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Mid-year commodity market outlook:

Tariffs, CBAM and the forces shaping 2025

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Introduction

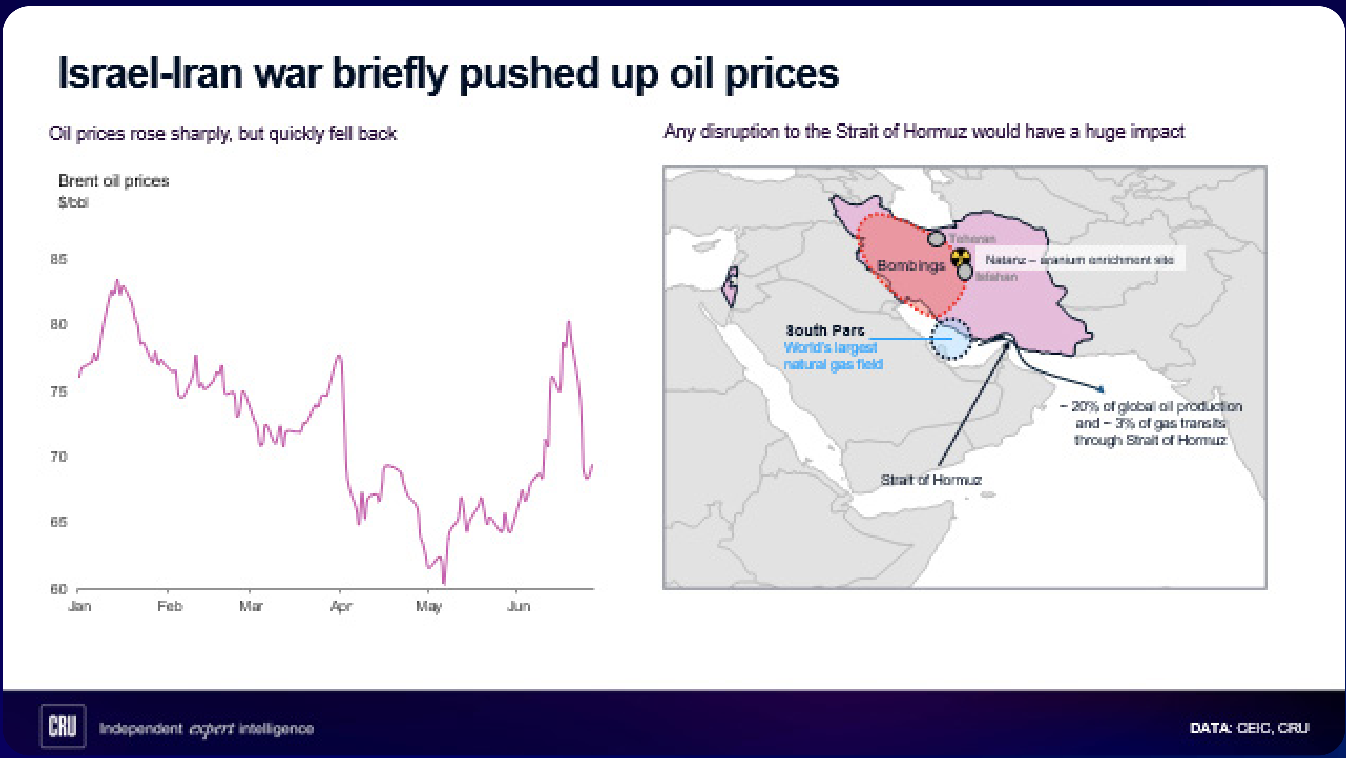
This mid-year review report, alongside our latest webinar on the same topic, explores the macroeconomic and geopolitical trends that have shaped global commodity markets in the first half of the year. It focuses on the impacts of escalating trade tensions, evolving US fiscal and green energy policy and global climate initiatives on sectors including steel, aluminium and clean energy technologies. Drawing on CRU's top 10 calls for 2025, the analysis assesses key forecasts, current developments and anticipated risks and opportunities for the remainder of 2025.

Geopolitical risk: Israel-Iran conflict

The Israel-Iran conflict has added a risk premium to energy prices

The Israel-Iran war provided a reminder that energy markets are still a source of risk. The brief war between Israel and Iran saw energy prices move sharply higher, particularly due to fears over potential disruptions to the Strait of Hormuz, through which approximately 20% of global oil and 3% of global gas transit. Prices have since come down again after de-escalation and ceasefire. However, unless there is a more permanent political agreement, downside risks to global energy supply chains remain. Any resumption in conflict is likely to see risk premia rise again.

