



# PROCUREMENT UPDATE

NOVEMBER 2025



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# STEEL PRICES SET TO FIRM: MULTIPLE INDICATORS POINT TO AT LEAST A 5% INCREASE THROUGH 2026

## HIGHLIGHTS

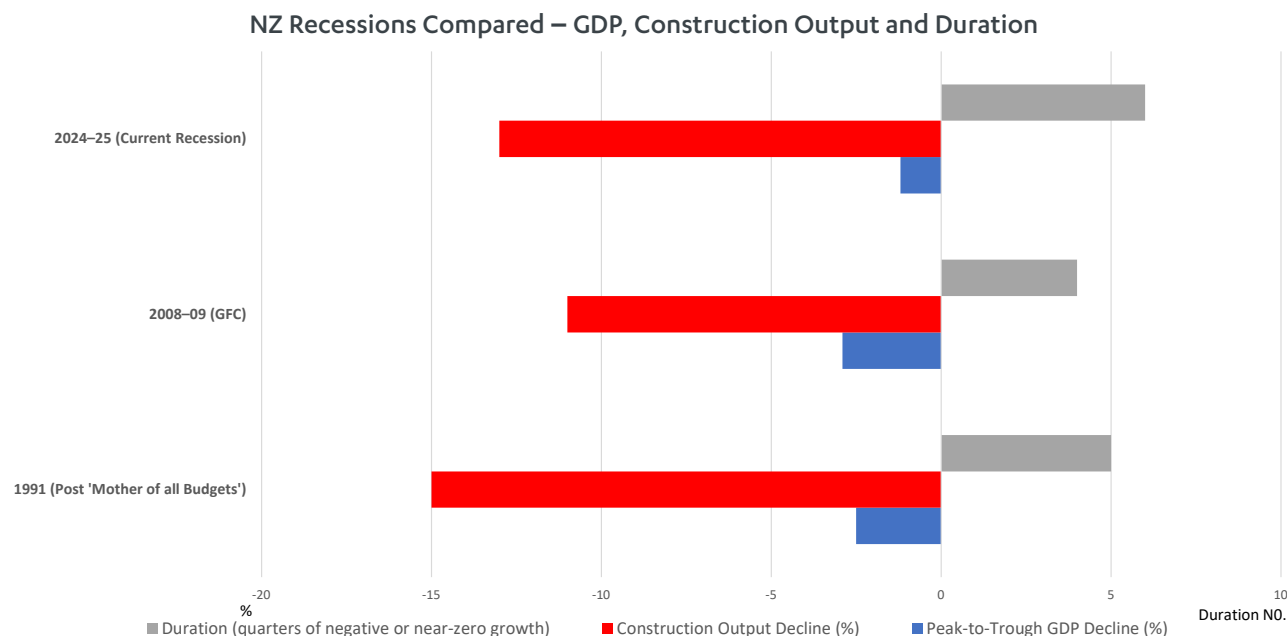
- **Steel pricing has likely bottomed.** Input costs for iron ore, coal and scrap have stabilised, signalling the end of the down-cycle and the start of a gradual recovery phase into early-2026.
- **Freight and Forex have elevated landed costs.** Asia–NZ shipping rates have firmed again and the NZD vs USD remains 6–8% weaker than mid-2024, adding ~4–6% to landed input costs.
- **Mills exercising tighter supply control.** Modest production curbs in China and firmer Indian demand are setting a floor under export pricing.
- **Import conditions remain stable but not cheaper.** Availability is improving, but with costs steady to higher, meaning scope for further price reductions is limited.
- **Local demand showing early stabilisation.** Building consents have likely bottomed and manufacturing PMIs have turned (or are close to) expansionary, suggesting mild recovery momentum into 2026.



# SUMMARY

The global steel market remains late-cycle, but signs of a floor and a rebound in 2026 are emerging. 2025 demand is essentially flat after two years of decline, with ~1.3% growth projected for 2026 — the first annual increase in three years. Growth leadership sits with India, Southeast Asia and the Middle East, offsetting China's prolonged slump. Global capacity utilisation <75% underscores persistent oversupply, yet pricing in several regions is stabilising as mills and service centres struggle for profitability.<sup>1</sup>

Domestically, the recession is shallow but sticky — prolonged by high real interest rates and policy tightening. Construction has borne the brunt, with a double-digit contraction driven by cyclical pressure (finance costs) and structural headwinds (compliance, confidence and delayed infrastructure). While the 1991 downturn was sharper, the current cycle's extended duration, elevated financing costs and policy uncertainty have made it the most sustained — and arguably the most severe — construction recession since the early 1990s. That said, building consents have levelled at a low base and ticked up, suggesting a tentative bottom.<sup>2</sup> Any recovery is likely to lag the broader economy into 1H-2026, unless projects are fast-tracked through the pipeline. With industry capacity available and pricing at cyclical lows, project sponsors have a good opportunity and favourable conditions to bring forward commitments.<sup>3</sup>



Source: Concept; S&T Procurement Update Author, Data; Reserve Bank of New Zealand (2008); Stats NZ National Accounts; NZ Treasury (2009, 2025); NZIER Outlook (Sept 2025). Note: 2024-25 figures are preliminary estimates based on NZIER and Stats NZ forecasts (as at October 2025). Construction output measured as industry gross value added.



