Scrap Metal Market Report

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Green Scrap for Green Steel!

The Interplay between Turkish and Asian Demand

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General Developments

The reverberations from the loss of purchasing power for private consumers and continuing consumer uncertainty are putting a damper on economic developments. Weak foreign demand is exacerbating the situation further. Despite more favourable conditions, such as sinking inflation and increasing real income, the economy is not recovering. Even though the rate of inflation sank to 3.8% in October, its lowest rate since August 2021, a positive market dynamic is not perceivable; admittedly the rate was still at 4.5% during September. For the first time since January 2021 energy costs have fallen, by 3.2% compared to the same month last year; this is one of the reasons for the drop in the rate of inflation. For the coming months, a more lively but slowly flattening price dynamic is expected. The tightening of the fiscal policy is still having a dampening effect with regards to demand and the net product in industry, construction and trade is still declining.

Scrap Market

Steel mills regularly referred to high production costs and a difficult demand situation for finished products, which is still currently very subdued. In the light of a reduced supply in available inflow material, large price reductions were simply not an option. Once again, the international market acted as a discharge valve. Primary material was much sought after and this exerted substantial counter pressure on obsolete scrap pricing, such that the price difference between primary material and treated scrap in some instances no longer justified the treatment of primary material. The interplay between Turkish and Asian demand had a calming effect on the uncertainty surrounding demand levels on the market; as soon as demand from one side started to wane, the other side was quick to take over the reins. When seen as a whole, this resulted in a settled and firm international market. Obsolete scrap availability was not only under pressure from the export market, but also as a result of a considerable decline in demolition activity. Many new projects have been put on the back burner due to unfavourable economic conditions, such as high financing and construction costs, and as a consequence, demolition work has been reduced to a bare minimum. The difficult market situation regarding obsolete scrap is increasingly being reflected on the industrial scrap side; low purchasing interest leads to low capacity utilisation and resultingly to lower industrial scrap production. This situation is accompanied by much discussion on hiring freezes and existing staff cut-backs in the automotive industry and its upstream suppliers. On the scrap market, more or less unchanged pricing is emerging, with just a slight tendency towards the flattening of some price peaks. The price negotiation range was very broad this month; prices were dependent on the region concerned, diverging turnover paths and outgoing price levels at the end of October.

Regional Developments

Demand from steel mills in the **north** of Germany was reduced due to production cut-backs. Prices remained largely unchanged, with slight price adjustments of up to minus €5 per tonne. Very occasionally, higher adjustments were seen. In the **east**, slight corrective price adjustments, as a result of differing price levels in previous months, saw prices move against the general trend with marginal price increases of up to €5 per tonne. In the **west**, a significantly reduced level of demand became apparent, which resulted in prices in this region falling considerably more than in other regions; market participants spoke of €10-20 per tonne. In the **south west**, there was a slight improvement in the incoming order situation, resulting in higher demand for obsolete scrap. Prices tightened and increases of €5-10 per tonne were seen, compared to last month. Along the **Saar** river, demand fell by a quarter and prices remained unchanged. In the **south**, one of the large consumers in the region showed a marked reduction in demand and has already indicated that the usual holiday period shutdown would be brought forward to the beginning of December. On the whole, prices remained the same as those seen at the end of October.

Neighbouring Foreign Markets

French steel mills raised their offered prices by €5 per tonne during November. Consumers in the **Benelux** countries followed this trend; some consumers left prices unchanged, but for the most part price increases of €5 per tonne were also seen. Consumers reported that demand was decent and export activity was strong enough to justify the price increases, whereby they stressed the limited availability of shredder scrap. On the **Austrian** market, October scrap prices continued throughout November; albeit, in some cases industrial scrap prices fell by up to €10 per tonne. **Swiss** consumers, on the most part, either left their offered prices unchanged or where significantly reduced demand allowed, lowered their offered prices by €5 per tonne. Prices on the **Italian** market needed to come in line with prevailing market pricing, resulting in price increases of €5-10 per tonne. On the **Polish** market, prices (converted to Euro) fell by €5-15 per tonne. On the **Czech** market, with an overall fall in production needs, prices were congruent with October pricing.

Global Scrap Market

Turkish mills purchased fewer deep-sea freight loads for November shipping than had originally been expected. The reasons for this reduction in demand were difficulties in the stimulation of sales and the associated lower capacity utilisation levels at the mills, which currently stand at approximately 50%. Higher electricity prices pushed up production costs, which in turn led to an increase in finished steel prices. However, the steel producers were unable to pass the increased costs on to their consumers. cThe initial tentative attempts to stimulate the Turkish domestic and export markets were underpinned by a rapid recovery on the Chinese market. The director of the People’s Bank of China (PBoC), Pan Gongsheng, reported that China would succeed in achieving its aim of 5% economic growth this year. The bank has increased its efforts to boost the real economy and will offer liquidity loans with a relatively high debt burden if and when necessary.
On the global scrap market, a well-balanced interplay between Turkish and Indian demand led to a stabilisation of the market. In the light of the short production period during December and for fear of rising scrap prices many Turkish consumers, encouraged by price increases on the US market and the return of Indian demand, expanded their purchasing campaigns to include scrap purchases for December and January delivery. Initially, only low quantities of scrap were available on the short sea market, so Turkish consumers mostly turned their attentions to the deep sea market. On 14th and 15th November Turkish steel producers followed the increasing export price trend, announcing an increase in their domestic scrap purchasing prices of 295-300 TRY per tonne (10-12 US-$ per tonne).

Foundries

On the widely diversified foundry market, the situation is very difficult. Foundries upstream of the plant and mechanical engineering sector have been battling with very unfavourable conditions for a considerable length of time. In addition, subdued turnover in the automotive industry is now also exacerbating the situation. The announcement of recent insolvency proceedings from one of Germany’s large, traditional ironworks was the subject of many a discussion in the trade and shows once more how bleak the market mood is in this sector. Similarly to feeder material prices for steel works, prices for non-index bound scrap grades stabilised at a more or less unchanged level.

Outlook

Steel mills increasingly referred to the shutdown periods at the end of the year; besides being used for maintenance and renovation work, shutdowns are also an effective method of curbing production, cutting production costs and stabilising finished product prices. The length of the shutdown periods is at the moment difficult to

foresee, as many consumers are continually analysing the situation so that if necessary, the variable shut-down periods can be extended. Material availability is likely to remain limited. Market participants are certain though, that securing scrap at the cost of reduced margins is definitely not an option.
On the demand side, the recent judgement made by the German Federal Constitutional Court, in Karlsruhe, has given rise to uncertainty. The judgement requires the German government to review its intentions concerning the use of funds for the transition to a low-carbon, nuclear-free economy, known in Germany as the Energiewende. 60 billion Euro of Germany's planned economic budget, which were to be allocated to the climate and transformation fund, have been frozen. After the court ruling, the finance ministry subsequently imposed a suspension of nearly the whole government budget. This decision could lead to investments being postponed or even cancelled, which in turn would lead to lower public demand.