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Scrap Metal Market Report - October 2022
Obsolete Scrap Demand Outstrips Supply
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Review
On average, scrap prices moved by ±€5 per tonne during October. However, for a few scrap grades larger price spreads of up to €30 per tonne were seen, depending on the mill, scrap grade and quantities required. Outstanding contracts are continuing to distort the market structure. Obsolete scrap availability was insufficient to cover demand in some areas, so that consumers affected offered the above-mentioned price increases to secure sufficient scrap to cover their demand. Industrial scrap supply exceeded demand, largely due to increasing automobile production, and consumers were able reduce their offered prices by between €5 and €20 per tonne.

Regional Developments
Scrap demand from mills situated in the east of Germany was good and consumers were still looking for obsolete scrap after the editorial deadline. Consumers increased their offered prices for obsolete scrap by between €8 and €25 per tonne, depending on demand and the scrap grade concerned, but marginally lowered those for industrial scrap by €5 per tonne. North German consumers indicated low demand at the beginning of the month, but this changed as the month progressed and higher prices were offered accordingly. In the north west, demand varied; some consumers showed normal demand, others reduced. The trade was able to sell scrap at either unchanged prices or with price increases of up to €20 per tonne more than during September. Mills in the west once again showed reduced demand due to curbed production levels or other factors. Depending on the mill and scrap grade concerned, prices were down approximately €10 per tonne on last month or slight price increases were achievable. Along the Saar river, mills paid price increases of approximately €10 for obsolete scrap, whereas due to the surplus supply of industrial scrap, price reductions of up to €20 per tonne were agreed upon for these grades. However, market participants described this as more of a price adjustment of last month's pricing. The consumer in the south west showed pleasingly high demand and evened out price peaks for some quantities and for others offered prices ranging from reductions of €7 per tonne to increases of €10, depending on the scrap grade, the supplier and the point of contract closure. The steel mill in south Germany, with low demand and logistic problems, reduced its purchasing prices by €5 per tonne.

Neighbouring Foreign Markets
The Italian government granted a tax rebate to steel mills in production during October. Whereupon, many mills recommenced production, albeit in parts at reduced capacity, and consequently started ordering scrap on the German market. German suppliers were able to achieve price increase of between €15 and €25 per tonne more than in previous sales, depending on the mill and scrap grade concerned; whereby these price increases brought pricing of some grades in line with those on the German market, whilst others still remained under the German market average. However, the trade saw these developments as positive as at least there was an appreciable amount of scrap being ordered on the German market. As the tax rebate is only for a limited time, it could be that production levels and accordingly scrap demand will be lower again in the coming month. It is true that the energy cost situation has relaxed somewhat, but demand for steel products, not only in Italy but in the whole of Europe, is still suffering under cautious consumer behaviour; consumers are biding their time in anticipation of further falling prices.

In **Switzerland**, only one mill had demand for German scrap and offered price increases, depending on the scrap grade and supplier concerned, of between €5 and €10 per tonne for obsolete scrap and up to €5 per tonne for industrial scrap. **Austrian** consumers showed weak demand and lowered their offered prices by €10 per tonne for industrial scrap and increased their obsolete scrap prices by the same amount. Differing information was received from the **Polish** market; on the whole demand was reduced and the prices for obsolete scrap remained more or less unchanged, whereas consumers lowered prices for industrial scrap by up to €20 per tonne. On the **Czech** market prices went down by between €10 and €18 per tonne, depending on the mill concerned. The **French** market was characterised by lower production levels and the recent strikes, which are putting considerably pressure on the French economy. Scrap prices remained more or less unchanged. The consumer in **Luxembourg** once again showed reduced demand in October, whereas prices for obsolete scrap remained more or less unchanged, industrial scrap prices fell by between €5 and €20 per tonne, depending on the supplier involved. In contrast, demand in the **Netherlands** was normal and offered prices rose by between €5 and €10 per tonne. The ARAG exporters' offered prices (free deep sea yard) remained more or less unchanged during October. Only at the end of the 42nd calendar week did exporters, who by then had no ships leaving port, reduce their purchasing prices due to weak export trade.

