Atradius

Managing risk, enabling trade



Q4 2026

Atradius Industry Highlights Report



Summary

Our Q4 2026 Industry Highlights Report explores the trends shaping nine key UK sectors. Businesses continue to navigate cost pressures, geopolitical uncertainty, subdued confidence and evolving regulatory requirements. At the same time, investment in technology, renewable energy, infrastructure and more sustainable ways of working is creating opportunities.

However, the outlook varies considerably by sector. Construction, retail and metals continue to face difficult trading conditions, while ICT, renewable energy and parts of engineering are benefiting from investment in AI, digital transformation, infrastructure and the transition to a low-carbon economy. Across all sectors, strong liquidity, careful cost management and the ability to adapt to changing market conditions remain increasingly important.

Our Trade Sector Experts



Chris Wall
Paper & Packaging, Engineering



James Napier
Food & Agriculture



Nicola Harris
Transport, Metals



Ruby Hartery
Retail



Sarah Evans
ICT, Energy



Zac Phillips
Construction

Q4 2026 sector scores

Industry performance forecasts
Construction
Energy
Engineering
Food & agriculture
ICT
Metals
Paper & packaging
Retail
Transport



Construction



> "A key concern remains the extent to which cost inflation will impact projects currently under construction and whether this will further suppress appetite for new developments."



Zac Phillips
Senior Underwriter

The sector remains challenging, with market conditions continuing to suppress activity across the industry.

Core construction activity remains subdued, reflected in weak demand and a limited pipeline of new projects. Given the long-term nature of construction projects and contract cycles, changes in market sentiment and activity levels take time to feed through the sector.

Project starts are facing delays due to tight liquidity across the supply chain, the continued impact of legacy low-margin contracts, elevated interest rates, uncertainty arising from conflict in the Middle East, and weakening confidence in the government's ability to stimulate economic growth.

We remain particularly cautious about the housebuilding and groundworks subsectors. Housebuilders continue to face a combination of higher costs, weak consumer confidence, elevated borrowing costs and limited government support. The groundworks sector is also experiencing significant pressure due to the lack of new project starts and ongoing delays to schemes reaching site, resulting in reduced workload visibility and heightened competitive pressures. We expect insolvency risk within these subsectors to remain elevated and anticipate continued pressure.

Our current underwriting approach remains cautious in both the short and long term. The industry has been affected by a number of unforeseen challenges, delaying any expected meaningful improvement. We expect any recovery to be gradual and heavily dependent on broader economic conditions.



> "Financial resilience within the UK domestic energy retail market has strengthened following the introduction of Ofgem's new capital requirements in March 2025."

Energy



Sarah Evans

Geopolitical tensions, including continued instability in the Middle East, remain a source of volatility for global oil and gas markets and shipping routes.



While the UK energy market is considerably more stable than during the 2022-23 energy crisis, renewed commodity-price volatility is expected to feed through into household and business energy costs and wider inflation.

The UK energy sector continues its significant transition away from fossil fuels towards low-carbon and renewable generation, supported by further investment in wind, solar, battery storage and associated infrastructure. Renewable capacity and generation continue to expand, although conventional generation and imported energy remain critical to security of supply.

Conditions within the sector remain mixed. The retail energy market has stabilised considerably from the volatility and supplier failures experienced a few years ago. The UK's downstream fuel and refining sector remain structurally challenged, with reduced domestic refining capacity increasing reliance on imported refined products. Biofuels and other energy-intensive manufacturing activities also continue to face pressure from international competition, feedstock and energy costs. This leaves some operators exposed to relatively thin margins and volatile cash flows. Renewables remain the primary area of growth. New solar, onshore and offshore wind and storage projects continue to increase the UK's low-carbon generation base.

We take a case-by-case approach. Attention is given to highly leveraged or capital-intensive businesses, weaker retail suppliers, businesses dependent on refinancing or external investment, and operators exposed to volatile commodity prices or significant project development risk.

Engineering



Chris Wall



High global oil prices create opportunity and threat for engineering sector.

Skills shortages remain a structural challenge for the sector with internal reports noting around 59,000 unfilled engineering positions.

Investment in renewables, grid upgrades, battery storage, nuclear power, hydrogen and electrification is supporting demand across multiple engineering disciplines. Grid modernisation, offshore wind and decarbonisation projects are expected to generate substantial engineering work over the next decade.

