Schrottmarktinfo

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Scrap Metal Market Report - July
Optimistic Behaviour
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Review
On average, consumers were able to lower their offered prices during July by approximately €10 per tonne, depending on the mill and scrap grade concerned. Demand from the mills is still very varied, ranging from non-existent to normal, depending on the order book situation of the mill concerned.
In the east of Germany, as the majority of mills close at one point from July to the beginning of August for their summer break, mills were able to push through markdowns of between €10 and €15 per tonne. It is probable that some mills were unable to secure delivery of their required quantities before the vacation shutdowns, as in some cases, to a certain extent, deliveries will be received during shutdown to possibly enable mills to re-start production with sufficient stock and the end of the vacation period. Compared to June, demand in the north increased and mills lowered their offered prices by between €5 and €10 per tonne. In the north west demand was down due to the start of the vacation period in the region. Suppliers reacted to price markdowns of €10 per tonne by offering low scrap quantities. In the west, the trade was faced with extremely low demand levels. Along the Saar river only one mill was present on the market with relatively good demand and a price markdown of €10 per tonne. In the south west, the only consumer on the market showed high demand and reduced its offered prices by between €5 and €12 per tonne, depending on the point of contract closure, the supplier and the scrap grade concerned. The consumer in the south concentrated its purchasing activity on affiliated companies and the prices generally offered were rather prohibitive to other suppliers.
In its July economic report, the German government speaks of a tangible recovery process, whereby capacity under-utilisation is still a considerable problem. The report describes the recovery process as dynamic, but also very much at the beginning of its journey. These observations are confirmed by the slowly increasing industrial scrap quantities. Market participants are generally speaking of very low productions levels, as in many mills short-time production is the rule, rather than the exception. Capacity utilisation in the scrap economy is varied accordingly. For many traders good third country export possibilities during both June and July were a stabilising factor.

Neighbouring Foreign Markets
As elsewhere in Europe, **Italian** steel mill capacity utilisation levels are very varied; some mills showed pleasingly high demand, whilst others showed hardly any at all. Depending on the consumer concerned, prices remained unchanged or suppliers were forced to accept markdowns of €10 per tonne. The consumer in **Luxembourg**, as in June, purchased considerably more scrap than during May. Price markdowns of between €7 and €10 per tonne were registered, depending on the scrap grade concerned, albeit negotiations were still ongoing at the time of going to press. **Belgian** and **French** mills showed weak demand and reduced their offered prices by between €7.50 and €10 per tonne. As the price levels on both markets were under those prevailing on the German market, negotiations became long-winded and in some cases were not concluded before the editorial deadline or only contact quantities were agreed upon or negotiations simply ended without contract closures. On the **Austrian** market, demand was reduced due to the vacation period and price reductions of €10 per tonne for industrial scrap and €15 per tonne for obsolete scrap were registered. This represented a correction to last month's figures as the prices had remained unchanged during June. Demand on the **Swiss** market was negligible and price reductions of €5 per tonne were registered. On the **Czech** market, the mills offered prices were €8 - €10 per tonne lower than June pricing. From the two Czech domestic mills, one registered pleasingly good capacity utilisation levels, the other was forced to curb production due to the difficult market conditions. In **Poland**, scrap prices fell by approximately €5 per tonne. Rebar demand was tight and with this scrap demand too. Scrap consumers in the **United Kingdom** were unable to push through their envisaged €10 per tonne price markdowns and in the end, prices fell by approximately €5 per tonne. Despite low domestic demand, scrap is still scarce on the domestic market as a result of low scrap inflow coupled with good export opportunities. Foundry purchasing prices mostly remained unchanged or showed a €5 drop on June prices.

