Schrottmarktinfo

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Scrap Metal Market Report – January 2023

**Production Start on the Slow Side**

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**Review**

Contract closures during January mirrored the developments in the last months of 2022, with individual mills offering very varied prices for individual scrap grades. The point of contract closure was an important factor, as a Turkish consumer buying spree during the first and second calendar week, accompanied by an increase in prices of almost 20 US-$ on the European deep sea market, also impacted the negotiating position of domestic consumers. Turkish consumers were quite aggressive in their purchasing behaviour and in reaction a few German steel mills left their offered prices unchanged, others increased theirs by up to €30 per tonne at the peak. Consumers paid the highest price increases for obsolete scrap as competition for these grades was strong due to a shortfall in supply and considerable outflow volumes to third countries. Market prices for scrap grade E3 was higher than for E2. Integrated steel mills demand fell short of the quantities of industrial scrap available on the market; there was demand for industrial scrap, but just not in the volume that the trade had hoped for. On paper, all domestic mills were able to cover their demand, albeit the necessary actual physical delivery of the purchased quantities may cause quite a headache for some dealers. Noteworthy was the wide price spread of up to €50 for mixed scrap on the domestic market.

According to data released by the German Steel Federation (WV-Stahl), German crude steel production in 2022 was down 8.4% (-36.9 million tonnes) on 2021 production. In the second half of last year, crude steel production dropped by 17.3 million tonnes; a drop of almost 12% compared to the first half of the year, when 19.8 million tonnes were produced. Mill capacity utilisation in January was also characterised by curbed production and production stoppages.

**Regional Developments**

According to the trade, scrap demand in the east of Germany was good, relative to the number of actual days in production. Consumers paid, after in some cases long-winded negotiations, increases of between €15 and €30 per tonne, depending on the scrap grade concerned. Whereas offered prices for industrial scrap either remained unchanged or rose by up to €20 tonne, depending on the mill concerned, prices for obsolete scrap rose by up to €30 per tonne. In comparison, consumers in the north were much less eager to buy and in the north west demand was varied. Compared to December and depending on the scrap grade concerned, price increases of between €10 and €25 per tonne were achievable. Along the Ruhr river, only one consumer had marginally increased demand (compared to December) and had already purchased scrap at the end of December at slightly higher prices, whilst varying EAF-steel mill capacity utilisation levels negatively impacted scrap demand. Along the Saar river, varied consumer capacity utilisation levels led to an overall reduction in demand and depending on the mill and scrap grade concerned, prices increased by between €10 and €30 per tonne. The consumer in the south west only re-started production in the middle of January and with good stock quantities in hand showed extremely low demand. Fortunately, capacity utilisation of the consumer in the south is on the increase and has led to price increases of between €10 and €25 per tonne (depending on the scrap grade and previous pricing), despite the mill's continuing reduced level of demand on the market.

**Neighbouring Foreign Markets**

**Italian** steel mills started purchasing scrap later than usual on the German market, due to some mills extending their shutdowns over the vacation period. Depending on the mill and scrap grade concerned, prices varied considerably and increases of between €5 and €40 per tonne were registered; thereby making Italian prices competitive on the German market. However, the hoped-for increases in steel sales prices and increased turnover for the Italian mills has not yet materialised, so that the initial euphoric mood soon evaporated into thin air. On the **Austrian** market, prices for industrial scrap rose by €25 per tonne and for obsolete scrap by between €25 and €30 per tonne, depending on the consumer concerned. In **Switzerland**, demand for German scrap was sluggish right from the start of the year; one mill is starting renovation work from the fifth calendar week until the middle February and the other is not running at full capacity. **Czech**

consumers offered price increases of between €30 and €33 per tonne. **Polish** domestic consumers showed strong demand. In order to keep scrap on the Polish market, the mills offered their domestic suppliers price increases of between €32 and €40 per tonne, depending on the scrap grade concerned. In **France**, price increases of between €15 and €25 per tonne were achievable. Demand from the consumer in **Luxembourg** was higher than last month and amidst competition from the deep sea yards price increases for sheared scrap of up to €30 per tonne were seen, whilst price increases for other grades were registered at €15 per tonne. On the **Dutch** market, price increases of between €20 and €25 per tonne were achievable, although fluctuating export prices influenced domestic consumer offered prices from week to week.

**Foundries**

Scrap demand from the majority of foundries was described as robust. Many producers are still enjoying healthy capacity utilisation levels and whilst for some producers business is booming, others are still on short-time or have re-introduced it. Price increases of between €5 and €25 per tonne were achievable from non-index bound foundries, depending on the foundry and scrap grade concerned. Demand for jobbing casting and low-manganese scrap grades outstripped supply, resulting in not all demand quantities being covered. Pig-iron supply was in excess of demand and the strong Euro made pig-iron imports more attractive.

**Third Country Markets**

Although the above-mentioned Turkish buying spree during the first two weeks of January led to increasing prices, scrap inflow to the deep sea yards left much to be desired. From a suppliers point of view, on the one hand, prices were not high enough and on the other, scrap inflow was weak, due to economic reasons and also as a result of the Christmas and New Year vacation period. Turkish scrap buyers did their utmost to keep pricing under control by periodically halting their purchasing activities, thereby increasing pressure on scrap pricing. Turkish consumers had obviously delayed stocking up on scrap, out of consideration for price developments and the tight financial situation, so that price fluctuations were short-lived and in effect prices remained tight. In the coming months, it is hardly likely that anything will change significantly, especially as other consumers are also active on the export market. Last year's production figures show that the Turkish steel industry is also under considerable pressure. In the second half of 2022, Turkish consumers curbed their production levels, after a slump in demand, by much more than their German counterparts. According to SteelData, Turkish mill capacity utilisation in 2022 reached its peak during April (approximately 73%) and bottomed out during November (approximately 52%). It is estimated that Turkish crude steel production in 2022 fell by approximately 13%, compared to 2021.

**Closing Remarks**

Market participants were more or less of the same opinion regarding market developments in the coming month. Increased demand will face increased supply, so that on the whole prices are expected to remain unchanged; that is as long as exports don't throw the proverbial spanner in the works, However, with such a volatile market back drop, where almost anything can happen, this can only represent a momentary assessment of what might be, especially as producers are still having problems pushing through their envisaged prices on the steel market. The scrap trade is also pointing to an over 20% increase in total costs, which somehow have to be generated in an already difficult market situation.