Price Concessions Steady the Market

Scrap Metal Market Report - February 2024

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General Developments

Current early indicators are not yet pointing towards a noticeable upturn in the German economy. The economy is still suffering under the yoke of increased material and finance costs as well as continuing weak domestic and international demand. In addition, public transport strikes and high employee sick-leave numbers, which limit the work volume, are exacerbating the situation further and delaying an economic recovery. According to the ifo-Business Climate Index for Germany, after evaluation of the current economic situation and the outlook for the coming months, the situation has worsened even further. Increased delivery times and higher freight costs, due to the Huthi attacks in the Red Sea, are also hindering the economy. Developments in private consumption are resulting in a rather pessimistic mood; according to GfK prognoses, the consumer climate index will sink by 29.7 points, sinking to its lowest value since March 2023, where a drop of 30.6 points were seen. However, the consumer price index rose by 2.9% last month over a twelve month period; this is the lowest increase since June 2021, leading to a brighter outlook for consumer behaviour.

Scrap Market

During February, scrap prices rose on average by €10 per tonne. Many domestic consumers adjusted their offered prices to come in line with prevailing export prices. Market participants initially feared further international buying sprees along with the associated possible price increases. However, these purchases did not take place, consequently the market stabilised. On the whole, price increases were necessary to calm the market. Domestic and Export prices settled at a similar level and, as a result, domestic prices were considerably more competitive than previously. Even so, material availability on the market was generally still a problem. Additional quantities sold to consumers during January were still being delivered in February; there were number of factors contributing to delayed deliveries. In some plants, the negative effects of the rail strikes were still noticeable, but in the majority of cases these problems have now been overcome. At the then prevailing price levels, the quantities still out for delivery and quantities available on the market, on the one side, and scrap demand, on the other, were considered to be in equilibrium.

Regional Developments

In the **North** of Germany, consumers entered the market offering price increases of €10 per tonne and with quick negotiations were able to calm the market. Scrap inflow has stabilised somewhat, but many scrap dealers are living hand to mouth as material availability is still very limited. In the **east**, prices also rose by €10 per tonne. However, some mills are still offering prices lower than what the trade expects. In the **west**, February demand was very low. One large consumer was only able to recommence its normal purchasing activity during January after an unintended production halt at the end November last year. The consumer accepted accumulated outstanding quantities and purchased further quantities at unchanged prices. Another mill also showed low demand for scrap, but paid price increases of €10 per tonne, compared to last month. In the **south west**, scrap demand was higher than expected and prices increased by €10 per tonne. In the **south**, prices were also up by €10 per tonne.

Neighbouring Foreign Markets

French consumers closed February negotiations with price increases of €5 per tonne. Consumers in **Luxembourg** also closed at +€5 per tonne, whereby here only 75% of demand could be covered. **Austrian** consumers closed their negotiations at prices ranging from unchanged to price reductions of up to €10 per tonne; industrial scrap prices remained largely unchanged and obsolete scrap prices were at the other end of the range, at -€10 per tonne. One mill purchased all scrap at unchanged prices, this was seen as a price correction on last month's pricing. In **Switzerland**, prices ranged from unchanged to -€10 per tonne, compared to last month. **Italian** consumers initially indicated that they would be reducing their offered prices considerably. However, they were forced to make concessions, so that ultimately at the close of negotiations prices remained unchanged. On the **Polish** market, prices remained largely unchanged. In the **Czech** Republic, demand was low and prices fell by €10. One consumer was not present on the market.

Global Scrap Market

At the beginning of February, the majority of European scrap exporters were not present on the market. Initially, a contract closure made the rounds concerning a Dutch supplier who sold HMS 1/2 (80:20) grade at US-$415 per tonne, CFR Türkiye. This sale resulted in the export price estimate (CFR Türkiye), given by Metal Expert, to rise from US-$410 per tonne in the previous week to US-$415 per tonne. In the United Kingdom, an unusually mild January led to sufficient scrap availability, albeit domestic demand was moderate. As a result of scarce activity on the Asian container market, UK scrap exporters turned their attentions to the Turkish market. A Turkish steel producer, situated along the Black Sea coast, purchased a freight load of UK scrap at US-$442 per tonne (CFR Türkiye), consisting of 20,000 tonnes of shredder scrap and 20,000 tonnes of bonus scrap.

The short-sea trade drove scrap prices upwards for a short period. Many suppliers reported that Turkish consumers offered US-$400-405 per tonne (CFR Türkiye), depending on its point of origin. With only an estimated 6 purchased deep-sea loads for March delivery at the beginning of February, Turkish consumers probably took advantage of the situation to purchase further quantities of scrap.

European suppliers require at least US-$419-420 (CFR Türkiye) for scrap grade HMS 1/2 (80:20) to be able to sell their freight loads at a profit. At the same time, US exporters are not budging from their minimum price of US-$425 (CFR Türkiye). The market softened every now and then, as a result of apparent lower price offers, but these concessions were only an exception to the rule. Despite the US-domestic market softening by up to US-$30 per tonne, depending on the grade concerned, the export market is tight. The very varying market appearance in the USA shows a very soft domestic market, but a stable export market. Much depends on how much material Russian exporters bring on to the market and how much flexibility Baltic suppliers are prepared to show. At the moment, as far as scrap prices are concerned, both Russian and Baltic suppliers are showing a degree of flexibility. One Turkish consumer is planning a joint venture with a Dutch scrap exporter to secure the supply of raw materials. This joint venture intends to ensure that existing plants are operated at a high technological level.

Foundries

Foundries appear to be increasingly under pressure. Increasing disposal costs, limited channels for material disposal, high CO_2 emissions and high raw material prices are negatively impacting the economic outlook of foundries. Whilst usually the focus of attention was always on the large consumer groups, such as suppliers upstream of the automotive and plant and machinery industries, the difficulties faced by the foundry industry are now spread across the board. Many foundries are even finding themselves in an existence-threatening situation. Whilst the monthly purchased scrap quantities during December were still good, purchasing behaviour during January was hesitant and by February a high degree of caution became apparent. Prices for non-index bound scrap grades rose by €10 per tonne.

Outlook

It appears that global demand and stock-piling, associated with delivery chain disruptions, are getting back to normal. Increasing wages and sinking inflation should mean that a recovery in private consumption can be expected in the coming months. At upstream economic stages, further price concessions are becoming apparent. Against this backdrop, inflation dampening measures, including an expected fiscal tightening from the European Central Bank, should result in a normalisation of the economy as the year progresses.

As far as scrap availability is concerned, market participants are expecting the situation to remain tight. In the coming month, all eyes will be on domestic demand for finished steel products from the steel industry. At the end of March, the Easter holiday begins and the questions remain whether this period will possibly be used to curb production levels and, if so, to what extent. In general, it is expected that the market price structure will remain stable or will show slight downward price corrections in the coming month.