Scrap Metal Market Report
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Green Scrap for Green Steel!

Retrospective Consolidation Reveals Competitive Pricing

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General Developments

The German government's recent economic forecast showed a significant downwards revision. Instead of the expected slight growth in the gross domestic product of 0.3%, the GDP is expected to fall by approximately 0.2% this year. Private consumption remains weak; despite higher earnings and lower inflation, consumers are unsettled and are spending less money. Private economic investments are not to be seen and Germany as a strong economic location is falling further behind. To enable an upturn in the economy to take place, courageous decisions and fundamental reforms are required to strengthen the trust of businesses and thus kick-start investment activity.
According to economists, the ray of hope remains the turn of the year, when the growth dynamics should gradually recover. Supporting effects from the measures introduced under the European Growth Initiative such as increasing investment incentives and work incentives for older employees as well as facilitating the employment of skilled workers from abroad, cutting red tape, a permanent reduction in the tax on electricity and an extension of the electricity compensation for energy intensive companies, should lead to a pick-up in the growth. Economists are expecting the real GDP to increase by 1.1% in 2025 and possibly by even 1.6% in 2026.

Scrap Market

In September, many scrap traders saw the coming October market similarly weak as the September market and were surprised by the strong, tight international market, which showed a clear upward trend from the beginning of October. Since the end of September, increasing export prices on the international market were achieved, which in turn increasingly underpinned the domestic market. Consumers were unable to push through similar price reductions to those seen in September, which were on average between €25 – €35 per tonne. Price reduction discrepancies in September, which ranged from €10 - €15 per tonne, depending on the region and scrap grade concerned, continued during October. The differing price reductions were necessary for pricing to come in line with real market pricing. All in all, October prices at negotiation closure either remained unchanged or fell by up to €10 per tonne. When combining September and October pricing, the overall price reductions for the two month period were €30 - €35 per tonne. Some consumers forced through these price reductions in one go, others made the reductions in two stages. Although scrap turnover did not appear to show any significant signs of being difficult, except in a few steel mills, turnover possibilities increasingly became the main focus. Some consumers complained about low turnover quantities, others suffered under technical problems and others were already thinking about production stoppages at the end of the year. Depending on the order situation, some mills will be shutting down earlier, whilst others will stop production later. The overall mill order situation appears to be stable. However, at the beginning of the last two weeks in October, the international market influence disappeared from the domestic turnover market. Purchasing campaigns for scrap delivery in November appear to have been wrapped up. Material inflow to the market is still limited. As far as industrial scrap was concerned, price reductions were somewhat more pronounced during October, as some of the large consumers of industrial scrap only purchased small quantities or did not appear on the market at all.

Regional Developments

Scrap prices in the north of Germany either remained unchanged or fell by €10 - €15 per tonne. In the east, price reductions during September were somewhat higher and for this reason October price reductions were more moderate than in other regions in Germany. Obsolete scrap was in lesser supply than industrial scrap, so that industrial scrap prices fell slightly more than those for obsolete scrap. On the

whole, prices in the east either remained unchanged or fell by up to €5 per tonne. Market participants observed that one steel mill had much higher stocks of finished products than is usually the case. In the west, one mill had no significant demand and another showed some backlog demand and closed negotiations with price reductions of €15 - €20 per tonne. The overall level of low demand resulted in increased material availability. In the south west, price reductions of €5 - €10 per tonne were registered, whereas in the south consumers closed negotiations with average price reductions of €10 - €15 per tonne.

Neighbouring Foreign Markets

Price reductions of €5 per tonne on the **French** market were more moderate than in neighbouring countries. Depending on the scrap grade concerned, prices in **Luxembourg** fell by €5 - €10. One large consumer in **Austria** reduced its offered prices by €20 per tonne and another consumer reduced its prices by €25 per tonne for obsolete scrap and by €20 per tonne for industrial scrap. One steel mill issued a profit warning statement, as their consumers from the automotive industry are not ordering the usual quantities of steel and are currently struggling in a hostile environment. On the **Swiss** market, one large consumer showed no demand due to its poor order book situation. **Italian** consumers are in the same boat, as far as the order situation is concerned. Prices sank by €10 per tonne, slightly more moderately than last month. It appears that one mill is experiencing considerable difficulties with the return of rail freight wagons. On the **Czech** market, demand was more or less non-existent; only negligible quantities were purchased, if any at all, at price reductions of €10 per tonne. On the **Polish** market, prices softened by €5 - €10 per tonne. The **Slovakian** market also showed a softening tendency with price reductions of €10 - €15 per tonne.

Global Scrap Market

At the beginning of October, market confidence grew as positive Chinese economic data caused upward development tendencies for Turkish steel mills. However, concern arose over existing import contracts for semi-finished products; market participants reported again and again that prices for already purchased billet were renegotiated and deliveries were cancelled. Alongside the positive tendencies in the Chinese economy, rising Turkish rebar prices, approximately US-$ 50 per tonne in the last five weeks, led to expectations of a possible further cut in US interest rates and, thus, to a more positive market evaluation.
Consequently, Turkish consumers continued to cover their demand for November delivery on the international deep sea market. Two US cargos, one of grade HMS 1/2 (80:20) at US-$ 387.50 and the other of shredder scrap with bonus material at US-$ 407.50 (CFR Türkiye), were sold to a mill in the Marmara region. At the same time, European price offers sank in the light of the weaker Euro exchange rate and the US domestic market closed firmer than had previously been expected. On the US market discussions are already underway regarding November pricing. Material inflow to the European export yards has improved somewhat, as material was diverted to the export yards as a result of weaker domestic demand and the associated falling prices. The market dynamics slowed down in the last two weeks of October as the slower turnover of Turkish rebar and the seemingly lesser effect of the Chinese economic programme took their toll. On the short sea market, the price gap to the deep sea market shrank to only US-$ 8, compared to its usual US-$ 20.

Foundries

Mounting difficulties for foundries almost across the board is increasingly impacting the scrap market. During October, increasing numbers of reports from market participants that foundry grade scrap could not be turned over at the predetermined foundry came in; the foundry order book situation could simply not allow the acceptance and subsequent treatment of scrap. Scrap traders saw themselves forced to find other turnover possibilities, which in the light of foundry-calculated pricing is not going to be any easy task. This situation forced traders to turn to steel mills, causing an increase in supply volume to the mills. However, the mills grade the qualities they require for their production process completely differently to the foundries and are simply not prepared to pay the price the scrap trade requires for foundry grade scrap. In an attempt to adjust to the prevailing economic situation, foundries are trying to force through lower pricing levels during the annual price negotiations.

Outlook

In retrospect, during the course of the month the trade hardly experienced any turnover difficulties at domestic mills; when the situation became tight, the export market motor kicked in and often compensated for lacking domestic mill scrap demand. However, it appears that October indicates a change in the trend. Attention is being increasingly turned to the end of the year. Consumers are talking more and more about low capacity utilisation levels and business activity is much orientated on the end of the year, therefore many scrap traders are not expecting any dramatic developments to occur between now and the end of the year. The offered scrap quantities throughout October do not reflect actual material availability. In order to diversify and create new turnover possibilities, scrap that didn't find its way to the foundries or was surplus, as other consumers purchased lower quantities, was offered on other turnover markets.

To achieve a turnaround in the German economy, a minor reform will not suffice a big shuffle up is required and that, sooner rather than later. One market participant correctly noted that the ratio of blue-collar to white-collar workers was 3:1 during the past, today as a result of the constantly increasing amount of administrative bureaucracy the tables have already started to turn. This trend definitely needs to be stopped dead in its tracks.