

Industry Top Trends Update

Metals and Mining

A rising tide lifts all boats (until it turns)

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What's changed?

Demand is strong. Resilience in China and recovering activity across major economies, with rapid restocking, has reinforced the rebound in the metals and mining market that began in 2020.

Prices are supported by supply constraints and limited capacity increases. The lack of the new projects and producers of many minerals struggling to ramp up volumes to meet demand will support healthy prices in the coming years.

Environmental, social, and governance (ESG) is gaining importance. In light of rising public interest in sustainability, the availability and cost of funding are real factors for some projects. We may see more environmental initiatives as players benefit from stronger cash flows.

How is recovery taking shape?

Prices are rocketing. Iron ore and copper reached record prices in 2021, and even gold remains high in a historical context. Industrial metals are generally benefiting from market imbalances, even if restocking volumes moderate in 2021.

Steel is strong too. Steel product prices, at multiyear highs, and margins are benefiting from recovery in the automotive and construction sectors, and helped by the tentative return of product supply. High input costs are being passed on for now, although these may become a dampener on demand. Stimulus programs in the U.S. and Europe should provide medium-term demand.

Most players are maintaining financial and investment prudence, in contrast to previous cycles. Companies with investment-grade ratings are well positioned and some speculative-grade names have upside potential.

What are the key risks around the baseline?

Loss of financial restraint. A return of commitments to mega-projects, especially before an (inevitable) correction in prices and cash flow, could create a mismatch between cash flow from operations and commitments, leading to pressure on certain companies.

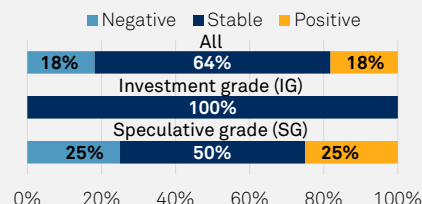
Shocks from China. A softening of actual demand or market expectations for China, the main economy for metals markets, would weaken a key support for prices. However, this is not our base case, at this stage.

Mismanagement of ESG. Individual credits could see an outside impact, given the industry's inherent exposure to ESG risks.

Latest Related Research

- [Metal Price Assumptions: Prices Stay Hot, But No Signs Of A Melting Point](#), June 29 2021
- [The Hydrogen Economy: Steel Producers Have A Long Way To Go](#), April 22, 2021
- [Credit Conditions Europe Q3 2021: Late-Cycle Redux](#), June 29, 2021

Outlook Distribution



Ratings Statistics*

	IG	SG	All
Ratings	6	16	22
Downgrades	0	0	0
Upgrades	0	0	0

Ratings data as of end-June 2021. *Year to date.

COVID-19 Heat Map

Metals and Mining		
Estimated recovery to 2019 credit metrics	2021	
Potential negative long-term industry disruption	No	
2020 Versus 2019		
Revenue decline	EBITDA decline	Incremental borrowings
0%-5%	0%-10%	No increase
2021 Estimates Versus 2019		
Revenue decline	EBITDA decline	
>2019	>2019	