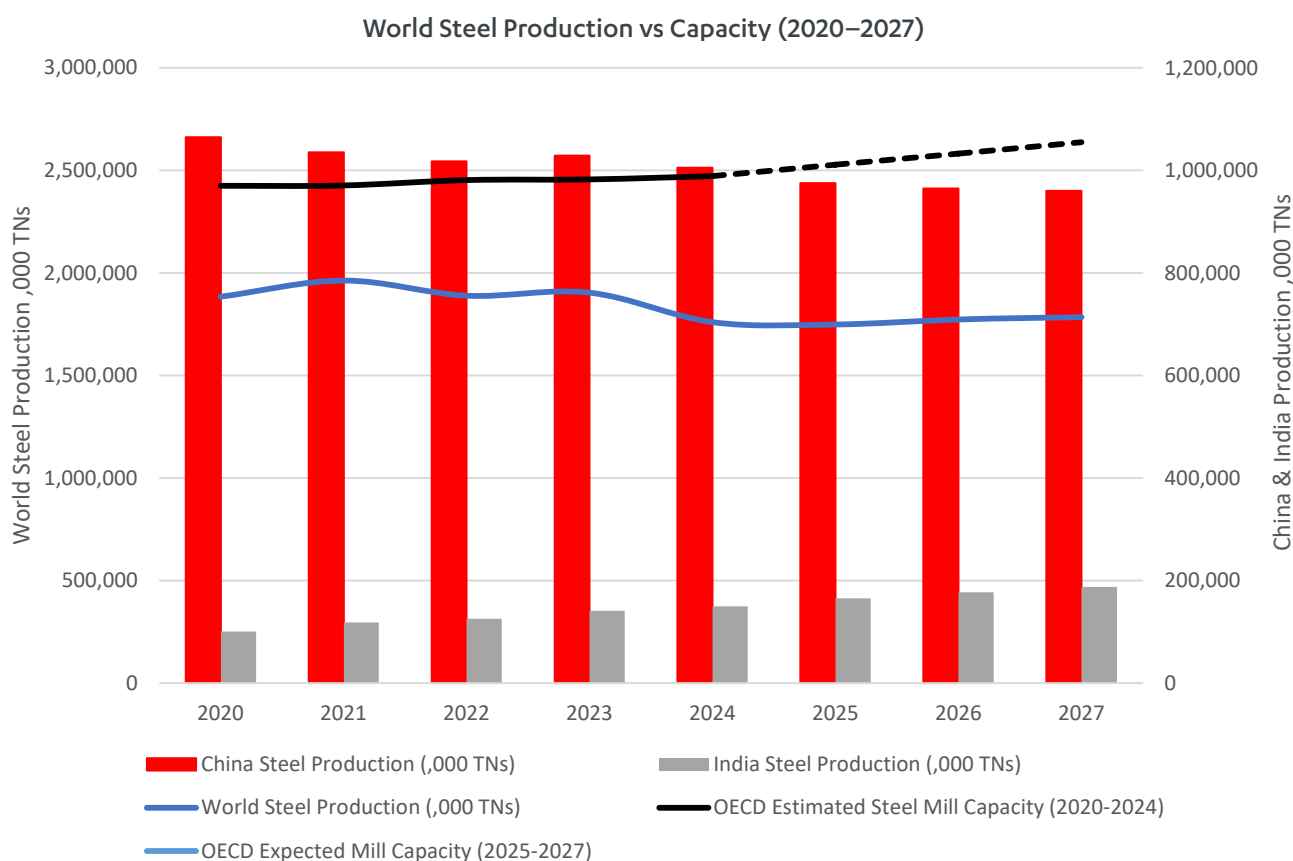
# GLOBAL OVERVIEW

## BOTTOMING OUT AFTER PROLONGED WEAKNESS

After two years of contraction, global steel markets appear to have reached their cyclical floor. Multiple indicators — firmer iron ore and coking coal prices, stable scrap values, regionally resilient freight rates on Asia–NZ routes, and a 6–8% weaker NZD — all point to a moderate cost-based lift of around 5% in landed steel prices through 2026. While the global recovery remains uneven, the combination of stabilising demand and firming input costs suggests that the down-cycle has largely run its course.

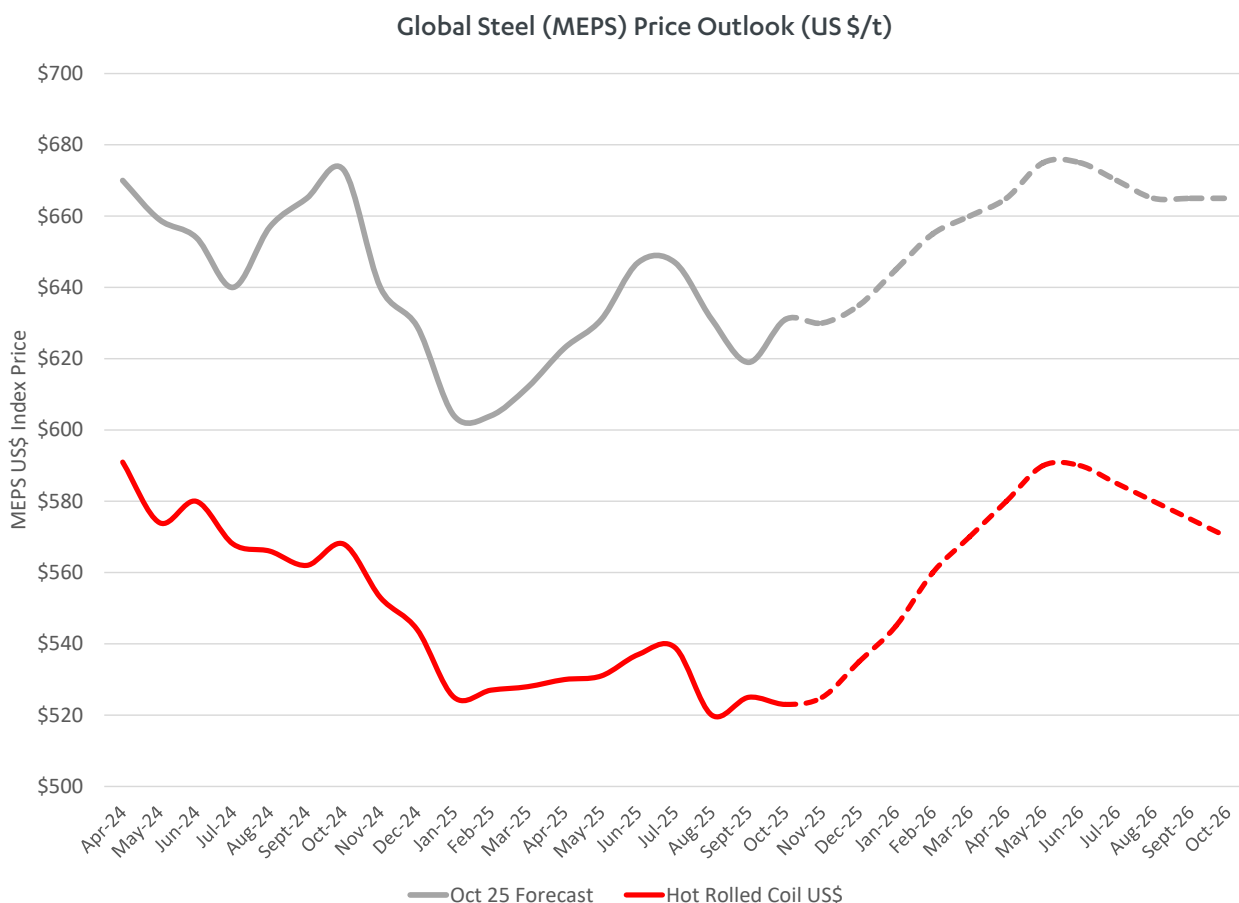
Emerging markets, led by India, Southeast Asia and the Middle East, are cushioning the downturn, yet global capacity utilisation remains below the 75% threshold typically needed for price uplift. Even so, with input-cost floors now evident and mills exercising tighter supply discipline, global prices are edging higher from a low base.

