



Scrap Metal Market Report - March 2023

Quantity Issues

Editorial Deadline: 21.03.2023

Review

Consumer demand during March was surprisingly strong. As in previous months, the price structure was influenced by the disparity between scrap supply and demand. A few consumers were concerned as to whether supply would be sufficient to cover demand, as the shortage of obsolete and industrial scrap was noticeable nationwide, albeit to regionally differing degrees. Traders had expected a marked increase in scrap inflow to the yards, but the actual inflow was disappointing and as the month progressed some traders were forced to realise that they had miscalculated their possibilities for both the buying and selling of scrap; the grounds therefore are manifold and range from insufficient stocks to continuing poor capacity utilisation levels in certain branches of trade and industry, which negatively impacted scrap inflow along the whole supply chain, accordingly. As an example, demolition work is being deferred, as new building projects are being postponed due to the uncertainty surrounding interest rates, amongst other things. At the beginning of the month, some consumers were under the false impression that they would be able to cover their demand at unchanged price levels, which considering the supply deficit and the trade's good third country turnover opportunities remained a case of the wish being father to the thought. Depending on last month's agreed prices, consumer offered prices varied according to demand and increased by between €20 and €30 per tonne, depending on how strong the export market influence was on the domestic market; the highest increases were seen for obsolete scrap and the lowest for industrial scrap. Negotiations lasted until the end of the 11th calendar week and it appears that not all consumers were able to acquire their desired quantities. The shortage of feeder material forced some traders to once again curb their aggregate capacity utilisation for certain scrap grades, such as sheared scrap, but above all for shredder scrap.

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Regional Developments

In the east of Germany, despite one consumer having halted production, but still continuing to purchase scrap, and another mill showing very hesitant purchasing behaviour at the beginning of the month, total demand for the region was high and purchasing prices rose by between €18 and €32 per tonne. In the north, demand was also strong and mills offered price increases of €20 per tonne and called for delivery of outstanding quantities from previous contracts. In the north west, price increases of between €15 and €35 per tonne were achievable, depending on the scrap grade and quantity of offered scrap. In the west, mills along the Ruhr river still showed reduced demand. EAF-steel mill demand did improve somewhat but is still lower than usual. Along the Saar river, one consumer was able to benefit from higher quantities of available scrap as a result of the weak order book situations of the rest of the mills in the area. Price increases of between €20 and €25 per tonne were achieved. The consumer in the south west showed slightly higher demand than last month and offered price increase of between €25 and €40 per tonne, depending on the supplier, scrap grade and point of the last contract closure. In the south, yet another recent halt in production and limited demand led to price increases of between €10 and €30 per tonne, depending on the scrap grade concerned. For the first time in a few months, consumers in the south and south west had to compete with their Italian counterparts, which had a positive effect on scrap turnover.

Neighbouring Foreign Markets

During March, there were a surprising number of **Italian** steel mills looking for scrap, which amongst other things was attributed to the Italian government's subsidies in relation to energy prices; these subsidies enabled mills to increase production. Up until the editorial deadline it was uncertain as to whether the subsidies would be continued after 31st March. Depending on the prices agreed in previous contracts, the grade and the mill concerned, consumer offered price increases were between €20 and €40 per tonne; not all offers were acceptable to German scrap dealers. **French** mills were quick off the mark in February and purchased scrap at unchanged price levels or with price increases of up to €10 per tonne. Several mills had purchase requisition backlogs as a result of improvements to their order book situation during March; these mills offered price increase of up to €50 per tonne,

depending on the mill and scrap grade concerned. In the **Netherlands**, scrap turnover is still being negatively impacted due to the ongoing technical problems at Tata Steel. However, some scrap grades that could not be turned over on the Dutch market, found consumers on the German market. In pace with the increase in Turkish demand, deep sea exporters in the North Sea increased their purchasing prices by up to €60 per tonne in the period from the middle of February to the middle of March. Their attempts to reduce their prices at the beginning of March fell on deaf ears, as their sub-suppliers were unwilling to lower their demands due to tight prices and the general shortfall in scrap supply on the domestic market. Scrap demand from the mill in **Luxembourg** was high. Initial offered prices only resulted in limited delivery willingness on the part of the suppliers, which probably was insufficient to cover demand. In the end, depending on the scrap grade concerned, price increases of between €20 and €35 per tonne were seen. **Swiss** mills showed no import demand for German scrap due to poor capacity utilisation levels. Both **Austrian** mills increased their offered prices for obsolete and industrial scrap by €20 per tonne, albeit demand for industrial scrap was limited. **Czech** consumers only offered €15 per tonne more than last month, whereas **Polish** consumers offered price increases of between €15 and €26 per tonne, depending on the origin of the scrap and the scrap grade concerned. According to market circles, the substantial freight surcharges of between 30% and 50% imposed by the German national railway's freight division (DB-Cargo) had a negative influence on the trade's delivery willingness to deliver to Germany. In the **United Kingdom**, the scrap trade was able to profit from the improved export opportunities to third countries, especially up to the middle of March, with price increases of between £10 and £20 per tonne. The absence of Turkish demand in the second half of the month led exporters to react by price reducing their purchasing prices.