Foundries
Even though in a few foundries capacity utilisation is on the increase, the economic situation in the majority is still causing concern. Non-index bound foundries reduced their offered prices by approximately €10 per tonne

compared to June. The summer vacation shutdowns, which in some cases will be lengthier than usual (depending on the capacity utilisation levels of the mills concerned), will put a further dampener on demand levels. A small light at the end of the tunnel has become apparent, as according to the results of the IFO-Institute's latest economic test for the manufacturing industries (IFO-Konjunkturspiegel) from June 2020, those iron, malleable-iron and steel foundries asked are expecting a slight economic recovery within the next six months – something they had ruled out as recently as a month ago.
Strong Chinese demand for pig-iron on the global market has enabled further price increases for this commodity. As a result of the stronger Euro (against the US-Dollar), to a certain extent these increases will be counterbalanced for pig-iron importers by the more favourable exchange rate, making the actual price increases less tangible - cold comfort for many a foundry in the light of the tense economic situation.

Deep Sea Export
Although European suppliers were not able to close any contracts for August delivery by the time of going to press, Turkish scrap demand is pleasingly high and stable. On the strength of the importance of exporters from the European mainland to the supply of scrap to Turkey, they (the exporters) will get their chance during August. Turkish construction steel producers are enjoying both strong domestic demand and also increasing demand on the international market, especially from the Far East. Turkish mills were also able to push through small price increases for their finished products, thus improving their profit margins. Scrap exporters are now demanding an adjustment to scrap prices, accordingly. In the meantime, freight costs on the deep sea market have risen by between 2 US-$ and 4 US-$ per tonne and the Euro is stronger against the dollar, as mentioned above, so that price increases, which are based on the dollar, when converted to Euro are less.
As well as improved export opportunities to Egypt, Pakistan is showing increasing interest in purchasing scrap. As far as the Indian consumers are concerned, there is a question mark behind their demand levels, as the increasing spread of Covid-19 in the country could negatively affect the steel market recovery. However, European exporters could profit from the temporary stop on scrap deliveries originating in South Africa; starting from 3th July, the South African government has, for now, put a halt to scrap exports for the next two months - after all, India did import 415,000 tonnes of scrap from South Africa last year. EU-28 exporters have already profited from the increasing import demand over the last few years; according to EuroStat they increased their export quantities to 1.9 million tonnes in 2019, from 900,000 tonnes in 2017.

Closing Remarks
Market participants are optimistic about possible market behaviour next month. The majority are expecting a more sideward movement rather than a drop in prices during August. From the non-ferrous metal sector, the trade reported that although the market valuation shows a marked increase, the turnover opportunities, for aluminium for example, remain critical. Polish and Italian aluminium foundries upstream from the automotive industry are still suffering from marked under-utilisation of their plants and consequently have hardly any demand for aluminium. Market participants are hoping for improvements on the September market. Unfortunately, it is still unclear as to how the steel mill and foundry order book situation will develop, neither in the short term nor in the more distant future. However, as the majority of the EAF-steel mills are accepting deliveries during the vacation period shutdowns, this does indicate that at least for the short term they are not too bad. It is possible that mills are pre-emptively building up stocks to counteract the expected price increases as a result of increasing export possibilities. The market remains very volatile and there is equal potential for a positive or negative market development.

Action Plan - Steel
One more comment on the Action Plan - Steel, revealed by Peter Altmaier, German Federal Minister for Economic Affairs and Energy, on 15.07.2020. Looking at this from a scrap economy view point, it is, of course, welcome that the steel industry as a system-relevant industry will be supported and preserved. The transformation of the industry to CO^2-neutral production must be supported for ecological and economic reasons, albeit the measures stipulated in the framework for the Green Deal are not only expensive, but also ambitious. However, the scrap trade would have liked to have seen the raw material scrap deeply embedded into the concept. Nearly 18 million tonnes of scrap were used as a raw material in 45% of last year's crude steel production in Germany – it is not acceptable that the quantity of emissions saved by the use of scrap in steel production does not get the recognition it rightly deserves. It is going to take time until blast furnaces are able to realise the requirements detailed in the new action plan. The steel industry would do well to use this time to further explore the opportunities available to increase scrap use in their integrated mills. Even for the EAF-steel mills there is still potential to further enhance efficiency. The rather brief and pithy statement, that the quality of scrap is not up to scratch, is a lame excuse, as an increased quality-assured processing of the additional scrap required (as a raw material) is surely associated with less obstacles and costs than the intended plan to change the production process.