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Scrap Metal Market Report

No. 036 *compiled and edited by J. Hanke –22nd March 2024*

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Green Scrap for Green Steel!

Pricing Uncertainty in a Declining Export Market

Scrap Metal Market Report - March 2024
Editorial Deadline: 22.03.2024

General Developments

Positive tendencies in industrial production, the construction industry and foreign trade at the beginning of 2024 have not yet resulted in any tangible positive economic developments. Weak domestic demand, high financing costs as well as a muted mood from both private and commercial consumers are hindering such developments. Meanwhile, inflation sank to 2.5%, reaching the lowest level since June 2021. Thus, the rate at which prices have been increasing has been declining since March 2023. According to the ifo business climate index, the general mood amongst businesses has improved somewhat in the last month. Generally, businesses see the outlook for the coming month as more positive, but still at a low level. Lengthy delivery times, caused by numerous strikes and attacks on ships passing through the Red Sea, are further exacerbating material shortages.

Scrap Market

At the beginning of the month, there was considerable uncertainty amongst market participants concerning negotiable scrap prices. As a result of the continued weakening of the export market, domestic prices also suffered accordingly. Despite this, many scrap dealers complained of difficulties in procuring material, in particular obsolete scrap. Primary material was widely sought after, whereas demand for finished products remained weak. Demand from export yards remained high. This resulted in only a marginal price gap between primary material and finish product prices, where at times the gap was only €5 - €10 per tonne; thus, for many aggregate operators the treatment of scrap was simply not economically viable. The situation for primary shredder material has eased slightly. Some market participants reported that due to short material inflow they were first forced to supply quantities from outstanding contracts. Collection of obsolete scrap has increased due to the improvement in weather conditions, but the slump in demolition activity is still resulting in low obsolete scrap inflow. In some areas, the inflow of industrial scrap has also declined by up to 10 -15%. Generally, scrap prices fell by an average of €20 per tonne during March.

Regional Developments

In the **north** of Germany, on the whole scrap prices fell by €20 per tonne. The price gap between primary and finished material was so small that in some cases the scrap processing costs could not be covered. Primary material was sought after, whereas demand for finished material was subdued. In the **east**, price reductions were more pronounced, ranging from €20 – €25 per tonne. More pronounced price reductions on the Polish market offered slightly more scope for consumers. However, price reductions for turnings were more moderate at €15 - €20 per tonne. In the **west**, scrap demand stabilised somewhat and one mill reduced its offered prices by €15 per tonne. In the **south west**, prices varied; industrial scrap sank by a moderate €15 per tonne, whereas higher price reductions of €20 per tonne for obsolete scrap were seen. In the **south**, prices fell on average by €10 - €20 per tonne. Along the **Saar** river, demand stabilised and material availability was relatively good. Contracts were closed with price reductions of approximately €20 per tonne, compared to last month.

Neighbouring Foreign Markets

In **France**, prices fell more than in Germany with price reductions of €20 - €30 per tonne. In comparison, price reductions in **Luxembourg** were much more moderate, at €10 - €15 per tonne; price reductions for turnings were at the lower end of the range. On the **Austrian** market, there was considerable price differences depending on the grade concerned; obsolete scrap prices fell by €18 per tonne, whereas as those for industrial scrap by a more moderate €15 per tonne. Whereas **Swiss** consumers were aware of very good material availability last month, this month the situation was much tighter. Despite this, they were still able to push through price reductions of €10 - €20 per tonne. On the **Italian** market, prices softened by €20 per tonne, the same as on the German market, although in Italy various price strategies were seen and some reductions were less pronounced. Demand on the **Czech** market is not very high and prices sank by €20 - €25 per tonne. On the **Polish** market, higher price reductions of €25 - €35 per tonne were seen during March.

Global Scrap Market

Continuing cautious purchasing behaviour on the part of Turkish importers increasingly negatively impacted March trading. In the light of the rapid speed that Turkish import prices were declining, a drop of US-$18.50 within one week, European exporters pushed vehemently for price reductions for inflow material to their yards. However, as a result, it became increasingly difficult to procure material. The lack of global demand for steel later led Asian consumers to also make a downward price correction to their original price expectations; as an example, the Taiwanese Steel producer Feng Hsin reduced its offered scrap prices at the beginning of the month by US-$9.50 per tonne and at the same time reduced its rebar sales price by the same amount. Turkish consumers continued to attempt to cover demand for April shipment on the deep sea market and on the short sea market for prompt shipments required for March. Both supply and demand volume were declining considerably.

US exporters disappeared completely from the Turkish import market whilst biding their time and observing their domestic market, which subsequently yielded drastic price reductions of US-$50 - US-$70. Exporters on the north-east coast conceded huge price concessions at their ports, as the Turkish import market continued to weaken. Market participants on Asian market also bade their time and waited for the results of the Japanese Kantor tender, which as expected, closed with a price reduction. The purchasers were Bangladeshi consumers, whose domestic market had been considered stable up to this point.

In the middle of March, stabilising tendencies were observed on the Turkish import market, whereas on the Asian market a further weakening of the market was apparent. Some European suppliers indicated willingness to sell, but their price expectancy for HMS 1/2 (80:20) scrap grade was around US-$380 - US-$385 per tonne (CFR -Türkiye). At this point in time, Turkish consumers were not willing to pay more than US-$370 - US-$375 per tonne for the above-mentioned grade. In the second half of March, Turkish import prices started to rise again, due to reported contract closures on the deep sea market.

Foundries

On the foundry market, the prices for non-index bound scrap grades fell by €10 - €20 per tonne during March. Reduced demand darkened the mood on the foundry market. The automotive industry, which for a considerable length of time has been seen as the industry underpinning the foundry market with regular purchases of scrap, also reported a declining market trend. Some foundries are using the Easter holiday period to lengthen their initially intended production stoppage period; this production throttling is intended to reduce quantities available on the market and, thus, counterbalance reduced demand.

Outlook

Developments on the global market remain interesting, especially concerning Turkish steel demand, but also Asian steel demand. As far as the scrap market is concerned, increasing and stabilising price trends are apparent. Many market observers have reported that rock bottom appears to have been overcome. It remains to be seen how scrap demand will develop after the end of the fasting month of Ramadan. In the meantime, it is expected that obsolete scrap inflow will decrease somewhat, due to reduced collection activity during the Easter period. Companies are using this period to increase the length of production stoppages to limit production quantities. In general, low scrap stocks along the whole supply chain are indicated, which means that the scrap market will respond quickly, and with a tangible effect, to any changes on the market.