Scrap Metal Market Report
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Green Scrap for Green Steel!

A Subdued Market with Low Expectations Towards the Turn of the Year

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General Developments

Germany remains in crisis mode, especially after the collapse of the traffic light coalition in the German government. According to the German Economic Institute (IW), 210 billion Euros have already been lost in plant investments since 2020; investments are lacking in production plants, machinery, IT equipment and general infrastructure. Lacking investment not only puts pressure on the economy, but also leads to a shrinkage in capital stocks, which are hugely important for growth in future production and productivity. Prof. Dr. Grömling, Head of the Macroeconomic and Business Cycle Research Unit in IW, warns that if the investment deficit is not corrected quickly, Germany will lose further ground in its international standing.
In the light of the US presidential election result, Germany will have to adjust to the fact that the USA will further distance itself from open, global collaboration. IFO president, Clemens Fuest, recommends preparations to be made for when the USA follows its clear, protectionist agenda, with high import duties and harsh restrictions on international trade. Both the USA and China are important turnover markets for German exports. The IFO estimates that German exports to the USA and China will fall by 15% and 10% respectively.
The 3rd quarter economic developments in Germany were slightly more favourable than had generally been expected; in real terms the gross domestic product (GDP) improved by 0.2% compared to the previous quarter. Thus, a fall in the GDP two quarters in a row, which is technically a recession and had been expected by many experts, did not occur. The slight recovery was mainly driven by state consumption, but private consumption also played its part.

Scrap Market

The scrap market during November was subdued. In general, many market participants, especially consumers, have already started to wind down business activity in the light of the forthcoming end of the year. In a nutshell – subdued material inflow was met with declining demand. The turnover of sheet scrap, especially, became increasingly difficult; many integrated steel mills purchased hardly any of these grades. Depending on the region, scrap prices sank by €5 - €10 per tonne during November. In a few cases, consumers left their offered prices unchanged. All in all, prices on the scrap market were stable with marginal price reductions. Consumers who were active early in the month were only able to close contracts with very slight price reductions, whereas those consumers who bided their time were able to close contracts with higher price reductions. This resulted from a weakening international scrap market and the willingness of European scrap exporters to accept lower prices due to the weak Euro against the US-Dollar. The German scrap trade is having to prove itself in a market environment characterised by low material inflow and low scrap demand, whilst at the same time coping with increasing costs and low rentability that are naturally increasingly associated with mediocre trading volume.

Regional Developments

Marginal price reductions, in some cases of only around €5 per tonne, were generally lower in the **north** of Germany than in other regions. One mill purchased scrap for two months, albeit for reduced production volume. Another mill had outstanding contracts from August, which still have to be fulfilled. In the **east**, price reductions were somewhat higher; here average price reductions were €5 - €10 per tonne. Albeit, one mill closed contracts at unchanged price levels and another either left prices unchanged or reduced its offered prices by €3 per tonne. In the **west**, one consumer purchased scrap at unchanged prices, whilst another purchased at price reductions of €10 per tonne, as this consumer's pricing started the month at a somewhat higher level.

In the **south west**, scrap demand was lower, so that price reductions were at the higher end of the €5 - €10 per tonne range. Along the **Saar** river, demand was low and prices remained unchanged with some downward corrections of price peaks of up to €5 per tonne. In the **south**, the market could only be described as weaker and prices sank on average by €5 - €10 per tonne.

Neighbouring Foreign Markets

During November, prices fell on average by €5 per tonne on the **French** market. In contrast, prices in neighbouring **Luxembourg** remained unchanged compared to October. The **Austrian** market followed suit and scrap prices for both sheet cuttings and obsolete scrap remained unchanged. In **Switzerland**, one large steel mill is still experiencing financial difficulties. Demand was slightly higher than during October and prices fell by €10 per tonne. In **Italy**, scrap demand was somewhat higher than during October. However, there is still low mill production volume. On the whole, prices remained unchanged. There were marginal upward price corrections of €5 per tonne or slightly over this amount depending on the region and scrap grade concerned. In general, price reductions in more easterly neighbouring countries were more pronounced. In the **Czech Republic**, there was only one large consumer on the market that managed to cover its demand at price reductions of €12 per tonne. On the **Polish** market price reductions were similar; from €8 - €12 per tonne. There was more consumer purchasing interest than during October. It appears that increasing amounts of container scrap was being prepared for shipping for the Asian market.