Profit margins remain under pressure due to labour cost inflation, material costs, energy costs and supply chain disruption.

Demand is mixed across end markets. Those linked to defence, aerospace, electronics, energy infrastructure and advanced manufacturing are generally performing better than those exposed to construction, agricultural machinary or cyclical industrial investment.

We class the sector as stable with selective opportunities, whilst taking a cautious stance towards engineering firms heavily dependent on construction activity or highly leveraged SME operators. A visit programme continues to ensure that we understand the nature of engineering that the business operates within.

Food & agriculture



The sector continues to benefit from resilient underlying demand. But elevated input costs, constrained consumer spending and a volatile operating environment are keeping the pressure on.

Cost pressure remains the central challenge with renewed pressures on manufacturers, while their ability to pass increases through to a highly competitive retail environment remains constrained. The Food & Drink Federation now forecasts food and non-alcoholic drink inflation to reach 3.9% by December 2026, then 5.5% in 2027.

Conditions vary across agricultural subsectors, with arable producers continuining to face commodity-price geopolitical volatility, including uncertainty surrounding global grain and fertilizer supply. The particularly dry summer has led to reduced crop yields, which will impact fruit and vegetable supply in the coming months. Livestock farming however continues to benefit from high farmgate prices.

> "Businesses across the industry face increasing investment requirements around automation, traceability and sustainability."



James Napier
Senior Underwriter

Three sub-sectors that we are paying particular attention to are Bakeries, Foodservice and Breweries. All three have been particularly sensitive to the current high-cost environment, whilst also experiencing their own unique challenges with consumer demand.

Our outlook remains moderate, reflecting the sectors' resilient demand characteristics. We continue to support cover on risks where the financial profile supports it, and work closely with businesses where more insight is required.


“Economic uncertainty continues to influence customer purchasing decisions, with some businesses remaining selective over discretionary IT expenditure.”

ICT

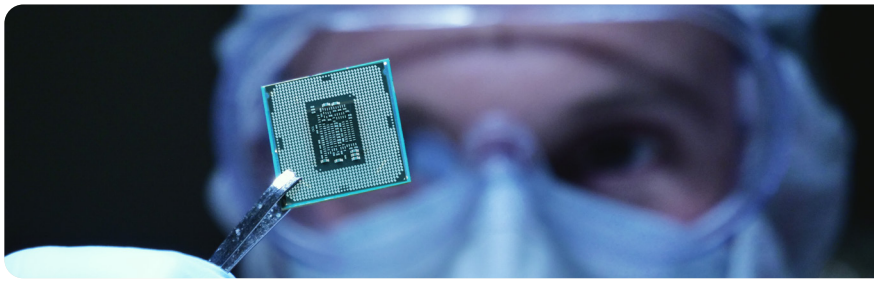


Sarah Evans

The sector benefits from increased demand driven by AI adoption, cloud migration, cybersecurity investment and wider digital transformation.

Traditional IT resellers continue to evolve away from lower-margin hardware distribution towards higher-value managed services, consultancy and support. This provides more recurring revenue streams and helps to offset the mature parts of the sector and highly competitive nature of traditional resellers. Demand for managed services remains robust particularly across regulated sectors.

AI is becoming an increasingly important driver of investment, with budgets being redirected towards AI infrastructure, data platforms, cloud capacity and cybersecurity. However, strong demand for AI-related hardware is contributing to component cost inflation and supply constraints across the market.



M&A activity remains a feature of the market as larger resellers and managed-service providers acquire smaller businesses to increase scale, broaden service capabilities and strengthen customer relationships.

Key challenges remain skills shortages, component cost inflation, competitive pricing pressures, cautious discretionary spending and significant AI investments. We maintain a positive outlook for the sector and our underwriting stance remains supportive. Greater caution remains appropriate for high-growth businesses reliant on debt-funded investment, as well as companies displaying sustained margin pressure, increased leverage or significant exposure to low-margin hardware resale.

Metals



UK steel and metals markets enter Q4 facing a combination of trade disruption, fragile demand and continuing restructuring across the domestic steel industry.