Foundries
The scrap trade was able to supply sufficient scrap to cover the continuing high demand from non-index bound foundries at more or less unchanged prices, or with certain grades also at a slight price increase. The energy crisis is still putting pressure on the foundries and although the order book situation for some foundries is good, at least for the fourth quarter of this year and the first quarter of next year, there is growing concern about the future. It is probable that a large proportion of foundries will extend the Christmas vacation periods in order to cut costs.

Deep Sea Market
In the light of weak new steel turnover on both their domestic and export markets Turkish steel mills are trying to put pressure on scrap prices in order to be able to offer more attractive prices for their finished products. However, at the same time, demand from scrap consumers on the Indian sub-continent has had a stabilising effect on market pricing; since summer, consumers there have been taking advantage of more favourable freight costs by buying bulk cargoes at competitive prices. From July to September this year, the United Arab Emirates imposed a scrap export ban to protect their domestic steel industry, this ban has now been extended through to March 2023. Indian steel mills, especially, purchased large quantities of scrap on the UAE market and have now been forced to look elsewhere, much to the advantage of both European and USA scrap exporters. In addition to the purchased bulk cargoes, there is also increased demand for container scrap, so that large quantities to attractive prices have left Europe for South Asia and many more are expected to follow.

Exporters on the European continent were consequently not prepared to compromise with their Turkish consumers, despite the weak Euro exchange rate, as additionally a sluggish inflow of scrap to the deep sea yards and the continuing logistic problems also left no room for negotiation. Turkish consumers, facing these new competitors on the market, found themselves forced to increase their prices in the period from the end of September until the editorial deadline by approximately US-$20 for scrap grade HMS 1/2 (80:20) from Europe. Since the end of the 42nd calendar the deep sea market has started to weaken, as the pressure from steel consumers to lower steel sales prices is steadily increasing.

Closing Remarks
In the light of the current situation, for the coming month the trade is expecting more of a sideways price development, rather than any big swings in either direction. According to the German Steel Federation (Wirtschaftsvereinigung Stahl), German steel mills produced 2,842 million tonnes of crude steel in September; this represents a drop of 1% on the already weak production levels seen in August, when 2,873 million tonnes were produced. The EAF-steel mills increased their production by 151,000 tonnes during September, but when compared to September 2021 production levels, production has plummeted by 23.8%. During October, EAF-steel production was probably not much higher than during September as a result of the many throttle backs in production and this situation is also very unlikely to change during November. Many European producers are lacking incoming orders, so that the Christmas and New Year vacation period could be used for extended production halts.

During November, many market participants will attempt to procure the required quantities for the anticipated reduced December demand. The scrap trade is not expecting an upturn on the market during the last months of the year, especially as both national and international steel prices are softening. In the light of current market conditions, steel consumers are only purchasing what is absolutely necessary; they are foregoing stocking up, preferring to wait until prices soften further.

Soaring energy costs are putting pressure on both the steel producers and on the scrap trade. Furthermore, future developments are also very uncertain, despite the fact that the situation in the energy sector has improved somewhat. Unfortunately, it is also unclear how fragile or solid this slight improvement is, as there are just too many influencing negative factors, such as the war in Ukraine, high inflation, increasing interest rates and continuing interrupted delivery chains, which are having a considerable negative impact on the general economy. The number of announcements concerning the throttling back of production or even complete production stoppages are on the increase. The scrap trade points out that logistic problems are putting all market participants in front of almost unsurmountable obstacles and it is becoming increasingly more difficult to deliver ordered goods to the right place at the right time. Logistics per se have become a challenging hindrance rather than a help - taking up much time and money, but ever increasingly not delivering the required outcome.