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Scrap Metal Market Report - November 2022

Little Movement

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Review

German steel mill purchasing prices varied considerably during November, depending on the region, consumer, supplier, scrap grade and point of contract closure. This development has been observed for many months and perhaps it is a reflection of what could now be the new norm. Reduced scrap demand, due to reduced or halted production, was met with reduced scrap availability, resulting in long drawn out negotiations. On the whole, obsolete scrap prices either remained unchanged or softened slightly. In contrast, the prices for some industrial scrap grades, where demand exceeded supply, sank by up to €25 per tonne. Consumers were able to take advantage of lacking export possibilities when setting their offered prices, but the only moderate price changes offered for obsolete scrap reflected the reduced availability of these scrap grades on the market. In some areas, scrap inflow to the yards was down 50% on last year; demolition work has seen a drastic decline and the tense general economic situation has led to an overall reduction in industrial scrap production.

Regional Developments

Demand from mills situated in the east of Germany was satisfactory and, depending on the consumer, scrap grade and point of contract closure, price reductions of between €3 and €25 per tonne were seen. In the north, mills showed low demand. In the north west, those mills with normal demand reduced their offered prices by between €5 and €10 per tonne, depending on the scrap grade concerned. One consumer did not appear on the market due to a recent halt in production. Integrated mills in the west showed reduced demand and prices there remained more or unless unchanged for obsolete scrap, whilst industrial scrap prices fell by approximately €10 per tonne. Along the Saar river, slight price reductions were seen for industrial scrap. Obsolete scrap demand was good and prices remained more unless unchanged. Demand from the consumer in the south west was reduced; a possible cause for this may be the now by ship delivered quantities of scrap, which were previously held up by low water levels on the waterways. The prices achieved by the trade were varied; they ranged from unchanged to price reductions of up to €20 per tonne, depending on the scrap grade and point of contract closure. The trade described the short-term procurement plan of the mill in the south, made necessary by another production stoppage in the second half of the month, as unfortunate. The prices for deliverable obsolete scrap remained more or less unchanged. Italian consumers offered prices are once again competitive, so the trade was able to divert at least some quantities to the Italian market.

Neighbouring Foreign Markets

The trade described **Italian** steel mill November demand as lively. In the light of the Italian government's bailout tax concession, some consumers increased their production levels to such an extent that scrap quantities available on the domestic market were not sufficient to cover demand. On the whole, mills purchasing scrap from German suppliers offered unchanged prices for obsolete scrap and slight reductions for industrial scrap, compared to last month. However, those mills in urgent need of scrap were prepared to dig deeper into their pockets. As in Germany, the achievable price was very much linked to the point of contract closure. According to trade circles, production levels by some producers in the coming month will be so high that the Christmas and New Year vacation period is likely to be much shorter this year. **Swiss** consumer import demand from neighbouring countries was low; only one mill imported scrap at unchanged prices. On the **Austrian** market, demand was also low and, compared to last month, obsolete scrap prices remained more or less unchanged, whilst by industrial scrap a €15 per tonne price reduction was seen. One of the two **Czech** steel producers purchased scrap at unchanged price levels, whilst the other lowered its purchasing prices by €33 per tonne. **Polish** demand was higher than expected, but despite this, price reductions of between €5 and €15 per tonne were seen. On the **French** market, German scrap suppliers were able to hold unchanged prices for obsolete scrap but were forced to accept price reductions of up to €15 per tonne for industrial scrap.

Marginal price reductions were also seen in the **Netherlands**. The consumer in **Luxembourg** showed demand levels comparable to last month and left offered prices unchanged, whereas demand in **Belgium** was low and price reductions of up to €25 per tonne were seen.

A Positive Prognosis

Demand for foundry grade scrap was once again pleasingly high during November. Non-index bound foundries offered almost unchanged prices for standard foundry grades. Not all foundry scrap grades in demand were available in the desired quantities. For the coming year, many foundries appear to be very confident as to economic developments and some are already reporting good capacity utilisation levels. At the moment, there appear to be no signs of problems with or a sharp decline in incoming orders. There was no significant change in pig-iron prices, although global iron ore prices have softened. The strong Euro should have played into the hands of the foundries, but according to trade circles the consumers were very reserved as far as ordering was concerned, preferring instead to bide their time and wait for further developments.

No Momentum

During the last few months Turkish consumers have been facing strong competition on the deep sea scrap market from countries in the Indian Sub-continent and Southeast Asia. As a result, Turkish consumers were unable to assert their usual influence on the November market to force through price reductions, in the light of the weak steel turnover market, in order to boost demand for steel. Exporters were able to withstand the pressure to a certain extent, especially as the already mentioned economy-related shortage of scrap in an already difficult economic environment simply left no leeway for price reductions that would have significantly altered the profit margins of the Turkish steel producers. Prices for Turkish import scrap did drop by approximately 30 US-$ per tonne in the period from the middle of October to the middle of November. However, exporters were unable to meet demands at these prices due to weak scrap inflow onto the domestic markets. When and by how much the steel economy in Europe and Türkiye will spring back to life is not foreseeable, due to many uncertain global influencing factors.

Closing Remarks

The scrap trade is expecting demand below November levels for the coming month, as some consumers are likely to extend their Christmas and New Year production stoppages. In addition, it appears that consumers have already covered their reduced December demand during November. Delivery willingness on the part of the trade will be on the low side whatever, as small and middle-sized traders are still trying to build up stocks, which up until now has not been possible during the year. Some market participants are expecting prices to remain more or less unchanged during December, whilst others are not ruling out a sharp drop in prices if the momentum doesn't pick up on the export markets.

An economic recovery is not on the horizon, as increased raw material, financing and, above all, energy costs are paralysing the market. The recent reduction in energy costs and steel prices have up until now had no positive impact on demand levels. It remains to be seen how the cap on gas and electricity prices, from which both industry and private households benefit, will fuel the economy.

The unusually high freight price increases on the part of DB Cargo (Germany National Railway – Cargo Division) was met with incomprehension within the scrap trade; the consideration to increase freight transport on the roads is the inevitable consequence. In contrast to DB Cargo, the cargo divisions of the Austrian and Swiss national railways only introduced much lower price increases with reasonable justification. It is questionable whether with this approach the German National Railway, which prides itself on being a more climate-neutral freight transport alternative, will achieve its goal.