CRU is on top of these developments – read more on this topic here and follow us for more updates.

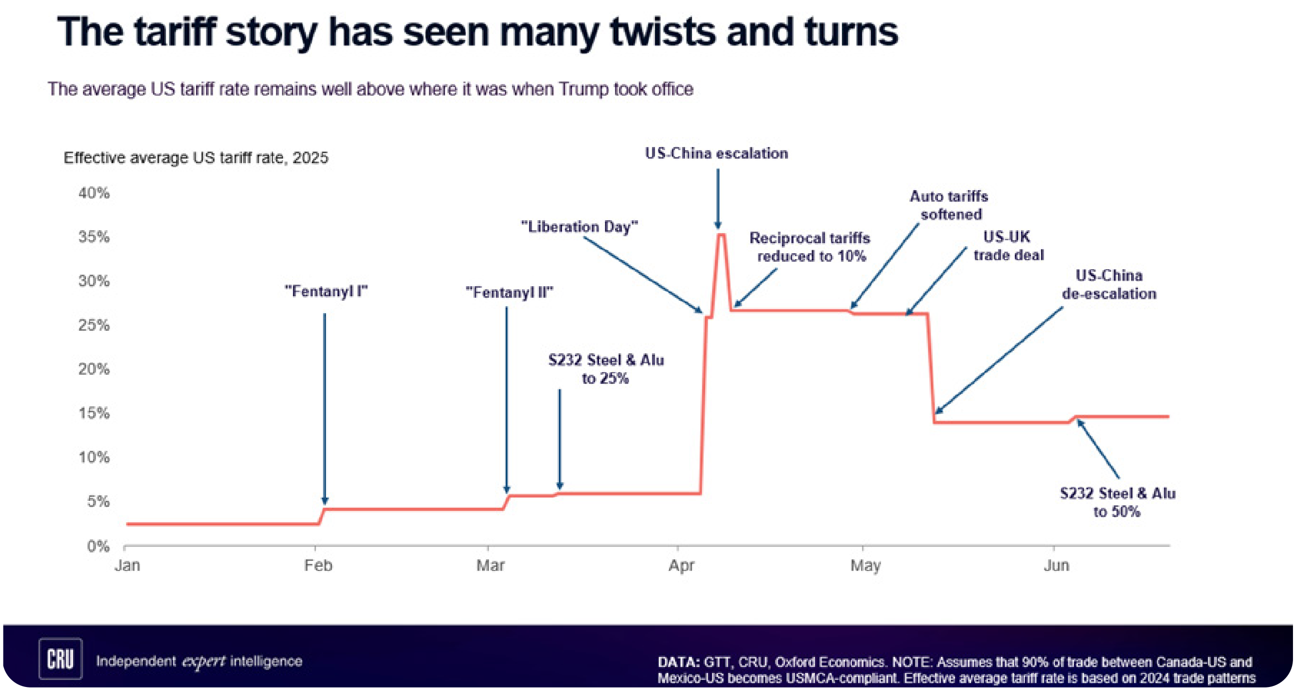


The tariff story has seen many twists and turns

Deadlines for reciprocal tariffs to reset are approaching in July and August

In the first half of 2025, the tariff story has seen many twists and turns, with significant developments including the re-imposition (and then doubling) of Section 232 tariffs on steel and aluminium, steep 'reciprocal' tariffs imposed and then quickly reduced, and legal uncertainties that may extend trade volatility. The average US tariff rate remains well above its pre-January levels, with policy ambiguity contributing to highly volatile trade flows.

Anticipation of these tariffs drove a spike in US imports in Q1 as companies rushed to front-run policy changes, only for imports to collapse by 20% in April. This cycle of artificial boosts to trade followed by steep contractions has made it increasingly difficult to gauge the true health of global manufacturing, as early-year data may reflect tariff-induced distortions rather than organic demand growth.



Timeline: US trade tariffs affecting the steel value chain in 2025

New Tariff

China: US tariffs of 10% on imports from China

4 February 2025

Escalation

China: US tariffs on imports from China increase to 20%

4 March 2025

New Tariff

S232: 25% US tariffs on imports of Steel and Aluminium on all countries

12 March 2025

New Tariff

S232: 25% US automotive tariffs (on non-USMCA compliant goods)

2 April 2025

Escalation

China: Tariffs on China escalate in a retaliation loop to 145%

5-9 April 2025

90 day pause
12 May 2025

New Tariff

Reciprocal tariffs: Additional country specific tariffs go-live

9 April 2025

90 day pause
9 April 2025

Trade deal

S232 and reciprocal tariffs: UK trade deal reduces / cancels some tariffs

8 May 2025

Reduction

China: Tariffs on China reduce to 30%. Some tariffs cancelled / paused.