While early firming in export prices and raw-material inputs suggests the market has found a cyclical floor, any near-term price recovery will be capped by persistent overcapacity. OECD data show global steelmaking capacity has grown ~9% since 2020 even as production has fallen ~5%. This ongoing imbalance between capacity and production continues to keep global steel prices in check, even as demand shows early signs of stabilising. China's slowdown is being broadly balanced by stronger output growth in India, reshaping global supply rather than reducing it.



Source: OECD; World Steel Association; Procurement Update analysis.





As shown above, global benchmark steel prices appear to have stabilised, with MEPS forecasts now signalling mild upward movement through early 2026 as the market finds a floor. Both Hot Rolled Coil and Merchant Bar prices are projected to lift from current lows, reflecting gradual demand stabilisation rather than a strong recovery.

MEPS notes that recent price firmness reflects temporary production controls in China and steady demand from India and Southeast Asia, while broader Asian markets remain subdued amid weak construction and manufacturing activity.

## CHINA MARKET OVERVIEW

### Growth Decline | Persistent Production | Export Expansion

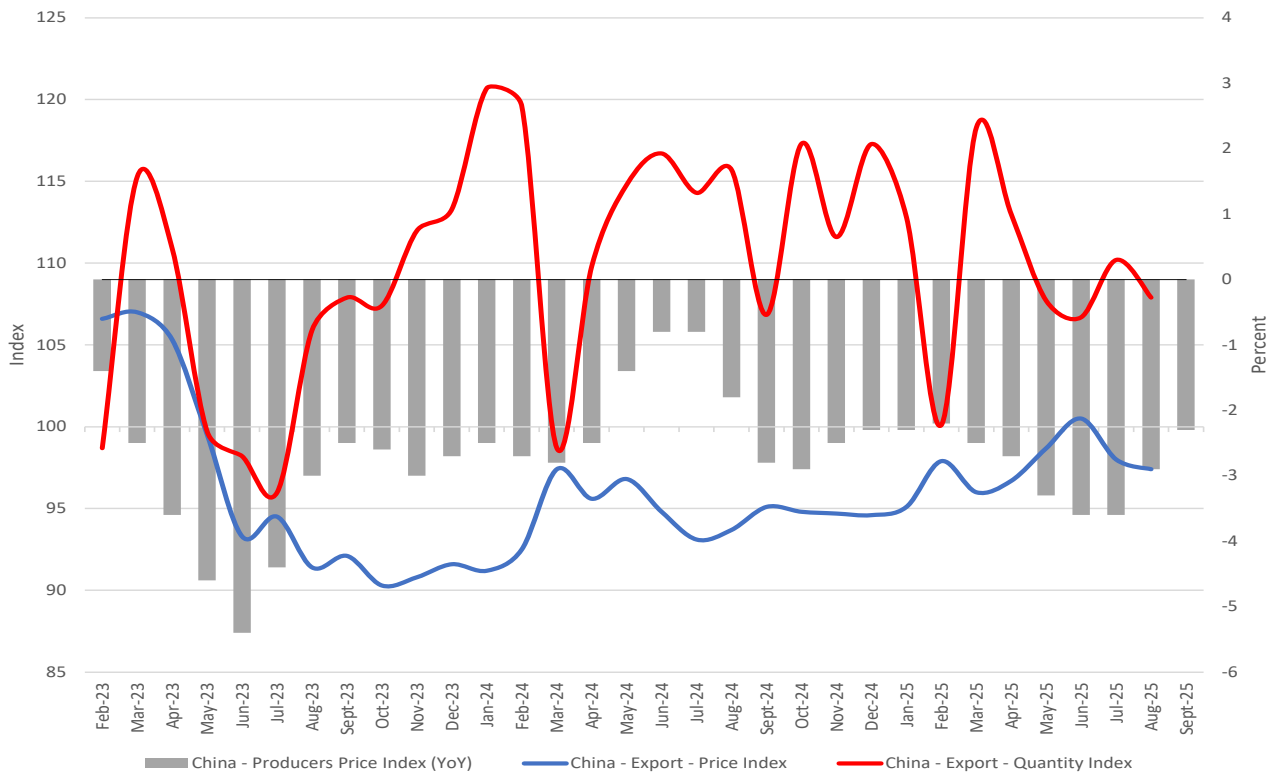
China remains the largest influence on global steel markets, producing close to half of the world's output. The property downturn has extended into 2025, with real-estate investment down about 9% year-on-year. While policy measures have supported infrastructure and manufacturing, they have not been enough to offset weaker construction activity.

Industrial output has stayed firm, but with overall demand subdued, Chinese mills have again turned to export markets to manage surplus production. Steel exports for the first seven months of 2025 were up around 6% year-on-year to multi-year highs, reflecting strong overseas sales despite ongoing production-restraint targets.

The chart below highlights how China's broader export activity has accelerated even as domestic producer prices remain subdued. While this measure covers all goods, steel remains a major contributor — and the pattern reflects the same dynamic evident across China's heavy industry: strong industrial output amid weak domestic demand. For steel, this has meant mills continuing to push surplus production offshore rather than accumulate unsold inventories at home.



