Schrottmarktinfo

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Scrap Metal Market Report - February 2022

Increased Scrap Demand

Editorial Deadline: 21.02.2022

Review

During February, some consumers started negotiations with the belief that they would be able to cover their February demand at either unchanged or slightly increased price levels, compared to January pricing. Consequently, the first contracts were closed with prices increases of up to €5 per tonne. On the whole demand was good and as the Turkish influence on the market became stronger from the 6th calendar week onwards, domestic mills gradually increased their offered prices. This resulted in average February price increases of between €10 and €30 per tonne. depending on demand, scrap grade concerned and the point of contract closure. Not all mills were successful in procuring their required amounts and some market participants were still prepared to negotiate after the editorial deadline.

The price increases on the Turkish import market (see **Graphic 1**) were the steering mechanism for both the German and European markets. Some market participants described market developments as difficult to follow, as price increases occurred in quick succession; in the end, those that waited the longest before closing contracts achieved the highest prices.

From a supply point of view, the scrap trade is still waiting for a sustainable pick-up in the inflow of obsolete scrap to the yards. However, due to the time of year and the effects of the pandemic, inflow quantities are still not satisfactory irrespective of where they were sourced. Consequently, demand outstripped supply; this was especially true for heavy obsolete scrap grades. There is a shortfall in demolition scrap and collected scrap from both private and commercial sources. As a result of the marked price swings in 2021, the majority of scrap yards are depleted of stock, so that traders are only able to offer quantities which have just arrived in the yards. Furthermore, speculation on the market is setting narrow confines as far as pricing is concerned. As an example, in the annual E2 grade average price comparison 2020/ 2021, published by EUWID, the price has risen from €220 per tonne to €410 per tonne (ex works).

Inflow quantities of industrial scrap mainly depend on the sector concerned and regional variations are also apparent. Inflow is still also described as unsatisfactory and insufficient to meet demand. Large portions of the automotive industry still have throttled-back production levels, thus negatively affecting their upstream suppliers directly. Only from the machine and plant engineering sector, where utilisation levels are good, is there a continual flow of scrap into the yards. However, according to the forecast released by the IFO Institute for Economic Research in Germany, the German economy should start to pick up in the 2nd quarter.

In the east of Germany, consumers increased their offered prices by between €10 and almost €20 per tonne. One consumer further increased its offered prices by up to €30 per tonne in the middle of the month. In the north and north west consumers had to compete with exporters; prices rose by between €10 and €25 per tonne, depending on the scrap grade concerned and the point of contract closure. In contrast to the mills located in the Ruhr area, mills along the Saar river showed high demand, which led to price increases of between €25 and €35 per tonne. In the south west, offered prices increased gradually. In the south, demand for quality scrap grades was high and price increases of between €20 and €25 per tonne were registered. Logistic problems on accepting deliveries negatively impacted timely delivery and also the provision of waggons by the Deutsche Bahn (German Rail). Despite the well-known problems, German Rail made efforts to keep to their contractual obligations; albeit, market participants said that although waggons were provided, it was not always at the requested time and not always in the requested number. This demanded a high degree of flexibility from those loading and unloading freight.

Neighbouring Foreign Markets

Italian consumers showed a marked increase in demand compared to January. Negotiations were long-winded and depending on the mill concerned, those contracts closed differed considerably both in the scrap quantities involved and the prices achieved. Compared to last month, Italian mills offered price increases of between almost €15 and €30 per tonne. In the **Czech Republic** prices rose by approximately €15 per tonne and in **Poland**, where mill demand was high, by up to €20 per tonne, depending on the scrap grade concerned. As was the case during January, strong domestic demand led to low export quantities to Germany. On the **Austrian** market, demand and price levels are high, especially for industrial scrap grades. During February, whilst industrial scrap prices remained unchanged, a further €5 per tonne for obsolete scrap was achieved. Demand in **Switzerland** was also high and consumers were prepared to pay their foreign suppliers price increases of between €10 and €15 per tonne, compared to last month. **French** mills offered up to €25 per tonne more than during January and Belgian mills by between €15 and €20 per tonne. Negotiations with the consumer in **Luxembourg** were intense and led to price increase of between €20 and €30 per tonne, depending on the supplier, the scrap grade concerned and the point of contract closure