12 May 2025

Paused / removed
12 May 2025

New Tariff

Reciprocal tariffs: 10% ‘Liberation Day’ tariff on all countries

12-14 May 2025

New Tariff

S232: US tariffs on Steel and Aluminium on all countries increase to 50%

4 Jun 2025

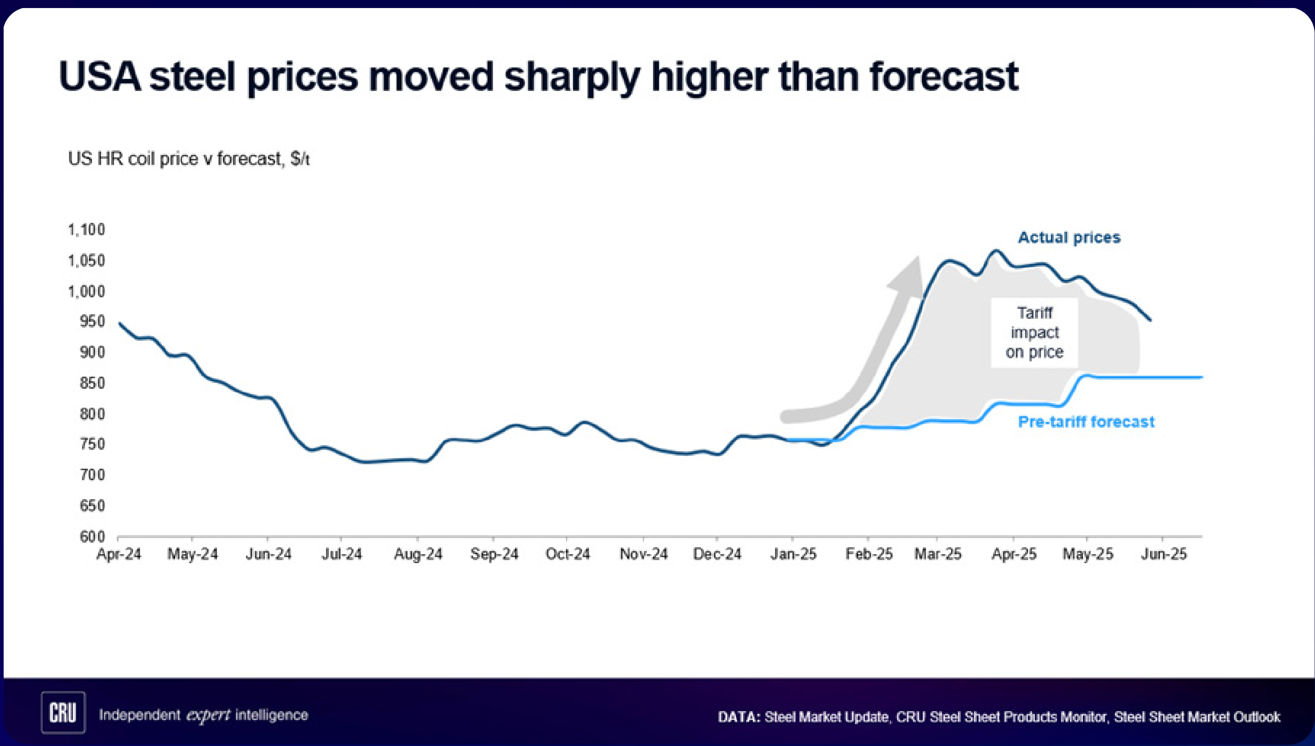
Policy-Driven Price Volatility: Implications on the Steel Market

Steel has been particularly affected by recent tariff changes. The reintroduction of US tariffs caused a sharp, immediate spike in short-term business confidence in the steel sector, which peaked in March before collapsing by May. Steel HR coil prices surged by 30–40% in early 2025, exceeding earlier forecasts, only to enter a downward trend as uncertainty took hold.

The volatility in sentiment and pricing underscores the vulnerability of the steel market to abrupt policy changes, particularly when tariffs affect both direct steel imports and indirect imports via steel-containing goods.

CRU provides regular in-depth pricing intelligence and market analysis to our clients, giving insight into current market dynamics as well as the future outlook. If you'd like to see how our services can support your decisions with timely, data-driven intelligence, get in touch for a demo, or download our brochure outlining our comprehensive steel services.