The introduction of new steel quotas from July materially restricted tariff-free import volumes and has increased costs for many stockholders and distributors, while creating supply chain disruptions and additional working capital requirements across the sector. The adoption of CBAM (Carbon Border Adjustment Mechanism) from January 2027 will introduce an additional level of import constraints, particularly for markets outside of the EU. Concerns surrounding the long-term future of domestic steel production continue to dominate the headlines despite government intervention as the sector suffers through uncompetitive energy costs, subdued demand, weak industrial output and global overcapacity.

> "The adoption of CBAM from January will introduce an additional level of import constraints."



Nicola Harris
Senior Underwriter

Looking ahead, we expect trading conditions to remain challenging through Q4 and into 2027. Businesses with strong liquidity, disciplined stock management, and diversified end markets should remain resilient. However, pressure is likely to persist on import-reliant distributors, low-margin processors and businesses exposed to weaker construction activity. Our underwriting focus remains centred on strong working capital managment, funding accessibility and margin preservation.

Paper & packaging



> "E-commerce continues to support demand. Corrugated packaging and cardboard products remain supported by structurally higher levels of e-commerce than before 2020."



Chris Wall
Senior Underwriter

Now more than ever sustainability and circularity are in the spotlight as Extended Producer Responsibility commences.

The sector remains broadly stable, with growth concentrated in sustainable packaging, while producers continue to manage cost pressures and changing regulatory requirements.

Extended Producer Responsibility (EPR) is reshaping the market. The scheme increases the financial importance of recyclability. Packaging that is easier to recycle attracts lower costs, while complex multi-material packaging faces higher charges.

Industry consolidation is increasing. Economies of scale are becoming increasingly important as businesses seek purchasing power, operational efficiency and greater resilience to cost fluctuations.

Overall, the sector remains stable with selective growth opportunities. High working capital and funding requirements are common across the sector. There remains a very high dependence on bank funding making businesses vulnerable to tightening credit conditions or weakening cash generations. Expectations are of increased interest rates through 2027 adding to the cost burden.

Retail



Ruby Hartery

UK consumer confidence suffers the biggest monthly drop since the pandemic in October.

Consumer confidence in the UK remains persistently low, exacerbated over the last year by geopolitical tensions and continued economic uncertainty, making it very difficult for businesses to maintain turnover. Against this backdrop, retailers are also facing mounting cost pressures from increases in National Living Wage and National Insurance contributions that make it even more difficult for them to preserve adequate profit margins. As a result, we continue to see elevated levels of job losses across the sector, as businesses seek to focus on reducing costs where possible. Businesses that have invested well over the last few years in blending online and in-store shopping experiences for consumers are proving to deliver some of the strongest results at present.



We are not anticipating any improvements to consumer confidence in the short term, with fuel inflation and rising energy costs beginning to bite as we enter the winter months. As a result, retailers are going to have to work extremely hard to convince consumers to spend as we enter the key Christmas trading period, with promotional activity potentially set to deepen as a result. With demand expected to remain challenging, it is vital that businesses focus on disciplined working capital and liquidity management if they are to succeed.



"Expectations for sub-sector performance improvements remain mid-to-long-term weighted."

Transport



Nicola Harris

Performance across the transport sector remains highly fragmented, with strong aviation demand contrasting against continuing pressure on road freight, logistics and parts of the automotive supply chain.

The haulage and logistics market continues to face significant margin pressure from intense competition, wage inflation, fleet replacement costs and increasing decarbonisation requirements. Insolvency levels across smaller operators remain elevated as businesses struggle to recover rising costs. Within automotive, manufacturers and dealer groups continue to adapt to new Chinese entrants and the ongoing EV transition as electrified vehicles dominate 57% of new car registrations.

EasyJet's proposed acquisition highlights continued consolidation within parts of the aviation sector, one of the stronger performing sub-sectors of UK transport, supported by robust passenger demand,



healthy load factors and favourable long-term traffic forecasts.

Our outlook remains cautiously positive for diversified operators, aviation-linked businesses and logistics providers with strong customer relationships and pricing discipline. However, we remain cautious towards highly leveraged haulage operators, businesses facing significant fleet investment requirements and automotive businesses exposed to changing OEM (original equipment manufacturer) strategies. Any meaningful improvement in freight profitability is likely to be gradual and dependent upon a stronger economic backdrop emerging in 2027.

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