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Scrap Metal Market Report – May 2023
Prices Tumble
Editorial Deadline: 22.05.2023

Review
Many market participants had expected softening prices during May but some were surprised by how much prices actually fell; price reductions ranged from €15 - €60 per tonne. The very variable achievable prices were determined by the point of contract closure and the price levels achieved during April, depending on the mill and scrap grade concerned. After Turkish consumers were successful in pushing down their scrap import prices by almost US-$55 (CFR Türkiye) from the middle of April to the first third of May, European steel mills jumped on the bandwagon, taking advantage of the weak market by reducing their offered prices considerably; thus, the later the point of contract closure the higher the price reduction. Although scrap inflow of both industrial and obsolete scrap still leaves very much to be desired, the trade was forced to accept the marked price reductions in the light of weak mill demand and the lack of alternative turnover possibilities. The most marked price reductions were seen for light shear scrap and the smallest for industrial scrap. A Turkish buying spree from the 8th – 10th May, ahead of the Turkish presidential elections, stabilised the market and this price stability was still apparent at the editorial deadline.

On average, German mill capacity utilisation levels were between 60% and 65%, as was the case across Europe, and scrap demand was weak, accordingly. Production stoppages of one or two weeks were not, and are still not, unusual. In north Germany, consumers lowered their purchasing prices by up to €40 per tonne. They were able to take advantage of, amongst other things, available scrap quantities that had found no buyer on the deep-sea market. The mills situated in the east of Germany lowered their offered prices by between €25 and €55 per tonne, depending on the mill and scrap grade concerned and the point of contract closure. The lowest price reductions were seen for turnings and the highest for shear scrap. In the north west, mill demand varied in accordance with the considerable differences in mill capacity utilisation; only one mill showed normal demand and covered this with price reductions of between €30 and €50 per tonne. The other two mills only purchased small quantities of scrap and offered price reductions accordingly. In the west of Germany, amongst those mills situated along the Ruhr river, only one consumer was active on the market and purchased scrap at the turn of the month with price reductions of between €15 and €25 per tonne. The other mills in the west showed higher demand than last month due to a temporary improvement in their order book situations. Along the Saar river, mills purchased scrap with price reductions of between €30 and €40 per tonne. In the south west, production levels were lower than during April. Interest in purchasing scrap was seen if price reductions were between €25 and €50 per tonne, depending on the point of contract closure and the scrap grade concerned. In the south, scrap was purchased with price reductions of between €20 and €45 per tonne, compared to last month's pricing. However, delivery of the purchased quantities has been suspended, probably until the 10th June, as a result of another halt in production.

Neighbouring Foreign Markets
Weak demand for steel is putting pressure on **Italian** steel mills. Despite considerable price reductions, steel consumers are only purchasing quantities for immediate use or are pushing for further price concessions. The mills reacted to the situation with production stoppages of between one and two weeks. Depending on the point of contract closure, offered prices were between €25 and €50 per tonne lower than last month. Further production restrictions have already been announced for the coming month. The consumer in **Luxembourg** showed strong demand and was quick off the mark, purchasing scrap early on in the month. In the light of the difficult supply situation experienced last month, price reductions between €20 and €35 were registered, depending on the scrap grade concerned. Demand from **French** mills was varied and was determined by the production programme of the mill concerned. Compared to April, they offered their German suppliers price reductions of between €20 and €40 per tonne, depending on the scrap grade concerned. On the **Polish** market, large quantities of scrap were available, but demand was low. The scrap trade also reported that additional quantities of scrap from Ukraine were also made available on the Polish market, so that the willingness to export scrap to Germany was high. In the **Czech Republic**, both mills showed very weak demand and scrap traders were forced to accept price reductions of up to €50 per tonne. Only one **Swiss** mill had demand for import scrap and purchased scrap with a €40 per tonne price reduction, compared to last month. **Austrian** mills lowered their offered prices by between €20 and €30 per tonne, depending on the scrap grade concerned. Turnover opportunities at acceptable prices became available on the **Iberian Peninsula**. **Europe-wide**, price reductions for industrial scrap were lower than those for obsolete scrap.

Foundries
According to the trade, the pressure on pricing and available scrap quantities lessened slightly for some foundries during May. Both capacity utilisation level improvement and incoming orders have slowed somewhat, but not to an extent that

is seen as a cause for concern. Demand was marginally lower than during April. Non-index bound foundries reduced their offered prices by between €20 and €40 per tonne, depending on the foundry and scrap grade concerned. Pig-iron producers are still not prepared to make any price concessions, resulting in consumers simply playing the waiting game.

Türkiye

Ahead of the presidential elections in Türkiye, Turkish mills were able to turnover large volumes of construction steel, both on their domestic market and neighbouring foreign markets. However, to achieve this they have had to reduce their finished product prices by up to US-$60 per tonne since the middle of April but managed in the same period to push down their import prices by approximately the same amount. Nonetheless, their customers are expecting further price concessions to follow. It is unclear how the situation will develop after the presidential run-off vote on 28th May. Turkish steel producers are hoping that already planned projects will be realised and through this the general economy will take an upward turn and consequently boost steel turnover. European exporters were hard pushed to achieve a marked reduction in their purchasing prices, as their suppliers cut available quantities considerably if the prices (free export yard) fell below €300 per tonne. Prices on the export market are still lower than those on the domestic market, making scrap acquisition challenging for exporters.

Closing Remarks

At the moment, and especially in the construction industry, a negative market sentiment is prevailing as there are no signs indicating a market recovery; increased interest rates and the now exorbitant cost of construction materials means that investment, especially in the private sector, has been put on the back burner and also the public sector is dragging its heels in the realisation of projects. As a knock on effect, there is a shortage of demolition materials, as planned demolition work is either postponed or dropped completely. Many mills are considering further production cuts during June to adjust production to come in line with the current general economic situation and as the summer vacation period is just around the corner, it is not expected that the market will pick up any time soon. Some market participants see the low inflow of scrap, caused by the depressed general economic situation, to be a stabilising influence on price negotiations in the coming month, others see further price reductions on the cards. Should export demand not improve, domestic prices could, at least, fall to the same level as current export prices.