Read more about CRU's pricing coverage for Steel and CRU's US Midwest Hot-rolled Coil Price Index, the most widely-used price benchmark in the US steel market.



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US fiscal and green policy risks

The US fiscal outlook remains deeply concerning. The US has consistently run large deficits through the economic cycle. With US Treasury 10 year bond yields close to 5%, and interest obligations rising, the sustainability of the current fiscal path is increasingly in question. Market concerns have translated into a risk premium on the US dollar and declining investor confidence.

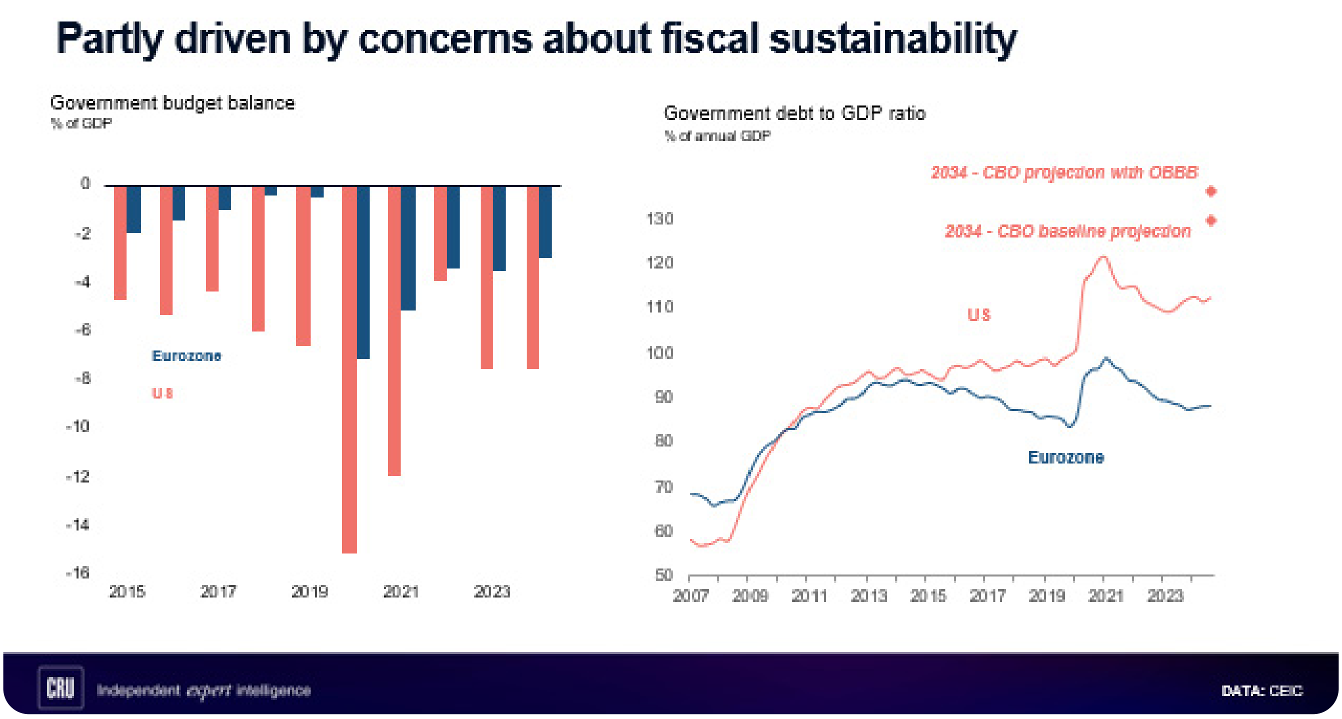
A major budget bill (the One Big, Beautiful Bill) extends tax cuts while enacting deep spending reductions, including on the green transition. The estimated impact of these cuts over the next decade is:

- $200 billion in EV tax credit
- $249 billion in energy investment, production, and manufacturing credits
- $131 billion in other IRA credits

However, Republican districts and states stand to lose the most, having received disproportionately high benefits from IRA investments. This may complicate legislative outcomes. A rollback of IRA provisions would hurt growth in the green tech sector.

We cover these topics regularly with our clients. Contact us or request a demo to understand how CRU can help you stay ahead of the curve.

