Schrottmarktinfo

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<u>Scrap Metal Market Report - December</u>

Weak Exports – A Burden on the Market

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Review

During December, contract negotiations between suppliers and consumers were of a reserved nature. Some consumers succeeded in purchasing quantities for December delivery during November, thus reducing their December demand accordingly. Crude steel production levels in the EAF-mills this month were varied and lower than during November due to production halts of varying lengths and causes. The weakening export market, which had already become apparent at the end of November, influenced price developments on the German domestic market. Compared to last month and on average, consumers left their offered prices unchanged or offered up to €10 per tonne more, depending on the mill and scrap grade concerned.

Industrial scrap is still in short supply, whereas the situation for obsolete scrap has eased somewhat, due to the increase in regional demolition work in the last few months, especially. Logistic bottlenecks on the rails and road made it difficult for the trade to deliver previously sold quantities, on time and when requested, to both domestic and foreign consumers. During December, the mills in the north of Germany left their offered prices unchanged, with the exception of sheared scrap where price increases of €5 per tonne were registered. Demand from east German mills where production was largely uninterrupted was described as good; one consumer showed reduced demand due to a planned halt in production in one of their mills over the turn of the year. Scrap purchasing prices either remained unchanged or rose by up to €10 per tonne, depending on the mill and scrap grade concerned as well as the point of contract closure. Polish and Czech steel producers showed high scrap demand; they offered considerable price increases in an attempt to keep scrap on the domestic market to secure sufficient scrap to cover demand. The trade reported an increased flow of scrap from Germany to Poland during December. The otherwise normal high import quantities to Germany were lower than usual and this negatively impacted some north west German mills. Due to the varying length of production stoppages this month, one consumer offered unchanged prices and the other offered an increase of €5 to €15 per tonne, depending on the scrap grade and supplier delivery distance.

Other consumers in the west also showed low demand and announced to the trade that it would be January before purchasing quantities increase. Demand from mills along the Saar river was good and offered prices remained unchanged. From 03.12.2021 to 17.01.2022 the mill in the south west has halted production for crude steel. A restart of scrap smelting in both furnaces is not planned before February. Despite this, some demand was still registered and, depending on the grade concerned, prices either remained unchanged or rose by up to €8 per tonne. As a result of extensive track maintenance work at the nearest railway station, delivery by rail waggon is either not possible or very limited, whereas HGV delivery of ordered quantities is still possible during the production halt. At the beginning of the month, the consumer in the south originally announced reduced demand and unchanged offered prices, but from the 48th calendar week increased demand for better quality scrap grades and offered an increase of approximately €10 per tonne, compared to last month; on the whole though, demand was weak and was accompanied by delivery problems both on the rail and the road.

Neighbouring Foreign Markets

Compared to November**, Italian** special steel producers showed increased demand for import scrap from their German suppliers. They quickly tried to close the October and November price gap to the south German market by increasing prices accordingly. In contrast, the construction steel producers showed lower import demand, so that offered prices ranged from between unchanged up to price increases of between €10 and €15 per tonne. Compared to last month and depending on the scrap grade concerned, in order to keep scrap on their domestic markets **Polish** mills offered their domestic suppliers price increases of between €25 and €30 per tonne, whilst **Czech** mills offered between €20 and €24 per tonne. As previously mentioned, delivery quantities to Germany weakened. One mill in **Switzerland** showed weak demand offering unchanged prices to its domestic suppliers, whilst offering a price increase of €5 per tonne to its German suppliers. On the **Austrian** market, obsolete scrap prices remained unchanged, whereas industrial scrap prices remained unchanged or price increases of €10 per tonne were offered, depending on the mill concerned. Already at the beginning of the month the consumer in **Luxembourg** indicated high demand and correspondingly high offered prices. However, as the month progressed the originally announced estimated demand was reduced and as export prices were weaker, the consumer left its offered prices unchanged. **French** mill demand was very varied. Additional quantities were purchased on the German market at competitive rates. On the whole, industrial scrap prices remained unchanged.

Foundries

Capacity utilisation levels at many foundries are pleasingly high, especially in those producing for the mechanical engineering and power plant industries as well as the commercial vehicle automotive industry. Furthermore, it appears that for the next six months at least the economic outlook is rosier. Supply of the required industrial scrap grades could hardly cover demand, so foundries were more inclined to accept the scrap suppliers' price demands. During December, for non-index bound foundries price increases ranged from between €10 and €40 per tonne, depending on the grade and foundry concerned. According to the international trade press, there were only a few contract closures for pig iron the other alternative raw material; as, for example, the most important Russian supplier is hardly offering any quantities for sale, as it is presumably waiting for the levy on pig iron exports to be lifted on 01.01.2022. In addition, the prices envisaged by the pig-iron producers is higher than consumers are prepared to pay.

Deep Sea Market

Turkish consumers, using their usual purchasing tactics, have managed to gradually push prices down by approximately 30 US-$ since the middle of November thus keeping their profit margin stable. However, Turkish consumers are faced with increasing challenges; one of which is the handling of domestic buying and selling of the further plummeting Turkish Lira. Up until the editorial deadline, the Lira has lost approximately 60% of its value this year. The rather unconventional interest rate policy employed the Turkish President, which is globally unparalleled, is hitting the Turks themselves particularly hard, as inflation is rocketing out of control thereby destroying livelihoods and causing poverty. Financial transactions for steel exports and raw material imports are carried out using the US-Dollar; however, uncertainty is still growing amongst market participants as they are unsure as to how these developments will impact other markets. During December, the European domestic market was tight, so that European exporters could only react to a limited extent to the continually weakening offered prices from their Turkish consumers. They reduced their offered prices (free yard) by up to €20 per tonne, depending on the grade concerned, but had difficulty procuring quantities at this price level, as their suppliers were not prepared to accept the downward price adjustments. According to the international trade press, Turkish consumers still need quantities to cover demand for January production. However, as they are procrastinating with their decisions to purchase, the market continues to be under pressure.

Closing Remarks

According to the majority of market participants asked, the scrap year 2021 was described as satisfactory from an economic viewpoint. According to the economic breakdown for the manufacturing industry, published by the Leibniz Institute for Economic Research (ifo-Konjunkturspiegel), market participants also see the developments for the first quarter off 2022 as positive and are expecting improved turnover opportunities and rising sales prices. The foundries asked in the economic breakdown, especially, are optimistic for the future. In the steel mills upstream of the automotive industry the order book situation also appears to be good, albeit the delivery requests still do not match the ordered quantities. Some car manufacturers have reported that the situation concerning the shortage of semi-conductors has started to ease, whereas others still appear to be having difficulty in procuring them. The possibility to still deliver scrap despite production halts, which has been made available by many scrap consumers, increases the hope that the new year will get off to a good start.

As the situation stands currently, the majority of the market participants asked are expecting a sideward movement in pricing for the coming month. They see industrial scrap prices as stable, whereas slight corrections may be seen to obsolete scrap prices. There are also some who think marginal price increases are on the cards.