



Scrap Metal Market Report

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Green Scrap for Green Steel!



Contrasting Markets in Europe and the USA

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General Developments

Slight economic growth impulses were registered, due to investments in construction, mainly due to more favourable weather conditions, and the positive balance of exports to imports. Private consumption remained tentative. Low inflation rates and the increasingly noticeable easing of fiscal constraints as well as increasing wages and income are stabilising the labour market. Furthermore, increasing impulses from foreign trade are gradually stabilising and underpinning a more dynamic economic recovery. The April inflation rate remained unchanged at 2.2%, still showing an overall declining trend from March 2023 onwards.

Scrap Market

May negotiations closed very quickly and by the beginning of the 2nd week the majority of contracts with large consumers were already completed. Consumer acceptance of scrap quantities was relatively good, so that prices held at the same level as during April. Market participants reported that some exporters occasionally showed higher demand for obsolete scrap. Due to the continuing tight situation regarding material availability, some exporters saw themselves forced to offer price increases to secure scrap inflow to the yards; however, these price increases were kept as low as possible. In general, supply and demand on the market were in equilibrium. After the necessary treatment, scrap delivered to the traders was directly forwarded to consumers. As had already been expected, delivery logistics were particularly challenging during May; the already existing challenges were further exacerbated by public holiday bridging days and, accordingly, a reduced number of delivery days.

Regional Developments

Compared to last month, scrap prices in the **north** of Germany remained unchanged. In the **east**, prices also remained unchanged; a sideways movement in prices was quickly accepted on the part of both traders and consumers. In the **west**, scrap prices also remained unchanged. One consumer held more online auctions than usual during May. In the **south west**, slight upward price adjustments were seen. Market participants reported that both steel turnings and punching scrap were purchased at price increases of up to €5 per tonne. These grades were more sought after, hence, more effort was needed by consumers to secure their required production quantities. Increased demand from Italy, especially for turnings, had considerable influence on the **south** German market. Here, a sideways movement of prices was also registered. However, it was reported from at least one consumer that there were still outstanding delivery quantities from previous months.

Neighbouring Foreign Markets

Prices on the **French** market remained unchanged during May, with both suppliers and consumers reaching a consensus fairly quickly. On the **Austrian** market, there was a slight supply surplus of industrial scrap, leading to prices softening by up to €5 per tonne. Obsolete scrap prices, in contrast, remained unchanged. The consumer in **Luxembourg** purchased scrap quantities at slightly increased prices. Industrial scrap grades E5 (steel turnings) and E2 (new production scrap) were purchased at price increases of up to €8 per tonne. Pricing for obsolete scrap, especially light shearing scrap, remained unchanged. Compared to other neighbouring European countries, the negotiation period in **Italy** was relatively long-winded. Scrap demand outstripped supply. However, it is obvious that the increase in demand for steel cannot be attributed to an actual

increase in demand from consumers. Market participants are of the opinion that this is a measure implemented by the steel mills to reduce production costs and cut losses. On the whole, prices on the **Polish** market also remained unchanged. It was reported that container turnings and shredder scrap were in demand from abroad. In the **Czech** Republic, prices increased by €24 per tonne.

Global Scrap Market

The international market was characterised by calm and observant trading activity. After having purchased an estimated 30 deep sea freight loads of scrap for May delivery, Turkish consumers ended their buying spree and almost immediately initiated negotiations for their June scrap requirements. However, waning consumer demand meant traders stayed away from the market and mostly turned their attention to the turnover markets in India and Bangladesh instead, where scrap demand appeared to be more stable. The two most important import markets for Turkish consumers differed considerably; whilst prices on the US market took a nose dive of approximately €20 per tonne, prices on the European market, with just a few exceptions, remained more or less unchanged. The basis for the price reductions on the US market was a decline in the spot price for hot-rolled coils. Producers sought further reductions, which had an immediate effect on the scrap market. For Turkish consumers it was clear that there was no material shortage on the US market, whilst US exporters demonstratively took up trading on further turnover markets. In the second half of the month, some US and European exporters conceded ground and sold quantities at slightly reduced prices.

Foundries

The foundry scrap market still remains difficult. Foundries are continuing to complain about the weak order book situation and feel compelled to throttle back production. May provided the ideal opportunity to curb production by taking advantage of public holiday bridging days to lengthen production stoppage periods. Cost reduction programmes remain very high on the agenda for many foundries. Reports have come in that another large foundry has joined the list of foundries going through administration; a 125-year tradition, for currently over 800 employees, has come to an end. This recent insolvency demonstrates once more how difficult times are in this sector.

Outlook

Future developments in the economy are particularly difficult to forecast this month. Due to more favourable weather conditions, a slight recovery in the construction steel sector is apparent, but it is impossible to say whether this recovery represents a general trend. As far as the scrap market is concerned, there is hardly a market player willing to give a prognosis. Uncertainty as to future developments is so widespread that it undermines any attempt at an informed prognosis. However, market players do agree on one point; the situation concerning material availability will remain tense and this material shortage will be an important factor in future developments. In the current situation, the likelihood of a boost to the market from increased steel demand would neither be understandable nor explainable. Consequently, all eyes are on the international market, albeit no large market impulses are expected on this market either.