Request a *demo*

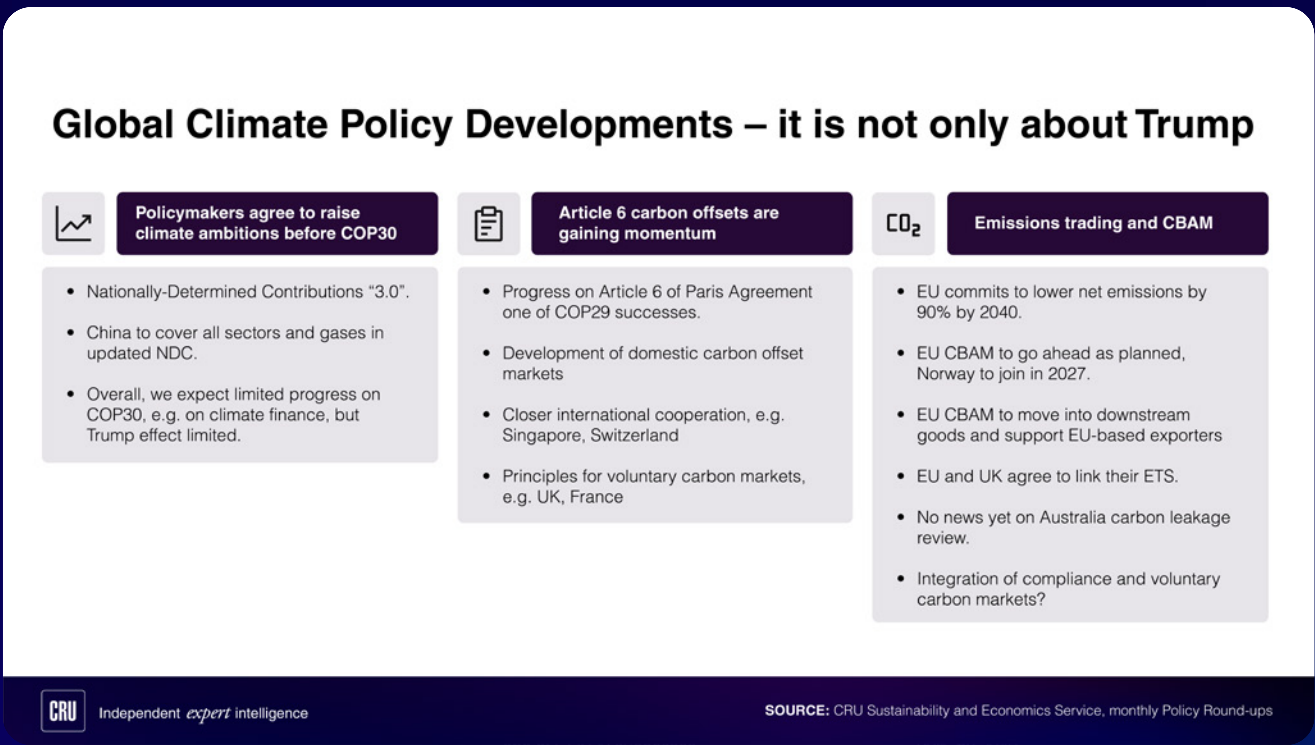


Global Climate Policy Developments

Globally, momentum toward decarbonisation remains strong despite US retrenchment. China is preparing to broaden its emissions trading scheme to cover additional industrial sectors and intends to shift from intensity targets to absolute emissions reductions. The EU continues to lead with an ambitious climate policy agenda, moving its CBAM into its permanent phase by January 2026.

Efforts are also underway to simplify CBAM regulations, making them more business-friendly while exploring extensions to downstream steel and aluminum products. Furthermore, the UK and EU have announced plans to link their emissions trading systems, a move that could enhance market liquidity and reduce compliance costs for cross-Channel trade.

Developments in Article 6 carbon markets, driven by COP29 breakthroughs, will allow for closer climate cooperation between advanced and emerging economies. This will support the emergence of a more mature and resilient global carbon offset market.



Conclusion

The first half of 2025 has proven to be a volatile period for commodity markets, shaped by geopolitical tensions, policy-driven disruptions, and divergent paths in green investment. With major trends still in play, the second half of 2025 will bring more volatility. CRU's analyses and data-driven insights have been crucial for clients navigating this uncertainty. Get in touch with us to discuss these topics in further detail.

For more information about our services, please click here

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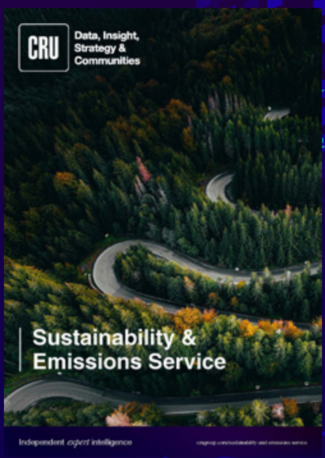

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