Marginal Price Corrections on a Balanced Market

Scrap Metal Market Report - April 2024
Editorial Deadline: 19.04.2024

General Developments

Latest economic data points towards a trend reversal, but the overall situation remains unsettled. The general mood emanating from industry and private consumers has improved since the beginning of the year, but uncertainty is still rife in the light of the weak order book situation and the continuing political risks involved. Inflation went down to 2.2% during March, reaching the lowest level since April 2021; this represents a continual fall in the inflation rate since March 2023. Currently, many more sectors are expecting increasing exports than was the case last month. It has recently been estimated that there is an improvement in the number of export orders on hand, albeit considerable fluctuations are also apparent.

Scrap Market

In general, scrap prices remained stable with some marginal price corrections. These were necessary to correct March pricing levels; this was particularly apparent in the east of Germany. Price corrections ranged from between plus €2 - €5 per tonne to slight reduction up to minus €5 per tonne. Scrap demand and supply were in equilibrium, which was reflected by the price stability on the market. Prices remained stable at a high level. Supply was not over abundant, but scrap found its way to domestic consumers and was sufficient to cover their demand. Despite this, scrap availability was still described as tight, but with a slight tendency towards recovery. The squeeze on obsolete scrap is more pronounced than it is for industrial scrap. The majority of participants on the international market were taking a wait-and-see approach, which was reflected by marginal activity on the international market. Once again, attention was turned to the domestic market and finished steel production quantities at the domestic steel mills: how high would the individual scrap demand from each mill be and would this demand remain stable over time? Feelers were already put out for May negotiations directly after the April purchasing negotiations were completed. There are only 19 days when deliveries can take place during May, due to the numerous public holidays and their associated bridging days; this will present a considerable logistic challenge.

Regional Developments

Compared to last month, prices in the **north** of Germany remained unchanged, although some consumers did make either plus or minus marginal price corrections, depending on the differing previous months pricing levels. In the **east**, marginal price adjustments of minus €5 per tonne were registered, whilst prices for turnings remained unchanged. In a few cases, there was an upward price correction to bring last month's pricing in line with current market conditions. In the **west**, one mill showed no demand and another reduced its offered prices by €10 - €15 per tonne. In the **south west**, prices remained unchanged. In a few cases, slight price increases of €5 per tonne were seen for obsolete scrap. In the **south**, one mill was not able to realise its intended price reductions. Prices also remained unchanged in the region.

Neighbouring Foreign Markets

Price adjustments were also seen on the **French** market, where scrap prices rose by €10 per tonne. Last month, price reductions of up to €30 per tonne higher than neighbouring European countries led to the upwards price corrections seen this month. Marginal price adjustments on the **Luxembourg** market were seen, as there too, price reductions were higher last month. In general, on the **Austrian** market prices increased; a €10 per tonne increase for industrial scrap was achieved, whereas prices for obsolete, rail and heavy plate scrap only increased by €8 per tonne. In **Switzerland**, sideways movement in pricing and some slight increases were registered. **Italian** consumers were hesitant and price negotiations were long drawn out. They revealed relatively high demand from consumers. A €5 per tonne increase was achieved for industrial scrap, otherwise the prices in average remained unchanged. Prices on the Polish market were also generally unchanged. On the Czech market, one consumer showed no demand and another consumer left its offered prices unchanged. Overall prices remained unchanged.

Global Scrap Market

The continental European exporters' selling spree ended in the last week of March with two contract closures, one from Dutch and the other from German exporters. During the first two days of April the Turkish import market was quiet, as the required quantities for April shipping were already secured and purchasing negotiations for May had not yet begun: one German contract closure for scrap grade HMS 1/2 (80:20) at US-$385.5 per tonne (CFR Türkiye) was noted. In general, European exporters held their price at US-$390, although a few exporters were prepared to accept US-$385 in the light of the weakening Euro and depending on the origin of the scrap concerned. In competition, US suppliers were expected to reappear on the market, due to a glut in supply coinciding with low US domestic prices. Lithuania proposed a ban on Russian scrap and ferrous metal imports; the proposal was supported by the Czech Republic, Latvia and Estonia. After the middle of the month, when around a dozen of the estimated 30 available bulk cargos had already been sold, it was considered that a certain amount of demand was still remained. A feasible market price for scrap grade HMS 1/2 (80:20) at US-$380 per tonne (CFR Türkiye) was set. Material inflow to the export yards is moderate and inflow scrap prices are high. Using delaying tactics, European exporters were able to put more pressure on procurement activities.

Foundries

For months now, foundry demand has been declining. Foundries attempted to reduce their contractually stipulated minimum purchasing quantities, as their order books situation is still tight. In some cases, absolute minimal quantities were delivered in order to maintain a business relationship. However, a slight improvement in the automotive sector has become apparent. Some motor vehicle manufacturers are looking to increase production of combustion powered vehicles in the near future. This could be sustained up to the end of the year. Should this occur, it would boost orders and improve the order book situation of some foundries and steel mills. This positive development should relax the tight position that many foundries find themselves in.

Outlook

After funding from the German Federal Government and the European Union for the transformation process was agreed upon, one steel mill announced extensive restructuring of its plant. Alongside a reduction in the size of the workforce, a permanent throttling back of production capacity, from 12 million tonnes per annum to 9 - 9.5 million tonnes, is intended. Curbing production is not a good sign for the German steel industry. After already low production capacity in 2023, when only 35.4 million tonnes of liquid crude steel were produced, an intended permanent reduction in production quantities is a cause for concern and leads to many uncertainties regarding German steel production. How are German steel mills expected to operate in the future under high energy and high payroll costs as well as high freight costs, due to the increase in the HGV toll?
Relatively quickly after the close of the April purchasing negotiations, the market already busied itself with possible developments on the May market. The month of May is characterised by many public holidays and the associated bridging days that many steel producers will take advantage of to reduce additional production quantities to reduce the inflow of steel to the market.