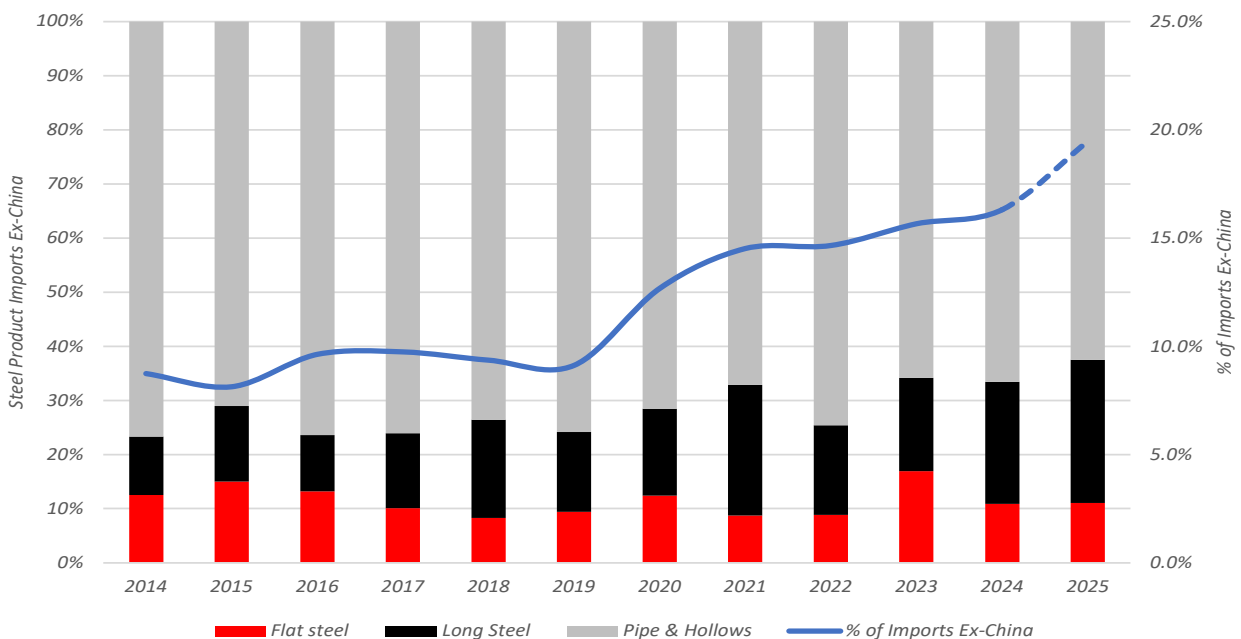
## China Export and Price Momentum vs PPI



Source: Macromicro; National Bureau of Statistics of China; Procurement Update analysis.

Overall Chinese export activity remains elevated while domestic producer prices stay weak, reflecting the broader industrial surplus now being channelled offshore. This activity is causing trade friction globally with China involved in 25 anti-dumping disputes so far this year, on top of the 33 cases recorded in 2024. This has led to the China Iron and Steel Association (CISA) appealing to its producer members that they will need to adhere to principles of “production based on sales, efficiencies and cash flows”.<sup>4</sup>

## Steel Imports into New Zealand



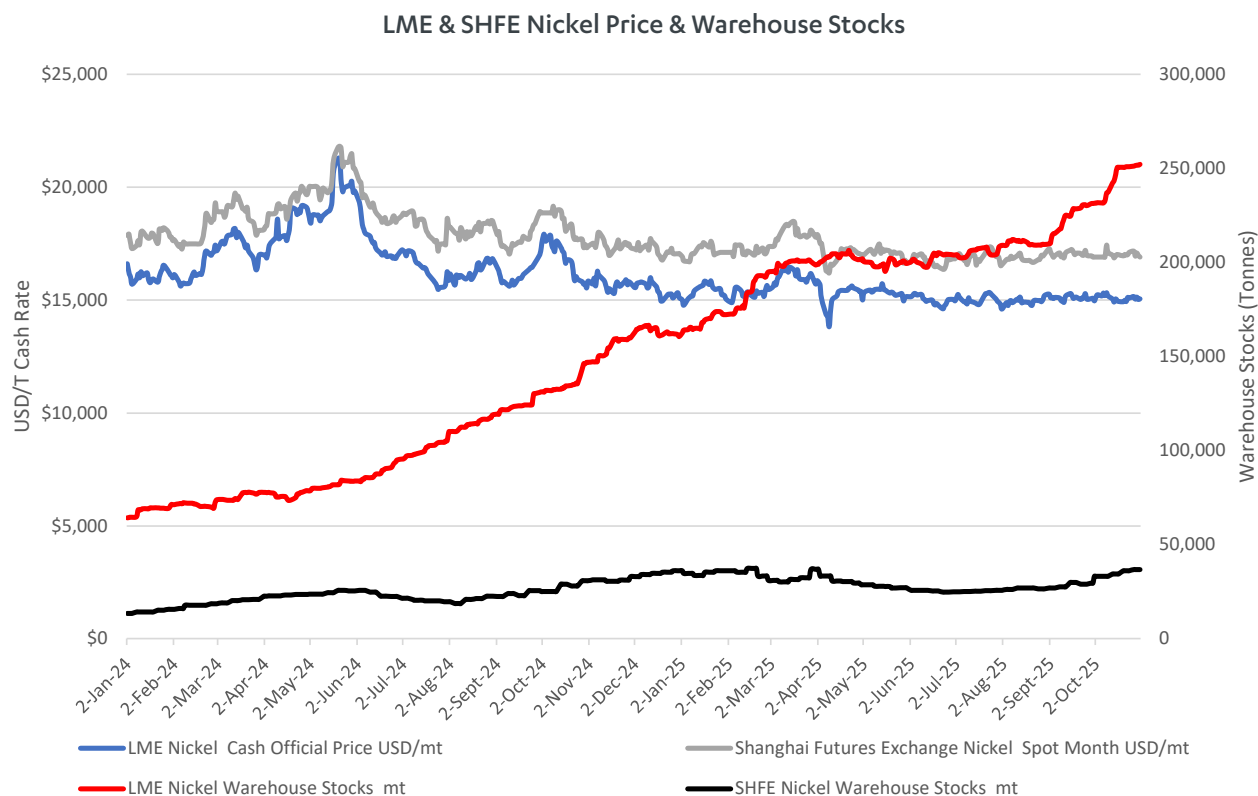
Source: Stats NZ; Procurement Update analysis

The second chart shows the impact closer to home. Chinese steel imports into New Zealand have risen steadily since 2018 – particularly in flat, hollow and pipe products, and more recently in longs – and now account for around 20% of all inbound steel volumes. The 2025 value (shown as a dotted line) represents year-to-date (Jan–Sep) data. This trend confirms that surplus Chinese supply is increasingly influencing regional pricing and availability.



