Scrap Metal Market Report
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Green Scrap for Green Steel!

What is the Impact of the Conflict in the Middle East?

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General Developments

The German economy is only slowly managing to free itself from the restraints of the energy price escalation, the tightening of the fiscal policy and the general global economic decline; this is delaying the long expected economic recovery. Even though the increase in the rate of inflation sank considerably during September, now only 4.5% compared to September 2022, the general mood can still be described as pessimistic. In view of the easing price pressure on the upstream economic stages a further, albeit slowly, flattening price dynamic can be expected in the coming months. Purchasing power, which took a hard knock due to inflation, is slowly improving and in conjunction with significant wage increases and a robust employment situation is likely to lead to a slow and gradual recovery in private consumption. In the light of the high investment required in the course of the transformation to a climate-neutral economy, the mechanical and plant engineering sector is also likely to pick up somewhat in the near future. In contrast, the construction industry is expected to continue to decline given the significant rise in interest rates and increased construction and material costs. Positive sentiment indicators exist, but the general attitude of the economic actors is still characterized by great uncertainty.

Scrap Market

At the beginning of the month, it was assumed that the Asian market would show further demand stimuli and reveal a similar picture to the September market. In recent months, Asian consumers have had a strong influence on material availability and have been seen as an additional sales outlet for many retailers. However, contrary to expectations, the export market continued to decline. In general, the scrap market continues to struggle with low material availability and limited turnover opportunities. The availability of both obsolete and industrial scrap was up to 30% lower than during September. The situation, particularly on the obsolete scrap market, is unlikely to ease due to subdued collection activity in the cold winter months. In addition, supply chain disruptions have become apparent at some large automobile manufacturers and material availability has been limited. The significantly reduced inflow did not prevent steel mills from reducing their offered prices. Depending on the region, scrap prices in October ranged from unchanged to price reductions of €20/t. Despite these price reductions, the limited supply of scrap did cover demand. The market was neither predictable nor straightforward, but the further the month progressed, the more stable the market became.

Regional Developments

In the **north**, one steel mill still has one of its blast furnaces shut down. On the whole, demand was subdued, which enabled consumers to obtain price reductions of €10/t. In the **east**, the scrap price differential from September meant that if demand was solid, price adjustments of up to minus €20/t were seen, depending on the relevant price at the end of September. In the **west**, one mill showed significantly reduced demand, whilst another was more active on the market. Here prices remained largely unchanged. The **southwest** was characterised by reduced capacity utilisation in the construction industry. However, contrary to expectations, demand for scrap improved somewhat, with prices only falling by an average of €5/t. The incoming order situation along the **Saar** river is still poor. One mill did not appear on the market, as it had sufficient scrap in stock, another reduced its demand by a third. Prices remained unchanged. In the **south**, one consumer had noticeably reduced demand and purchased at prices ranging from unchanged to minus €10/t.

Neighbouring Foreign Markets

In **France**, prices fell slightly by between €5-10/t this month, depending on the consumer and their requirements. In **Belgium**, prices softened by €10/t. On the **Italian** market, consumers initially tried to lower prices, as limited turnover options led to low scrap demand. However, scarce material availability underpinned prices, so that on the whole, September pricing levels were apparent throughout October. **Austrian** mills differentiated between scrap qualities; offered prices for obsolete scrap remained unchanged, whilst those for industrial scrap sank by €10/t compared to September. In **Switzerland**, one consumer with significantly reduced demand was able to buy scrap at unchanged prices or with a slight price adjustment of minus €5/t. In the **Czech Republic**, the financial difficulties experienced by one consumer are still a cause for speculation. Here scrap prices remained unchanged or dropped by up to €10/t. On the **Polish** market, demand for construction steel has improved somewhat. Scrap prices sank by €5-10/t.

Global Scrap Market

The uncertainty hovering over trading activity, especially for rebar, has significantly increased as a result of the Middle-East conflict between the Israelis and Palestinians. The outbreak of war could have a significant impact on Turkish and Russian long steel exports. Turkish steel exports to Israel reached almost € 2 million tonnes in 2022. Although exports have declined this year and market shares were lost to Russian suppliers, Israel still accounts for 10% of total Turkish steel exports. From January to August, Russia shipped more than 700,000 tonnes of rebar and wire rod to Israel. Turkish steel mills are still trying to push through further reductions in scrap import prices. Turkish trade in long steel products has stagnated, especially for rebar, despite some works reducing their finished product prices by $10-20/t. For the time being, both scrap purchasers and scrap sellers have withdrawn from the market to analyse the new situation. Opinions on the effects of the Middle East conflict are very varied. While some market players assume that trade in long steel will cease until the conflict is resolved, other observers expect the impact to be less significant. Overall, it is expected that the volume of deep-sea campaigns during November will decrease accordingly. The import prices on the short-see market are being underpinned by the conflict. From January to August this year, scrap purchases from Israel amounted to 275,000 tonnes, compared to 325,000 tonnes last year. The general weakness of the Euro against the US dollar is playing into the hands of scrap purchasers, as with this backdrop price reductions are easier to push through. However, increased freight costs and the lack of cargo space are making transport, in general, a challenge. Prices could continue to come under pressure, as sellers are looking for outlets for their freight loads to Israel, as currently in Israeli ports grain deliveries take precedence. Steel suppliers fear order cancellations and are trying to divert their ordered loads to other ports. The restrictions imposed by the conflict are negatively impacting the ability of ships to leave ports. There is also a lack of HGV transport possibilities and delivery interruptions as well as payment difficulties are hampering trade.

Foundries

Depending on the consumers in question, the foundry market reveals a varying picture; whilst those foundries who have the automotive industry as their main customers have a good order book situation, for others the general situation is gloomy. Foundries supplying parts upstream of the plant and mechanical engineering sector are still suffering under a declining market, as has been the case for months now. Non-index linked foundry scrap prices have fallen by 10-15 €/t.

Outlook

Some sentiment indicators, such as slightly rising demand and cautious stabilisation, suggest that industrial production has already reached rock bottom. At the coming turn of the year, the economy could start to bounce back. In the coming years, economic research institutes are expecting a gradual recovery in Germany's key trading partner countries. However, market stimuli from China is expected to be less than previously thought. Many market participants have no great expectations concerning the scrap market during November and December. Consumers are already announcing production interruptions and downtimes during the period from October to December. During this period, necessary maintenance work will be carried out and production cuts should ease the pressure on the finished material sales market. Scrap prices are marginally under pressure; however, the extent of the counter-pressure is uncertain. Significant demand stimuli can probably only be expected from the export market.