Schrottmarktinfo

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Scrap Metal Market Report - April 2023

Quantity Troubles

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Review

At the beginning of April, the mood on the market was still quite optimistic and further increases in scrap prices were expected. Scrap demand promised to be at least as strong as during March and scrap supply still hadn't reached the volume usually seen at this time of the year. Due to the public holidays in the 14th and 15th calendar week, negotiations were lengthy and were described as arduous. During the same period, Turkish consumers were more or less absent from the deep sea market, which also had an impact on negotiations. At the beginning of the month, traders were able to sell their offered quantities at a slight plus; this was hardly possible by the time the editorial deadline was reached. On average, prices remained more or less unchanged with price variances of plus or minus €5 per tonne. As previously, capacity utilisation at some steel mills is still low. According to the World Steel Association (worldsteel), German crude steel production for the first quarter of 2023 was down 5.8% on the first quarter of 2022; the 2022 figures were already down 4.1% for the same period in 2021. As scrap availability is closely linked to the state of the economy, it is hardly surprising that the inflow of both obsolete and industrial scrap to the yards is considerably lower than in previous years and leaves very much to be desired in some regions. Some market participants did report an improvement in scrap availability, whilst others spoke of continuing very weak scrap inflow quantities. In the end, it appears that consumers on the whole were able to secure their required quantities. Weak demand for construction steel and the indication from some mills, with uncertain capacity utilisation levels, that possible production level adjustments could be made is a cause for concern for the trade.

Regional Developments

In North Germany, mills purchased scrap at unchanged price levels. They, as well as others, were able to take advantage of weak turnover to third countries at the North Sea ports. In the north west, demand was good and on the whole prices also remained unchanged, albeit marginal price increases were seen for certain scrap grades. The lack of demand for construction steel led to production interruptions as producers adjusted their output to come in line with demand levels. In the east, negotiated prices ranged from reductions of €5 per tonne to increases of €5 per tonne, compared to last month. Traders reported that offered prices to suppliers were varied. Only one producer situated along the Ruhr river was present on the market and purchased scrap at the time when market participants were still expecting price increases. In contrast, the EAF-steel mills in the west were producing at full capacity and looking to procure scrap. Along the Saar river, production levels at one mill have started to improve, even so consumers in the region were able to push through slight price reductions or at least keep prices on par with last month, depending on the scrap grade concerned. Encouragingly, and for the first time this year, the consumer in the south west had both its furnaces in operation. However, due to high stock levels purchased quantities were subdued and offered prices remained more or less unchanged, with the exception of those for industrial scrap where slight price increases were offered. It appears that the steel producer in south Germany had increased demand, compared to last month, and purchased scrap at the beginning of the month at unchanged price levels from scrap suppliers not belonging to the same group. However, just before the editorial deadline the mill deferred all planned deliveries until 2nd May and cancelled all other outstanding quantities. It is suspected that incoming order problems are behind this behaviour.