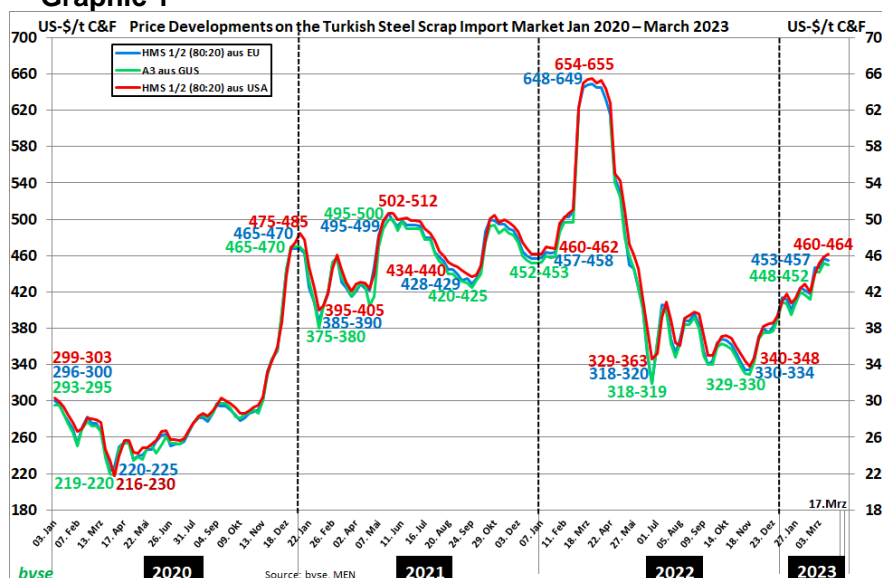
Foundries

The scrap trade can hardly meet the continuing high levels of demand from iron foundries, leading to increasing prices and further extensive suspension of price indexing. In general, consumers offered price increases of between €15 and €35 per tonne, depending on the level of demand and the scrap grade concerned. The trade could often not fulfil special orders in the quantities required due to the greatly reduced number of demolitions, mentioned above.

Increased Pressure

The European sales prices (CFR Türkiye) rose by approximately 37 US-\$ per tonne between the middle of February and the middle of March, whereas the increase in the purchasing prices for exporters was higher, rising by approximately €60 per tonne. Scrap availability and demand on the domestic markets left inner European suppliers in a very strong negotiating position. On top of this, was the euphoric mood of market participants, which was based on the existent increase in Turkish scrap demand, but also now boosted by the expected quick further increase in demand for scrap for the redevelopment of the earthquake-hit provinces. This increase in demand is definitely on the cards, but it will be spread over a longer period and at the moment considerable clean-up operations are still ongoing. Currently, Turkish steel producers are struggling to turnover their finished products on the domestic and international markets. In addition, the Turkish government wants to keep control of raw material prices and as a result Turkish consumers have been increasing pressure on scrap pricing since the middle of March. At the editorial deadline, it was expected that prices will soften by between 10 US-\$ and 15 US-\$ per tonne when compared to prices for contracts within the last two weeks.

Graphic 1



Closing Remarks

Market participants have divided opinions as to how the market will develop in the coming month due to the current very volatile scrap market and the extremely uncertain future economic developments in Europe and the rest of the world; some are of the opinion that the current pressure on prices being exerted by Turkish consumers will lead to softening prices, others see a stable market, whilst the rest see possible price increases of up to €20 per tonne. Above all though, is the uncertainty surrounding the international political situation. A general election takes place in Türkiye in May and in the run-up to the elections market participants are likely to act cautiously. Ramadan has started which will negatively impact steel demand in the Middle East and North Africa. There is still no sign of an end to the Russian invasion of the Ukraine on the horizon. The problems affecting some US banks and the Swiss bank (Credit Suisse) could have long lasting repercussions, depending on how deep the mistrust lies. Although the situation is not comparable to the unchecked bank closures in 2008, the US central bank (FED) as well as the Swiss central bank (SNB) were forced to react to stabilise the market. Both the FED and the European central bank (ECB) have held tight on their increase interest rate policies and the Euro has strengthened against the US Dollar, which is unfavourable for European exporters. In Europe and especially in Germany, the wheels of the economy are not running smoothly and above all there is a general distrust in the decisions of economic policy makers. Despite all this, market participants are expecting to see an increase in steel demand, particularly as steel producers have recently started to increase production in the light of the decrease in energy costs. The sluggish, turnover of some non-ferrous scrap grades is a cause for concern the scrap trade; as an example, aluminium production in Germany has fallen through the floor and led to a build-up of AL scrap at the yards and no alternative turnover market in sight.