Global Scrap Market

At the beginning of November there was a slight increase in Turkish scrap import prices. A cargo load of scrap from the UK containing grade HMS 1/2 (80:20) and shredder scrap was sold to a steel mill in Izmir, at US-$ 359 and US-$ 384 (CFR Türkiye) respectively. In the run-up to the US presidential elections, experts were increasingly concerned about potentially significant market-influencing occurrences. The market brightened further after a French exporter sold grade HMS 1/2 (80:20) and shredder scrap for US-$ 359.50 and US-$ 381.50 (CFR Türkiye) respectively, although European market presence was more or less non-existent. After a Finnish exporter sold grade HMS 1/2 (80:20) at US-$ 362 (CFR Türkiye) to a consumer in the Marmara region of Turkey prices softened slightly. It appears, that the supplier took advantage of the marked decline of the Euro against the US-Dollar immediately after the US presidential election. At the same time, the supplier secured current freight prices, which normally increase during the winter months due to adverse weather conditions and increased fuel costs.

Although with current scrap pricing Turkish rebar prices yield a high profit margin, Turkish consumers still delayed purchasing scrap. When the Euro hit the lowest level this year, business activity increased quickly and sellers temporarily reappeared on the market. US-exporters were conspicuous in their absence. Offered prices for HMS 1/2 (80:20) never went under US-$ 362 (CFR Türkiye), which was attributed to the low material inflow to the export yards. Three freight loads with a total of 47,000 tonnes of shredder scrap and 55,000 tonnes of premium scrap put a damper on scrap demand this month, especially in the south east of the USA, where domestic prices sank by US-$ 10 per tonne.

Foundries

German Foundries, but also foundries in Switzerland and Austria, show a varied general situation; some producers are finding life very difficult, whilst others have adapted more successfully to the harsh market conditions. An increasing topic of many discussions is the difficulties foundries are experiencing with regard to obtaining insurance, which in turn negatively impacts a risk-minimised collaboration between the scrap trade and the foundries; many insurers have lowered credit limits, making scrap deliveries to the foundries a higher risk.

Low demand from foundries means that scrap grades that were previously of great interest to the foundries and thus ear-marked for this sector are now appearing on the steel scrap market. This was especially the case for sheet cuttings, but now this surplus quantity pressure is also increasing because of surplus obsolete foundry scrap flowing onto the steel scrap market. As an example, commercial casting scrap was associated with clear mark-ups on grade 3 scrap; currently, the valuation is more or less the same or the mark-ups are considerably lower than was previously the case.

Due to the overall situation, many foundries found themselves forced to reduce their offered mark-ups for the relevant scrap grades for the coming year. This, in turn, has caused the scrap trade to re-evaluate their inflow quantities and to attempt to pass on price reductions further down the line. This situation is exacerbated by the fact that consumers are no longer guaranteeing that they will take a certain amount of scrap, resulting in the trading risk being shifted to the detriment of the scrap trade.

Outlook

Due to falling demand quantities as the year comes to a close, the market is becoming more favourable for buyers. The big challenge to secure inflow quantities, which has been ongoing for months, is now accompanied by falling turnover quantities. More and more imponderables are raining down on the scrap economy and the attention here is not just turned to the month of December. Market participants see November developments as a relatively unspectacular, as many mills have indirectly cut production levels by extending planned shutdown periods. A point worthy of discussion is the logistics for scrap supply, which become a particular challenge during the winter months. Not only adverse weather conditions, but also lacking availability of freight capacity and high freight costs could lead to unforeseeable difficulties for all freight transport, be it by road, rail or waterways. Market participants are following the possible scrap market developments for the beginning of the new year with great interest.