Schrottmarktinfo

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Scrap Metal Market Report - January

A Balanced Market

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Review

Supply and demand were in equilibrium during January. After a successful year for both the steel and scrap industries in 2021, scrap consumers had envisaged marked price reductions at the beginning of 2022. However, they were forced to gradually adjust their hoped-for price levels due to developments on the export market and the sales reluctance on the part of their suppliers. According to the market participants asked, the prices for industrial scrap remained more or less unchanged and for obsolete scrap only symbolic price decreases of up to €5 per tonne were registered, depending on the mill and scrap grade concerned. On the whole the market was well balanced and scrap prices are still historically high.
The trade pointed to the sporadic supply of industrial scrap from some production lines, as some manufacturers are still only producing intermittently. The inflow of obsolete scrap was regionally varied. In some regions, where the weather was mild and demolition work continued, supply was described as satisfactory. In other regions low collection quantities were registered. The quantities offered by the trade were all turned over, although scrap suppliers did react rather cautiously to the negotiation tactics of some consumers.
Whereas demand from the EAF-mills situated in the east of Germany was strong, the consumer in the south west purchased low volumes of scrap at reduced prices to ensure sufficient scrap is available when the currently inactive furnaces are re-fired, one after the other, by the end of January. Demand from the consumer in the south was also lower than usual and as explained further on, delivery quantities to Italy were also on the low side. Despite all this, there appeared to be no volume pressure on the market south of the Main river, which also reflects a well-balanced market.

Neighbouring Foreign Markets

According to reports from **Italian** consumers, their demand was low and enabled them to push through marked price reductions on their domestic market of between €30 and €50 per tonne, depending on the scrap grade concerned. Scrap was mainly purchased from domestic suppliers. According to steel mill circles, the reduction in demand was mainly a result of exorbitant increases in energy costs, leading mills to react with a decrease in production volume. Due to the price structure on their domestic market, German scrap suppliers were disinclined to accept the offered price reductions of between €20 and €30 per tonne from the Italian mills, albeit after very lengthy negotiations some minimal quantities (to remain in contact) were sold with price reductions of between €10 and €20 per tonne, compared to December. On the **Austrian** market consumers offered unchanged price levels for obsolete scrap and increased industrial prices by €10 per tonne. Import demand from **Swiss** mills was low, which led to offered price reductions of between 8CHF and 15CHF per tonne, depending on the mill and scrap grade concerned. On the whole, in **Poland** and the **Czech Republic** ex works prices remained unchanged, albeit one mill in Poland with high demand motivated domestic suppliers to cover its entire demand by offering price increases. Long drawn-out negotiations in **Luxembourg** resulted in contract closures with unchanged prices for industrial scrap and slight price reductions for obsolete scrap; in some cases, the attempts at further price reductions were so drawn out that some suppliers simply called it a day and closed negotiations. Scrap supply and demand in the **United Kingdom** were also well-balanced. However, scrap suppliers who were keen to sell their scrap quickly had to accept price reductions of £10 per tonne, those that bided time and waited until after the Turkish buying spree were able to turnover quantities at unchanged price levels.

Foundries

Most foundries started the New Year with healthy order books and a correspondingly high demand for scrap. Compared to last month, non-index bound foundries were prepared to raise their offered prices by between €10 and €20 per tonne, depending on the scrap grade concerned. Regional shortages of certain scrap grades are an on-going problem, as manufacturing levels at the plants producing these particular scrap grades are still not back to normal. The situation concerning pig-iron is uncertain. Pig-iron producers are asking for higher prices as international demand picks up. At the same time, according to the trade press, deliveries in Brazil have been disrupted as continual heavy rainfall since December has caused production interruptions and resulted in logistic bottlenecks.

Deep Sea Market

Turkish consumers were unable to push through their envisaged price reductions at the turn of the year due to the tight availability of scrap at the time. Although they considerably delayed purchasing the necessary scrap for January and February production, exporters were little inclined to negotiate; high freight costs and limited delivery willingness on the part of their suppliers, who were not prepared to compromise on pricing, didn't leave much room for negotiation. In the first half of January, Turkish consumers indicated they were ready to purchase scrap in a short buying spree on the continental European market. The price for standard grade HMS 1/2 (80:20) rose on average by a comparatively marginal sum of 6 US-$ per tonne and settled around 460 US-$ - 465 US-$ per tonne (CFR Turkey). Turkish consumers put further pressure on their suppliers by insisting that a certain amount of quality grade scrap was included with every purchase of standard grade scrap, for which they were prepared to pay an increase of up to €20 per tonne. However, the procurement of these so-called 'bonus qualities' is challenging, especially as industrial scrap grades are in short supply on the continent. As mentioned previously, this short Turkish buying spree in the first half of the month was sufficient to stabilise January pricing on the continental European market.

Closing Remarks

In the light of the prevailing market situation, many market participants are expecting unchanged or slightly reduced scrap prices for the coming month. As consumer order books are looking healthy and steel traders are starting to build up stocks, some participants are expecting both scrap demand and scrap prices to increase during February; especially as scrap inflow to the yards was not abundant during January and thus scrap supply was tight. It is unclear as to how the inflow of both obsolete and industrial scrap will develop. Another unknown quantity is the purchasing behaviour of the Turkish consumers; their current reluctance to purchase means that it is unclear exactly how high their demand will be for March production and consequently unclear as to how the associated prices will also develop. The increases in electricity and other energy costs will also be a factor considered by the Turkish consumers in their calculations, as is the case with their European counterparts. The turbulence surrounding the Turkish Lira has improved somewhat, but it still puts a strain on all business transactions and the financing associated with import contracts will increasingly play a more significant role in future contract closures. There are a number of variables which are influencing market development; freight availability and costs, smouldering international conflicts, the still on-going pandemic, with its associated delivery chain fallouts, as well as the imminent reconstruction of the European economy to a sustainable circular economy. For the scrap trade, the start in the new year was negatively impacted by the Omicron variant as case numbers and sick notes increased, causing manpower-related restrictions both on production lines and in logistics. During the month, it became apparent that as a result of the marked increase in energy costs, some steel mill operators have felt the need to move production to more cost-efficient energy times, which could further negatively affect overall output volume.