low-carbon transition** The transition to lower-carbon steel production requires significant capital expenditure and may raise near-term cost pressures while improving long-term market access and competitiveness.
4	**Execution risk** Infrastructure and regulatory execution remains critical. Delays in procurement, approvals, municipal reform and network-sector improvements can materially postpone steel-intensive investment.
5	**Geopolitics and trade** Geopolitical and trade-policy risks have increased, with the Middle East conflict affecting energy prices, shipping and global growth, while changes in international tariff regimes and trade remedies increase the risk of trade diversion into South Africa.
6	**Rand volatility** A weaker rand raises the cost of imported inputs and finished products, while a stronger rand can increase competitive pressure from imports. It is an important transmission channel for steel prices, import competition and export competitiveness.