International Price Requests for March Stabilise Pricing

Scrap Metal Market Report - January 2024

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General Developments

At the turn of the year 2023/2024 the general economic situation was, and still is, weak. This can be attributed to the aftereffects of previous crises, especially the loss of purchasing power associated with them, continuing weak global economic developments and the presence of global geo-political threats. At the end of 2023, the gross domestic product for the whole of 2023 fell, in real terms and seasonally adjusted, by 0.3%. Encouragingly, investment in the plant and mechanical engineering sector showed a marked plus with an increase of 3%; this can probably be attributed to the continuingly high numbers of orders on hand and the good equity base of the companies concerned. Numerous investments made in the transformation of the industry are supporting this positive development. Whereas the domestic incoming order situation has stabilised recently, weak international demand is still putting pressure on the industry's economic development.

Scrap Market

On the domestic market, short supply, especially for obsolete scrap, is still the order of the day. The export market is still pulling a considerable amount of material away from the domestic market. Scrap prices to the export depots have continued to increase and primary material is hard fought after. These developments resulted in some aggregates halting their production as the proceeds from the sale of their finished products no longer covered their production costs. Dutch exporters pushed further onto the German domestic market to obtain material to cover existing or future scrap sales. Demand from Belgium for primary material also increased due to transacted export sales. In south Germany, Italian importers were very active, showing increased demand for scrap for their Italian consumers. Logistical hindrances in this area are manifold and freight space is proving very hard to come by. Freight costs vary considerably, as some logistic companies have drastically increased their prices in the light of the increase in the HGV toll. Alongside low demolition activity, adverse weather conditions are also contributing to a limited inflow of obsolete scrap. The situation regarding industrial scrap is not quite as tight as for obsolete scrap. However, the outflow of high quality industrial scrap to the export market is likely to increase pressure on these grades on the domestic market. Some contracts for immediate delivery, especially for quantities of obsolete scrap, were made at the beginning of the year on the domestic market, but due to the volume of domestic and international demand were of very little consequence. In general, prices on the German domestic market rose by €10-15 per tonne during January.

Regional Developments

Scrap prices in the **north** of Germany increased by €10-15 per tonne. Consumers reluctantly accepted the price increases as proceeds from steel sales, especially for construction steel producers, didn't really allow any room for scrap price increases. In the **east**, demand was good and prices rose by €10 per tonne. In the **west**, scrap demand was very low; one mill showed no demand as it had already covered its requirements for January in previous months, whilst another mill only showed reduced demand after a furnace malfunction in December. Price mark-ups of €20 per tonne were somewhat higher, as there was a demand backlog from the previous month. It is expected that scrap demand in the region will return to relatively normal levels during February. In the **south west** demand was good and price increases of €10-15 per tonne were achieved. Along the **Saar** river demand was also good and prices rose by €10 per tonne. One consumer announced price increases of €10-15 per tonne. In the **south**, one consumer left its offered prices unchanged, compared to last month.

Neighbouring Foreign Markets

Prices on the **French** market rose by €10-15 per tonne during January. Available scrap quantities were on the low side. The situation was similar in **Luxembourg**, where prices rose on average by €10 per tonne. Consumer scrap acceptance at the mills did not always run smoothly. In **Switzerland**, the market was more varied; one consumer showed no demand as it had already purchased scrap to cover its January requirements during December. Another consumer paid price increases of €10 per tonne for its required quantities. **Italian** consumers were initially taken by surprise at the considerable resistance shown by scrap dealers as they were expecting prices to remain unchanged from last month. Negotiations were a very long, drawn-out affair. After initial price demands of plus €25 per tonne, in the end price increases of €10-15 per tonne were negotiated. On the **Austrian** market, initial low price increases of €10-20 per tonne were seen. One consumer entered the market with offered price increases of €15-25 per tonne; industrial scrap prices were at the lower end of the price range at plus €15 per tonne, whereas obsolete scrap prices at plus €25 per tonne were at the other end of the range. On the **Polish** market, prices rose on average by €10-15 per tonne, compared to last month. Extreme adverse weather conditions hampered material inflow considerably. On the **Czech** market domestic scrap demand was weak, but the market profited from strong export demand. Here too, prices rose on average by €10-15 per tonne.

Global Scrap Market

At the beginning of the year, negotiations for scrap sales started quickly on the international markets. Major scrap suppliers stuck to their guns regarding price increases, as scrap prices had softened towards the end of 2023. Turkish consumers, who still needed scrap quantities for February, agreed to pay the price increases. According to market participants, at this point in time Turkish consumers had covered up to 50% of their February requirements. The stabilising effect on the market spilled over on to the short sea market, where the majority of suppliers withdrew their initial lower offered prices and increased them accordingly.

The resulting increasing price momentum was largely supported by the sustained stabilisation of the Turkish finished products market. Turkish steel producers increased their finished steel prices in order to cover their increasing costs, although at the same time, demand for long steel products weakened somewhat. Consumers were active on the market in the first two weeks of January to increase stock levels. Due to further contract closures, prices for steel scrap on both the deep sea and short sea markets increased. This upward trend was further supported by the finished products market and the short-term recovery of Chinese iron-ore prices. Russian suppliers reappeared on the market, but they did not appear to be in any hurry to negotiate and close contracts. It was expected, that the offered prices from continental Europe would have been higher as a result of the adverse wintery weather conditions. Suppliers, especially those in the ARAG region, saw no possibility to reduce their prices. The harsh wintery weather conditions are still hampering trade operations on the continent. During the course of the second half of the month, Turkish steel producers started asking for price offers for scrap quantities for March delivery, thus further supporting the market stabilisation at its current level. In the meantime, the extreme weather conditions are now spreading from Scandinavia to the United Kingdom.

Foundries

Many foundries have announced the introduction of short shifts for one to two days a week to compensate for the current poor incoming order situation. Whereas in the steel industry, transformation is, in parts, already well underway, it's a completely different story in the foundry industry, where foundries are finding the process very difficult. The cupola furnace operators, especially, see themselves faced with huge challenges. Government funding and support appear to be the exception here rather than the rule.

The availability of obsolete scrap on the foundry market is also problematic. Whereas the supply of high quality industrial scrap is still running smoothly, it is becoming increasingly apparent that foundry grade obsolete scrap is becoming scarcer. January prices ranged from a sideways movement to increases of up to €15 per tonne for non-index bound scrap quantities.

Outlook

It is unlikely that there will be a quick turnaround of the economy in the very near future. However, during the further course of the year, a domestic economic recovery and a recovering export market should see a recovery for the scrap industry. Expected are a number of inflation-reducing factors, such as falling prices in upstream economic stages, especially in energy and producer prices on the markets, but also through the tightening of the fiscal policy by the European Central Bank and reasonable wage settlements.

The shortage of material available on the market, especially for obsolete scrap, will undoubtedly continue in the near future; low demolition activity and adverse weather conditions are hampering material inflow to the scrap yards. Many exporters have depleted all their stocks and are now in the process of increasing their purchasing radius in order to procure scrap quantities for existing and/or future sales contracts. Scrap prices are on the whole at a high level, whereby capital commitment is playing an increasingly important role.