Scrap Metal Market Report

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Green Scrap for Green Steel!

Surges on the Export Market Lead to Higher Domestic Pricing

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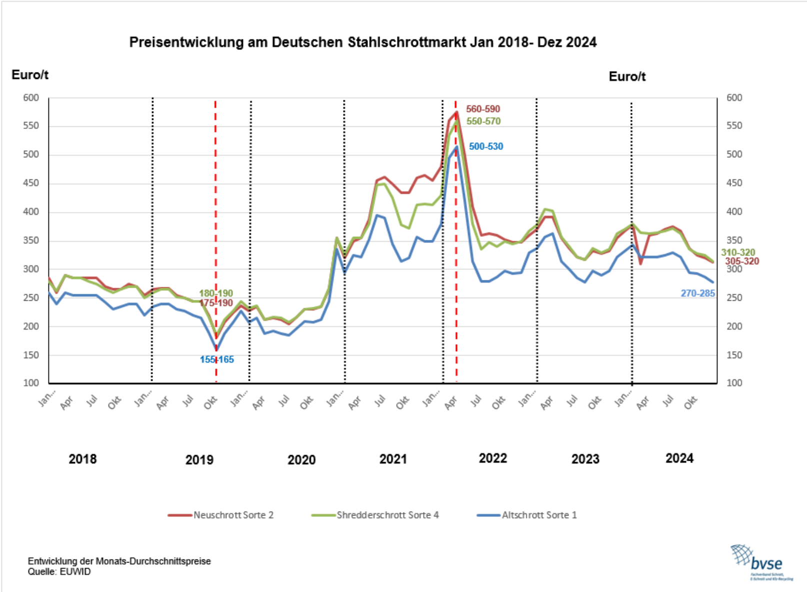
General Developments

At the end of 2024, the German economic performance was much weaker than many economists had expected, with the German gross domestic product falling by 0.2% compared to the third quarter of the year. Current early economic indicators are showing slight recovery tendencies, however, the dichotomy between a positive trend in the service sector and recessive developments in the manufacturing industry appears to continue. According to the ifo-business climate index, the mood of companies and businesses has improved somewhat in January, however, this positive development mainly emanates from the service sector. The manufacturing industries remain sceptical most recently due to their weak order book situation and the high risk associated with the threatened US-import customs duty. This scepticism is shown by the seasonally adjusted drop in mileage of tolled heavy goods vehicles that fell by 0.1% in January, compared to December.

The US-President, Donald Trump, demands a tightening of US trading policies and the introduction of a 25% tax on steel and aluminium imports. This could be the first step towards the dreaded trade war with the USA, as the USA is an important export market for the German steel industry. Approximately 20% of all German crude steel is exported as quality special grades to the USA, the other approximately 80% is turned over on the European market. However, when considering the whole German economy, the threatened import duty is manageable, as the total of German metal exports to the USA was approximately 4% in 2023. There is, however, the threat that export steel quantities from third countries will be diverted to the EU market which would have a catastrophic effect on the already struggling German steel industry.

Scrap Market

Many scrap dealers still consider the metal manufacturing industries to be in hibernation mode. Some market participants reported that steel scrap production sites still haven’t shaken off their winter sleep. Scrap quantities from production processes are very slow to reach the scrap dealers. Demolition works are almost non-existent, so that the supply of obsolete scrap can, at best, be described as moderate. Thus, the focus of attention, once again, is centred on general availability of inflow material. Some mills showed meagre demand, such was the case in the Ruhr area and in north Germany. In the east, another mill shut down due to technical production problems and showed no noteworthy demand. In combination with increasing export demand, prices on the domestic market increased. Generally, prices rose by €5 - €10 per tonne, depending on the region and scrap grade concerned. On the whole, German steel mills received their required quantities, albeit only due to the weak overall scrap demand on the market. The question as to why rising prices on the domestic market this month is answered simply - by the increase in export demand. The fragility of the domestic market is demonstrated by the buying sprees on the export market pushing prices up on the domestic market.