# KEY MATERIAL MARKETS

## NICKEL & STAINLESS STEEL



Source: Argus Media

As shown in the chart above, prices have flattened near US\$15,000/t, having halved from 2022 highs, while visible inventories have continued to rise through 2025.

This decoupling — falling prices alongside rising stock — confirms the market remains in surplus, even as many producers now operate near or below cash cost and output growth outside Indonesia shows early signs of slowing.

The pace of decline has eased since mid-year, suggesting most downside risk is now priced in and a technical floor is forming.

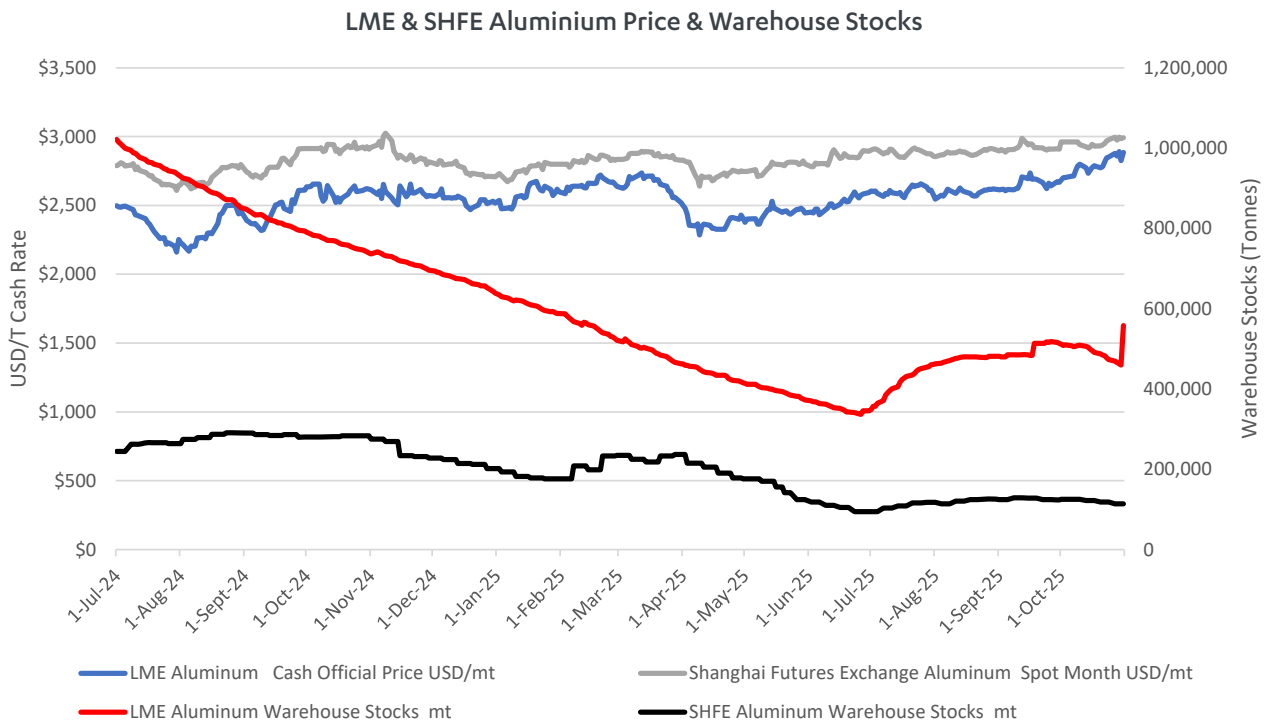
In general, the following market dynamics continue to shape nickel's performance, driving a volatile price that remains range-bound: persistent oversupply, soft demand from stainless and batteries, cost pressure on miners, limited investor optimism, and inventory divergence between the global exchanges (LME / SHFE) and Chinese mills.

In terms of what we can expect for the nickel — and therefore stainless — market, it appears that with around a quarter of global supply now loss-making at current prices<sup>5</sup>, nickel output is slowing and new investment is being deferred.

This signals the market has reached a natural bottom, a trend already reflected in the futures markets. Both the LME and SHFE are rebuilding long exposure on the view that prices have found a cyclical floor.<sup>6</sup>

As a result, while nickel is likely to remain range-bound in the short term, the medium-term bias has turned slightly upward as supply adjusts and sentiment stabilises<sup>7</sup> — suggesting stainless steel prices may gradually firm through 2026 rather than rise sharply.

# ALUMINIUM



Source: Argus Media

Aluminium prices have stabilised in the US\$2,500–2,650/t range through the second half of 2025 after a volatile first quarter. Since June, the market has shown a firmer undertone as visible inventories declined and Chinese output plateaued near its government-imposed ceiling of 45 Mt p.a.<sup>8</sup> Given Chinese production appears capped and energy costs are likely to stay elevated, mill prices are expected to hold firm into early 2026, with the global market sitting in a small deficit.

While demand remains uneven — with construction subdued — automotive, electrical and solar applications are expanding. Global consumption is forecast to grow around 2% y/y in 2026, led by India and Southeast Asia.<sup>9</sup>