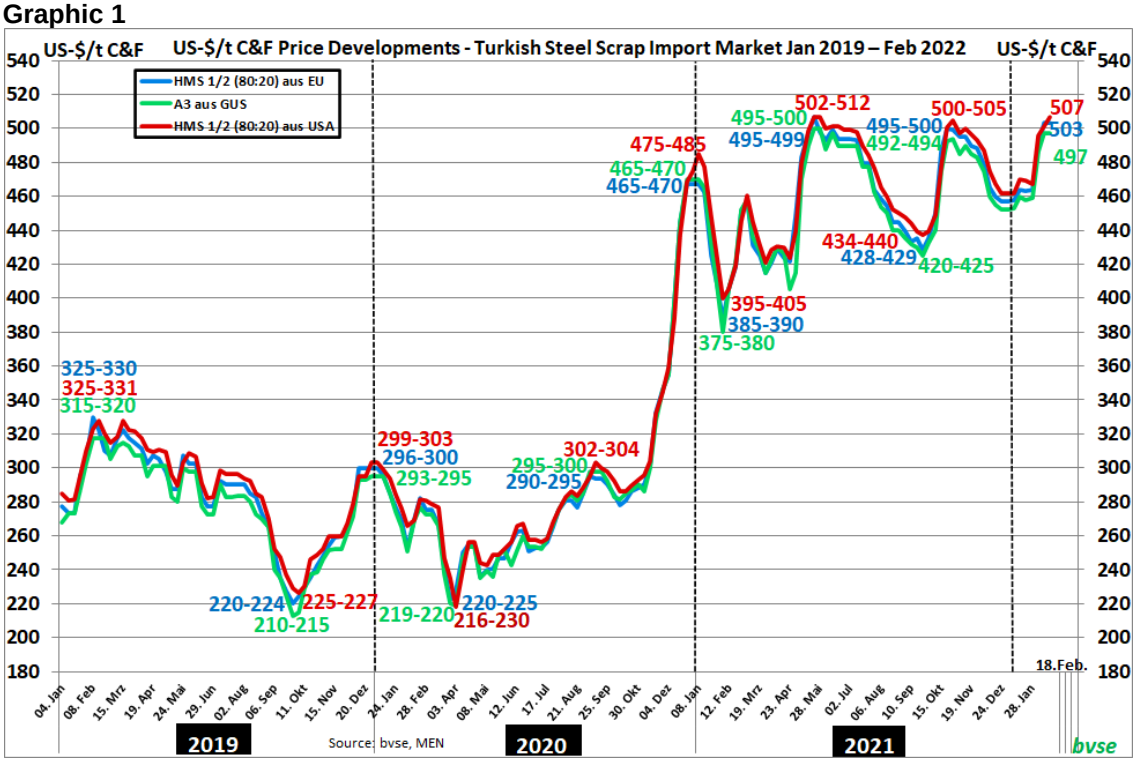
Foundries

February foundry scrap demand was high, irrespective of the grades involved. It was not always possible for consumers to procure their requested scrap grades and the amounts required. The supply of foundry grade scrap is not quite keeping pace with foundry demand. Depending on the scrap grade concerned, non-index bound foundries were prepared to pay between €10 and €20 per tonne more than last month. In parts, insufficient numbers of insurable foundries are negatively affecting trade. Foundry demand is so high as, amongst other things, the procurement of pig-iron is proving to be difficult and only possible to a limited extent. In addition to the current geo-political problems, there were huge logistic problems in South Afrika and Brazil. As an example, torrential rain in Brazil caused infrastructure damage, so that ordered quantities were very late reaching consumers. Whether Russian pig-iron will be available in the foreseeable future, is more than questionable.

Deep Sea Market

Turkish consumers continued to show high demand and concentrated their purchasing activity for deliveries in March to the first half of February; this activity was accompanied by gradual price increases up to approximately US-$40 per tonne. Good steel turnover possibilities on both their domestic market and international markets went hand in hand with lively scrap demand. Since the middle of the month, Turkish consumers have once again withdrawn from the market. However, according to the international trade press, there are still a few cargoes for March delivery to be purchased on the deep sea market. In the light of the shortfall in scrap, amongst market participants the feeling of unease is getting stronger. Consumers are envisaging favourable conditions for remaining purchases, whilst scrap suppliers are expecting rising prices due to the prevailing market situation. Up until the editorial deadline, the absence of the Turkish consumers on the market showed no effect on pricing, which indicates just how tight the market is at the moment.

Graphic 1



Closing Remarks

A large proportion of market participants are expecting more or less unchanged price levels during March, irrespective of all possible and expected geo-political influences, whether they be from the Russian-Ukraine conflict, the developments in Turkey or market intervention in China. A price adjustment for those suppliers who sold quantities at the beginning of February is expected. High mill demand is also expected during March as order books are looking very healthy.