Graphic 1: Price Developments from 2018 - 2024 on the German Steel Scrap Market

Regional Developments

In the **north** of Germany, prices rose by €5 - €10 per tonne. In a few cases, contracts were closed with unchanged prices, but this was dependent on the previous month’s pricing, the level of demand and the point of contract closure. One mill signalised the entry into crisis mode as its scrap stocks are very high, but its capacity utilisation forecast only moderate. In the **east**, scrap prices also rose €5 - €10 per tonne. One mill was experiencing technical difficulties and left its offered prices more or less unchanged. However, prices for grade E5 turnings were increased by €5 per tonne due to lower availability in the region. This mill had to suspend acceptance of scrap deliveries. Another mill in this region did not appear on the market either, here turnover difficulties were a determining factor and for this reason prices were fixed at unchanged levels. In the **west**, one mill did not appear on the market and another entered the market early and closed contracts for its required quantities at unchanged price levels. In the **south-west** a differing price movement was observed. Prices rose by €10 - €20 per tonne, which was attributed to the higher price levels in neighbouring Luxembourg, especially. Along the **Saar** river, demand was very low, but prices also rose by €10 per tonne. In the **south**, moderate price increase of €5 per tonne were registered.

Neighbouring Foreign Markets

On the **French** market, prices generally rose by €10 per tonne. However, one mill was looking to buy grade E8 industrial scrap and was prepared to pay a price increase of €20 per tonne. Obsolete scrap, such as grades E1 and E3, showed the general price increase mentioned above of €10 per tonne. In **Luxembourg** price increases were in the range of €10 - €20 per tonne, whereby prices for export grades were at the upper end of the range. Prices to neighbouring countries were brought more in line, accordingly.
On the **Austrian** market trading ran smoothly and for all scrap grades a sideways movement in pricing was observed. In Italy prices rose by €10 per tonne. Scrap prices in **Poland** rose by €25 per tonne. One mill started negotiations offering higher prices, forcing others to follow suit, albeit with slightly lower price increases. On the **Czech** market, one mill purchased scrap with an increase of €25 and another mill even went as far as €28 per tonne, compared to last month, albeit with limited purchased quantities.

Global Scrap Market

After the announcement of three new scrap sales at slightly higher prices, Turkish scrap importers initially observed market tendencies. A whole cargo load of scrap from the United Kingdom was sold to a steelworks in Izmir. The HMS 1/2 (80:20) was priced at US-$ 345 per tonne and bonus scrap was priced at US-$ 365 per tonne (CFR Türkiye). After the announcement of this deal, the deep-sea business for Turkish imported scrap visibly picked up speed. Several sales for March shipment were made at a higher price level. It was noticeable that US exporters were initially left out of this. The upward momentum on the Turkish scrap import market last month continued during February. The sometimes persistent firm negotiating positions indicated a stronger mood on the selling side.

At the European ARAG ports, scrap prices for HMS 1/2 (80:20) increased by €10 - €15 per tonne over the course of a week and were at times at €300 - €305 per tonne and more (free delivery to port). Whilst scrap supply in the Scandinavian and Baltic countries was insufficient, European exporters were forced to pay higher purchase prices to secure scrap quantities. In the middle of the month, Turkish steel mills reduced their domestic rebar prices as sales were sluggish and demand from the construction industry was low. Rebar prices fell on average by US-$ 5 per tonne. In contrast, the US market saw sharp price increases during the monthly purchasing period; in the Midwest there were price increases of US-$ 40 - US-$ 45 per tonne, whereby increases of US-$ 50 per tonne were also being discussed.

After US President, Donald Trump, announced that he would impose a flat 25% import tariff on all imported steel and aluminium products, market participants reacted cautiously. Market experts reported that it was too early to assess the impact of the US move on international markets.

Foundries

Foundries have had a hard time dealing with the scrap price increases on the steel scrap market. For foundries with non-indexed scrap prices, the trend towards falling monthly prices was very pronounced. The decoupling of the two markets, the foundry scrap market on the one hand and the steel scrap market on the other, is becoming increasingly more evident. The trigger was the higher availability of foundry scrap in relation to the poor order situation of the foundries. This led to a partial supply surplus, which led to the falling price trend.

Outlook

During February, the rise in scrap prices was caused by the intermittently strong export market. Market participants are uncertain about the outlook for March. Most players expect a solid March market, with the focus once again on the export market. Domestic demand remained balanced during February; price increases were caused by surges on the export market. There is agreement that material availability remains low and market participants believe that this will not change much during March. Material availability is not only showing a strained market situation for obsolete scrap, but it is also increasingly the case on the industrial scrap market.