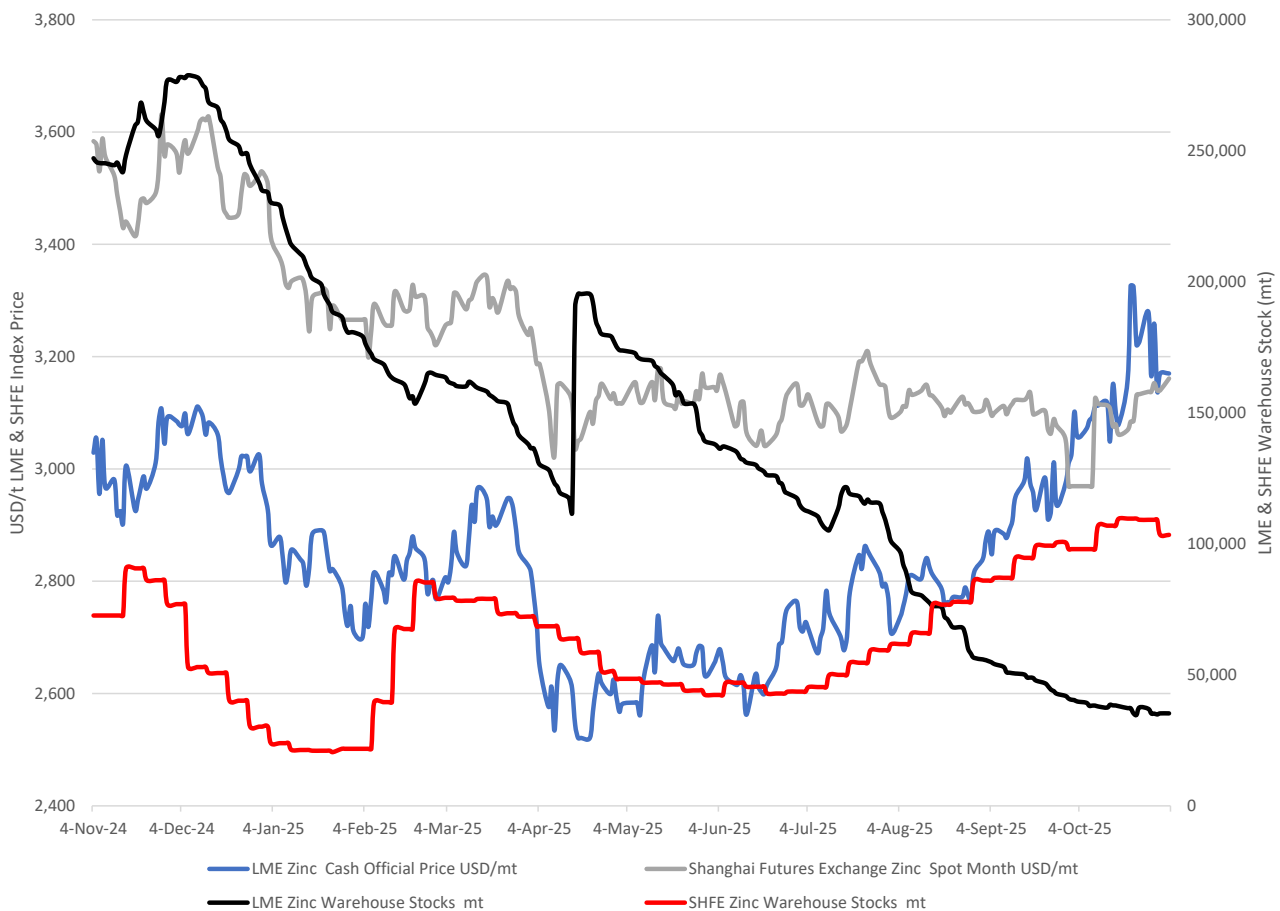
With production costs rising and freight still elevated, a gradual increase in landed aluminium prices is anticipated through late-2025 and early-2026, particularly across extrusion products, where mills have already begun lifting offer prices. This is expected to flow through to higher market pricing over the coming months.

Looking further ahead, China's production limits and slower-than-planned Indonesian smelter expansion are likely to continue supporting, and potentially lifting, prices if demand in the EV and renewable sectors strengthens.



# ZINC

LME & SHFE Zinc Price and Warehouse Stocks



Source: Argus Media

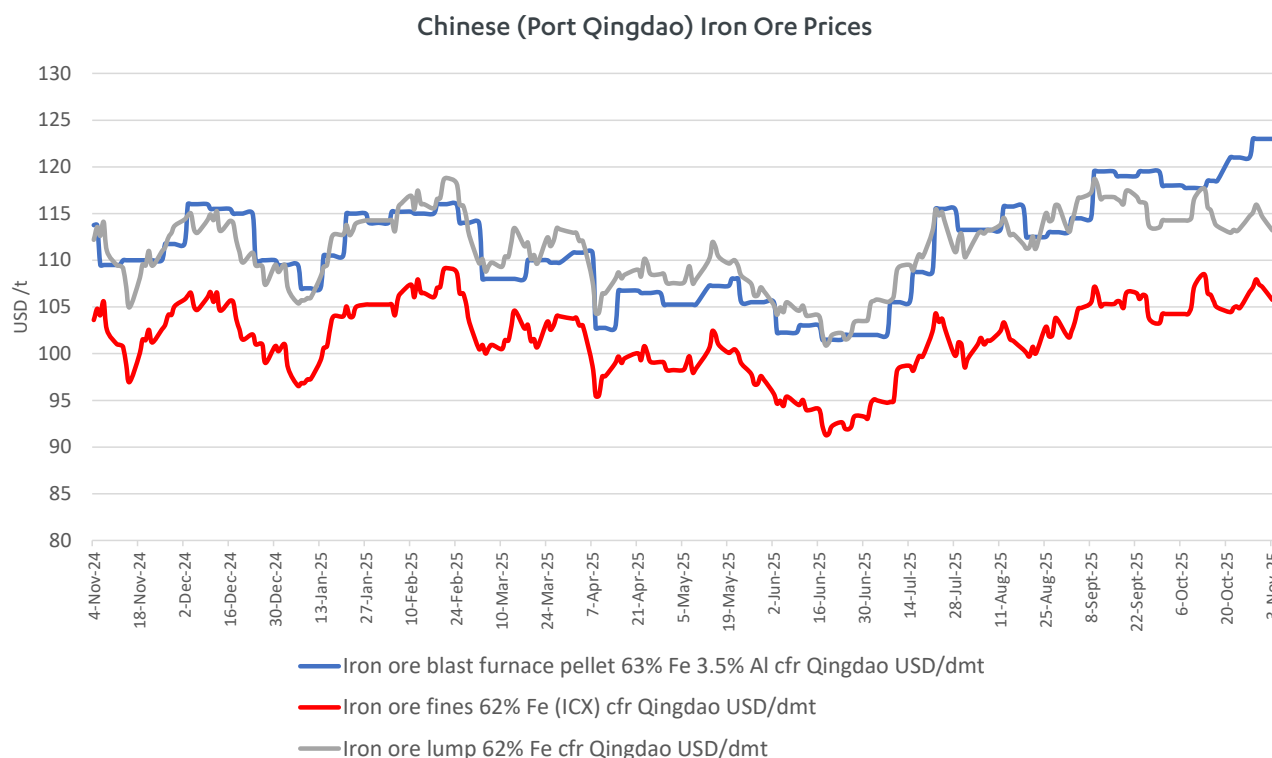
Zinc prices staged a brief rally in late-2025, climbing from around US\$2,600/t in mid-year to just over US\$3,100/t in October, as shown above. The lift reflected a temporary shortage of available metal in Europe and other Western markets rather than a surge in demand. LME-registered zinc stocks fell sharply through 2025 — dropping from roughly 230 kt in January to below 50 kt by October — while SHFE inventories in China moved in the opposite direction, climbing to ~100 kt.

