Schrottmarktinfo

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Scrap Metal Market Report - February 2023

Meagre Inflow of Scrap

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Review

Market developments were shaped by the catastrophic earthquakes that hit south-east Türkiye and north Syria on 6th and 7th February. The death toll has reached over 47,000, with devastating damage to buildings and infrastructure.

The seven steel mills situated in the affected provinces of Osmaniye and Hatay, which have a 30% share of the total Turkish steel production per annum, escaped without serious damage. However, they have provided aid and assistance in rescue work and mourn many employees lost in the earthquakes. They are also experiencing considerable logistic problems due to the destroyed infrastructure in some areas. According to the international trade press, Isdemir integrated steel mill is assessing its operability and has not, as yet, restarted production.

On the German market, an unusually low level of obsolete scrap inflow and a slight increase in the inflow of industrial scrap met a continuing overall cautious purchasing behaviour on the part of the mills, which were forced to compete for the rather meagre quantities of available scrap. As was the case last month, envisaged prices differed from mill to mill. Compared to January, prices remained unchanged or showed price increases of up to €20 per tonne. Those mills offering prices at the lower end of the range are likely to have had difficulty in procuring scrap. After the natural disaster and signs of increasing demand from Turkish consumers prices became tighter.

Complete or day-to-day production halts and short shifts seen during February indicates that February crude steel production quantities are probably not much higher than those seen in January. The German Steel Federation (WV-Stahl) recently released the January 2023 production figure of 2.9 million tonnes; this represents a drop of 10% compared to January 2022. According to the Turkish statistic bank, SteelData, German steel mill capacity utilisation levels averaged at only 63.4% in 2022. Based on this figure, January 2023 capacity utilisation levels, at 60.5%, are even lower.

Regional Developments

It is difficult to estimate steel mill capacity utilisation levels in east Germany as deliveries are being frequently interrupted and in one mill production has not yet restarted. Offered price increases of between €2 and €13 per tonne were registered. However, later in the month a few mills did show increased willingness to negotiate. Mills in the north showed low demand at the beginning of the month, but this increased during the course of the month and led to price concessions being offered to the trade; the driving force being the upturn on the export market, which led to increased competition for the already tight supply of scrap available on the market. In the north west, demand was stronger than last month and offered prices increased by between €5 and €15 per tonne, depending on the mill concerned. Regardless of where in the region, scrap suppliers were able to push through the most marked price increases for sheared scrap. Along the Ruhr river, prices remained unchanged, with one consumer showing no demand and the other still showing reduced demand. The EAF-steel mills in the region showed reduced production levels. Along the Saar river, despite short shifts at one mill and the consequent reduction in total demand, offered prices remained unchanged for industrial scrap, whereas those for obsolete scrap rose by up to €20 per tonne. The consumer in the south west was also not running at full production capacity during February and with an estimated 60% production level only showed a certain amount of interested in purchasing particular scrap grades. For these grades, the mill was prepared to offer price increases of between €5 and €10 per tonne, depending on the supplier and scrap grade concerned. Production levels at the mill in the south have improved somewhat but are still nowhere near full; this led to cancellation of pre-ordered quantities. Delivery acceptance was once again restricted. Industrial scrap prices remained unchanged, offered prices for obsolete scrap rose by between €10 and €15.

Neighbouring Foreign Markets

During February, demand for German scrap from the majority of the **Italian** mills was low. Mills were prepared to pay price increases of up to €20 per tonne, depending on the agreed price in January and the scrap grade concerned. As the month progressed, Italian prices came in line with those seen on the south German market. The reduced demand for German scrap could be attributed to negligible domestic demand for scrap from **Swiss** consumers; one mill is closed for maintenance work and the other is working short time and showed hardly any demand, so that large quantities of scrap could have been available on the Swiss market for export to Italy. On the

Austrian market, contracts closed at the beginning of the month showed unchanged prices. **Polish** mills payed price increases of between €5 and €20 per tonne, depending on the point of contract closure and scrap grade concerned. Whilst one **Czech** consumer left its offered prices unchanged, the other was prepared to pay up to €8 per tonne more, but despite this, it appears large quantities of scrap were sold to neighbouring countries. The consumer in **Luxembourg** showed increased demand, compared to January, and had correctly read possible market developments early on in the month. At the beginning of the month offered price increases of approximately €15 per tonne were seen, depending on the scrap grade concerned, with offered price peaks of up to €30 per tonne as the month progressed. Some consumers in **France** left their offered prices unchanged and didn't adjust their pricing in line with market developments, consequently they only received contact quantities from their suppliers, whereas others adjusted their offered prices in accordance with market developments. In the **Netherlands**, the largest consumer showed reduced demand due to technical issues, whereas trade at the deep sea yards was all the more lively.

Foundries

The foundry market situation still remains unchanged. According to the economic breakdown (ifo-Konjunkturspiegel) for the manufacturing industry by the German Institute for Economic Research, the cast-iron, malleable-iron and steel foundries are expecting the market situation to remain stable in the coming three months and in parts are not excluding a slight improvement. There is still very short supply of certain scrap grades. A number of market participants have lifted price indexes, which until now were the basis for price setting, because of strong competition from the steel industry for certain grades, e.g., industrial scrap grades. Depending on the consumer concerned and the index-based price in January, price increases of between €5 and €25 per tonne were registered for freely negotiated quantities. Since January, pig-iron prices have risen by between €30 and €35 per tonne and signs of a tightening pig-iron market are becoming apparent.

Export Demand Influences Pricing

The catastrophe in Türkiye fuelled hope of falling scrap prices for scrap consumers around the globe. However, this hope was short lived, as the Turkish president announced on 14th February that for the rebuilding and redevelopment of the destroyed buildings and infrastructure approximately 4 million tonnes of construction steel would be needed. Since this date, Turkish steel mills have started to prepare themselves for the increase in demand. Their up until now rather modest capacity utilisation of approximately 63% will now have to be increased and consequently their demand for scrap should rise accordingly. The trade press has already reported lively Turkish consumer scrap demand, which has been accompanied by appreciable price increases. After the earthquake European exporters reduced their purchasing prices by between €25 and €30 per tonne out of uncertainty as to future market developments. However, as a result, scrap inflow to the yards stalled. Exporters are now regularly increasing their purchasing prices in line with the recent increasing demand from Turkish scrap consumers.

Closing Remarks

A drop in scrap prices is out of the question when considering the influence of Turkish import scrap demand on pricing on the European market, increasing European steel production during March and the back drop of the meagre inflow of scrap to the market. The European steel industry is expecting a market upturn as blast furnaces that were shut down last year are now being re-fired one after the other. Flat steel producers have already made marked price increase, whereas rebar producers are still biding their time until the expected market upturn becomes apparent. Low scrap availability is, amongst other things, a direct result of negative economic growth since 2019. The pandemic and the war in Ukraine have led to an astronomical increase in costs for raw materials and energy and to increasing interest rates. Private dwelling construction has fallen by the wayside and it remains to be seen whether public building projects will be sufficient to fill the void. Many producers will take advantage of the now marked reduction in electricity and other energy prices for uninterrupted production. The inclination to build has definitely taken a nose dive and when no construction takes place, then no demolition takes place and no demolition scrap is produced. The trade's current scrap reserves have dwindled due to already high pricing and price fluctuations in months past; so that, the yards are considered to be, by and large, out of stock. Even so, scrap as secondary raw material, whose availability is closely tied to economic cycles, will yet again prove its flexibility in the coming and possibly turbulent months ahead.