Neighbouring Foreign Markets

On the whole, **Italian** mills were also able to keep their purchasing prices stable, although they had announced marked price reductions. Consumers actively searching for scrap paid higher prices than last month. According to worldsteel, Italian steel production in the first quarter of 2023 was down 6% compared to the same period last year. Tax relief measures, to assist with rising energy costs, enabled Italian mills to increase production to 2.2 million tonnes; a 22% increase during February, compared to January, and a further 15% increase during March, compared to February. The Italian government did reduce the tax relief during April but did not stop it completely as was originally planned, so that April production should be at least comparable to that seen in March, which was the highest production level since May 2021. **Swiss** steel producers curbed production and only showed weak import demand for German scrap. Offered prices were described as stable or showing a slight decline. At the beginning of the month, one **Austrian** consumer announced marked offered price increases, but in the end offered prices only rose by €5 per tonne, compared to last month. The other consumer paid increases of €5 per tonne for heavy obsolete scrap and industrial scrap grades, for all other grades offered price increases of €20 per tonne were registered as for these grades certain adjustments were necessary to come in line with competitors in some neighbouring countries. On the **Polish** market, the trade was forced to accept marked price reductions; at the beginning, price reductions of between €7 and €12 per tonne were on the table, which then later increased to between €15 and €23 per tonne, depending on the scrap grade and mill concerned. In the **Czech** Republic, one consumer purchased no scrap from the trade, citing sufficient stocks and a weak order book situation as the reason. The other mill lowered its offered prices by €17 per tonne. Polish and Czech traders were able to sell scrap to German and Austrian mills at unchanged price levels or even at a slight increase of €5 per tonne. According to worldsteel, the consumer in **Luxembourg** did increase its output in the first quarter of 2023, from 141,100 tonnes in January to 176,940 tonnes in March, but the produced quantities were still down 12.4% for the same period in 2022. It appears that April scrap demand was comparable to March demand and at the beginning of the month the consumer was quickly able to cover a large portion of its demand through French suppliers, with price reductions of between €5 and €7 per tonne. These prices were lower than those prevailing on the German market and German supplier behaviour was subdued, accordingly. **French** consumers lowered their purchasing prices by between €5 and €7 per tonne, although German suppliers were able to keep prices unchanged for a small number of scrap grades. Demand was described as good. Scrap demand in **Belgium** and the **Netherlands** was reduced and combined with weak export opportunities led to more scrap being offered on the German market. Despite this, supply and demand on the German market were in equilibrium.

Foundries

Some foundries are showing good and stable capacity utilisation levels, with high scrap demand accordingly. Foundries producing products currently less in demand are complaining of poor capacity utilisation levels. However, overall scrap demand is so high that the scrap trade yet again had difficulty sourcing all the required scrap grades; for some foundries there are hardly sufficient quantities of the required grades available on the market to adequately cover their demand. As a result, many producers are having to show flexibility in their smelting process to be able to fall back on available scrap grades. The trade was able to push through slight price increases, compared to last month. The stronger Euro has, to a certain degree, had a calming effect on the pig-iron import market. At the same time, available quantities have improved and prices have softened, so that the overall situation could improve somewhat for those foundries using pig-iron.

Weak Turkish Demand

According to the international trade press, from the European continent to Turkey there was only one sale worth mentioning, that one being from the Netherlands. Up until the editorial deadline, only small quantities were purchased by Turkish steel mills during April and these were only purchased if the contract conditions were favourable. Their actual cost structure, which is negatively impacted by high scrap and energy prices, means that they are not internationally competitive on their finished product markets. Domestic demand has also weakened, which has partially been attributed to the uncertainty on the market in the light of the upcoming Turkish presidential election on 14th May. The mills are pushing for price reductions and were indeed successful in reducing prices on the deep sea market by approximately 35US-$ per tonne since the end of March. However, only US-exporters were prepared to make these price concessions as increasing scrap inflow to their domestic market has led to softening prices and US domestic demand also fell short of expectations. As a consequence, export yard operators were able to gradually reduce their purchasing prices. For continental exporters it was much more difficult to react to the demands from Turkish consumers due to the tight domestic market. In order to stay competitive, they reduced their offered purchasing prices (free deep sea yard) by between €35 and €40 per tonne, which up until the editorial deadline, resulted in a very limited inflow of scrap to the export yards.

Closing Remarks

The prognoses as to market developments during May are less optimistic due to the absence of Turkish demand on the market. Despite the demand for flat steel recovering in Germany, the demand for construction steel is a long way off reaching a stable and viable level. Scrap inflow for both obsolete and industrial scrap is sluggish and varies considerably from region to region. Steel consumers are anticipating falling steel prices, however, steel producers want to see them increase. Geo-political and economic uncertainties will once again influence market developments. Many market participants are expecting unchanged or even softening scrap prices, but none are expecting huge upward or downward price swings.