The sharp drop in Western inventories and reduced output from smelters outside China created tight supply and lifted prices. In several regions, smelters were operating below capacity due to high costs and lower margins, leaving more zinc concentrate waiting to be processed. At the same time, demand for galvanized products in Western markets held up better than expected.

In contrast, China's refined zinc production increased while domestic demand stayed weak, leading to rising stock levels in Shanghai warehouses. This has created a two-speed market — tight supply in Europe and North America, but growing availability in China.

Notably, China — usually a net importer of zinc — has now become an exporter, taking advantage of higher international prices. These additional exports, combined with the possible restart of some idled smelters, are likely to ease zinc availability; however, overall tightness in global supply is expected to persist through 2026,<sup>10</sup> stabilising prices around ~US\$2,800/t.<sup>11</sup> This momentum and upward pressure on zinc prices could translate into modest increases in galvanizing and zinc-coated steel prices locally over the coming months.

# IRON ORE



Source: Argus Media

Chinese iron ore prices have oscillated within a US\$90–110/t band through 2025, reflecting a market caught between soft Chinese construction demand and resilient import volumes.

The iron ore market has steadied after a volatile first half of 2025, showing resilience and a hint of recovery in Q4. Prices for 62% Fe fines into China lifted back above US\$100/t in October, reaching a seven-month high of US\$107.8/t.<sup>12</sup> The rebound was driven by a surge in Chinese imports – the highest monthly volume of the year – as traders and mills restocked on expectations of further stimulus and a bottoming in prices.<sup>13</sup> In short, the chart reinforces that prices are range-bound, with volatility, but have formed a fundamental base for upward price movement by mills.

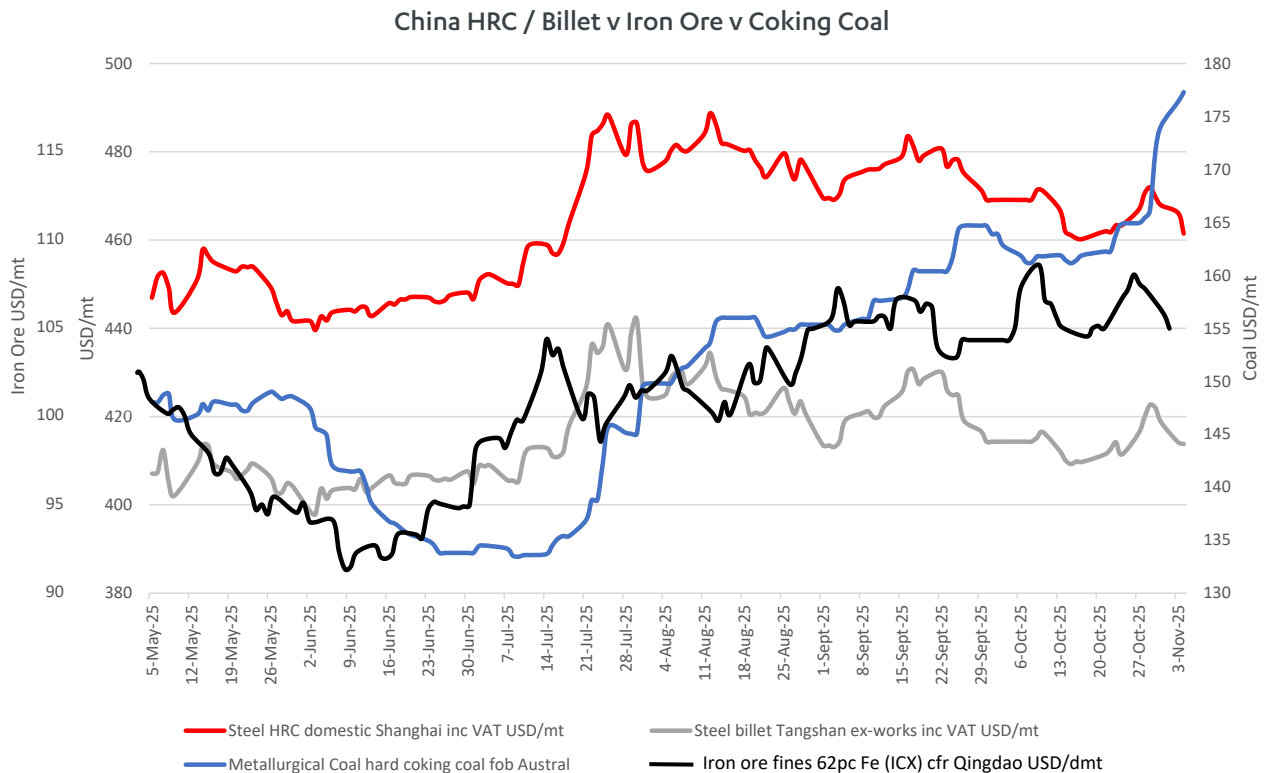
Looking ahead, iron ore's trajectory will depend largely on China's property sector and infrastructure investment. Should policy support persist, demand could stabilise, keeping prices around US\$100/t.<sup>14</sup> Below US\$80/t, many Chinese domestic mines become uneconomic, providing a natural floor.<sup>15</sup>

Overall, the market appears to have found its footing – with downside limited but upside constrained. Iron ore remains the dominant determinant of steel pricing, with Blast Furnace (BF) production accounting for around 70% of global steel output, and emerging markets such as India continuing to add new BF capacity.<sup>16</sup>

For steelmakers, the modest recovery in ore prices signals an end to falling input costs. If sustained, this could lift mill offer prices and, in turn, the landed cost of imported steel into New Zealand by a few percentage points mid 2026.<sup>17</sup>



# STEEL PRODUCT INDICES



Source: Argus Media

Feedstock markets appear to have established an input-cost floor: iron ore and coking coal have firmed while scrap remains resilient, lifting mills' breakeven levels. This limits further downside in steel pricing even as demand recovery remains patchy.

Benchmark steel indices remain near multi-year lows but appear to have found a floor. Feedstock costs — notably iron ore and coking coal — have risen since September, lifting mills' cost base and setting the stage for a mild price recovery. Semi-finished steel (billet) and HRC are leading this move, suggesting that a gradual firming in global steel prices is likely through early 2026. This aligns with MEPS and Argus forecasts of a 3–5% rise over coming months as input costs stabilise and supply discipline improves.

Coking coal prices have firmed to around US\$190–200/t amid weather-related supply constraints in Australia and mine safety curbs in China. Analysts expect prices to hold near these levels into early 2026, supported by Indian demand and higher mining cost bases, before easing if Chinese steel output remains weak.

## SHIPPING OUTLOOK



Source: Container News

Freight rates on Asia–NZ routes remain firm relative to global benchmarks, which remain 40–50 % lower y/y (Drewry/CCFI).

Global container shipping markets remain subdued, with fleet capacity up around 10% in 2025 while trade volumes have stayed flat. This imbalance has kept global freight benchmarks such as the China Containerized Freight Index (CCFI) and Drewry World Container Index about 40–50% lower year-on-year, reflecting continued oversupply and weak demand.<sup>18</sup>

However, these global trends are not flowing evenly through to New Zealand. Asia–Oceania routes remain priced at a premium due to limited direct sailings, smaller vessels and fewer competing carriers. With only one breakbulk shipping service for steel cargo into New Zealand, freight rates for large section and heavy profile steel are largely stable and separate from container market movements.<sup>19</sup>

From November 2025, major carriers have begun increasing container rates on Asia–NZ routes, supported by reduced capacity as smaller vessels were diverted to longer trade lanes. While a brief seasonal easing is expected over the December–January period, rates are expected to remain firm through 2026. Rising local port service charges from early 2026 and ongoing carrier control of capacity are likely to prevent any meaningful rate declines. All factors reinforcing a stable but elevated cost base for importers and likely prompting price adjustments to maintain margins.

## NZD / USD EXCHANGE RATE

The New Zealand dollar has remained subdued through late-2025, trading in the NZD/USD \$0.57–0.58 range as markets anticipate RBNZ rate cuts and maintain a strong-USD bias.<sup>20</sup> This level is around 6–8% weaker than mid-2024 averages, effectively adding ~4–6% to NZD-landed input costs on imported steel and metals once freight and supplier adjustments are factored in. With feedstock costs having established a floor and global freight rates expected to firm through 2026,<sup>21</sup> currency weakness reinforces a stable but elevated cost base for importers. Overall, the NZD is unlikely to recover materially before late-2026, suggesting limited scope for price relief and a bias toward mild upward pressure in landed steel pricing.



## WHAT DOES THIS MEAN FOR STEEL & TUBE AND OUR CUSTOMERS?

For New Zealand buyers, the overall picture is one of stability giving way to gradual firming — with landed steel costs expected to rise around 5% through 2026.

The global steel cycle appears to have reached its floor, with feedstock costs — notably iron ore and coking coal — firming after two years of weakness, while scrap prices in Asia, including Taiwan, remain stable within a narrow range. Across related metals, stainless steel, aluminium, and zinc markets are each showing modest upward momentum: stainless prices are expected to gradually firm through 2026 rather than rise sharply, aluminium has shown a firmer undertone as production costs rise, and higher zinc costs are likely to flow through to galvanised and coated steel in the coming months. These shifts, combined with a 6–8% weaker NZD and firm freight and port-service charges, have effectively set a stable but elevated cost base for imported steel and metals. While conditions remain favourable for buyers compared with the highs of 2022–23, the scope for further price reductions has largely passed. Across Steel & Tube's portfolios, landed costs are expected to rise 3–5% through early 2026, reflecting sustained currency and freight pressures, as well as selective mill increases across aluminium, galvanising, stainless, and core steel products. These movements represent a measured adjustment to restore supplier margins rather than a broad-based surge in global steel pricing.

For Steel & Tube, the present environment reinforces the value of disciplined procurement and sound inventory management. With mill supply stable and input costs steadying, forward purchasing will remain selective — focused on maintaining cost stability and reliable supply, while supporting customers to take advantage of near-term pricing opportunities before gradual cost increases emerge through 2026. For customers, this period of relative stability provides a practical window to plan upcoming projects with greater certainty. With only one dedicated break-bulk shipping provider servicing steel imports into New Zealand, sailing schedules are less frequent than container services and shipment timing can vary slightly depending on vessel rotations. At the same time, local distributors are continuing to manage leaner inventory positions and apply tighter working-capital discipline across the supply chain. Bringing forward project requirements or confirming material intentions early can help ensure scheduling certainty and preserve today's cost advantages before incremental cost pressure builds through 2026. Steel & Tube's diversified sourcing across Asia and Australasia, combined with active management of freight and currency exposure, continues to underpin reliable supply performance and customer delivery outcomes across the network.

Overall, the balance of indicators — firming feedstock and freight costs, sustained scrap values, higher zinc and aluminium inputs, and a weaker NZD — point toward a gradual 5% rise in NZ-landed steel prices through 2026. For Steel & Tube and our customers, this marks a clear turn in the cycle: the opportunity now is to secure supply and pricing certainty before incremental cost pressures flow through more broadly across the market.

**Prepared for Steel & Tube by Brendan Smith** | National Product Manager - Distribution



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# NATIONWIDE PRODUCT SOLUTIONS

Steel & Tube offers a comprehensive range of steel, stainless steel, aluminium and allied industrial products through a nationwide product distribution and processing network, so no matter where you are in the country we can deliver product to you.

As experts in our field, we pride ourselves on being able to offer a consistent end-to-end customer service experience, advising, sourcing and supplying customers with all their product requirements. And underlying everything we do, is our continued commitment to quality.



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