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Scrap Metal Market Report - November
Split
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Review
During November scrap prices remained more or less unchanged; although some slight price increases were seen, dependant on the scrap grade, mill and supplier concerned. The trade reported that they were successful in turning over all offered quantities, although it appears not all mills were able to procure scrap in the quantities they required. Consumers who are generally flexible with their procurement periods (i.e., those that purchase daily or weekly depending on the prevailing market situation) began to offer suppliers increased prices from the middle of the month. There were a number of mills also on the look-out for additional quantities. However, due to the pleasantly high level of domestic demand and the increased demand for scrap from Turkish consumers from the beginning of the second third of the month onwards, suppliers became increasingly reluctant to sell. The strong increase in turnover possibilities for steel on the Turkish domestic and international markets enabled Turkish consumers to increase their offered prices for scrap with every order and in so doing, within 8 days they rapidly increased the price gap between inner European and international scrap pricing.
At the beginning of the month prices remained generally unchanged in the north and east of Germany. Marginal price increases of up to €5 per tonne, but also corresponding price reductions on the supplier side characterised the market picture. One mill that employs flexible purchasing tactics was forced to accept prices of up to €15 higher from the middle of the month onwards. In the north-west demand was strong, so that suppliers achieved a price increase of up to €9 per tonne, depending on the scrap grade and supplier concerned. In the Saar region, demand was reported as low and prices remained unchanged. In the south-west strong demand and marginal price adjustments were registered, although as the month progressed higher prices were seen. In the south, prices also remained unchanged for particular grades used in special steel production.

Neighbouring Foreign Markets
At the beginning of the month, **Italian** consumers were able to push through price reductions on their domestic market. Although the mills would have liked to have achieved this from their suppliers from neighbouring countries, after lengthy negotiations unchanged price levels were agreed, whereby individual mill demand differed considerably. In **the Czech Republic**, consumer domestic demand was strong and compared to October Czech consumers increased their offered prices to domestic suppliers by €8 to €9 per tonne; as a result, some domestic suppliers chose to stick to the domestic market rather than exporting to the German mills situated in the east of Germany. This decision was reinforced by the strengthening of the Czech krone against the Euro, which made supplying the domestic market economically more attractive. In contrast, **Polish** consumers increased their offered prices by up to €4 per tonne (Euro converted), thus making export to Germany more attractive. On the **Swiss** market prices remained unchanged with high import demand. **Austrian** consumers also purchased scrap at unchanged price levels, compared to October. In **Luxembourg**, demand was down on October levels and scrap dealers were forced to accept unchanged prices and some price adjustments levelling out price peaks seen in October. Scrap dealers who entered negotiations later in the month were able to achieve higher prices for shearing scrap, as the Luxembourg consumer had increasing difficulty staying competitive due to increasing scrap exports to the Turkish market. In **France**, **Belgium** and the **Netherlands**, prices ranged from unchanged to price increases of up to €5 per tonne, resulting in low delivery willingness on the part of German suppliers. In contrast, according to the trade press, deep sea yards in Belgium and the Netherlands gradually increased their offered prices by between €30 and €40 per tonne (scrap grade dependant) during the course of the month in order to procure sufficient scrap to cover their sales on the deep sea market. According to reports from the **UK**, similarly to the EU, market developments were divided into two phases. In the first phase, which lasted until the entry of the Turkish consumers to the market, domestic consumers showed strong demand and increased their average offered prices by €5 per tonne. In the second phase, as third country consumers increased their demand, export prices rose by between €20 and €25 per tonne. Scrap dealers are consequently expecting corresponding price adjustments to domestic pricing during December.

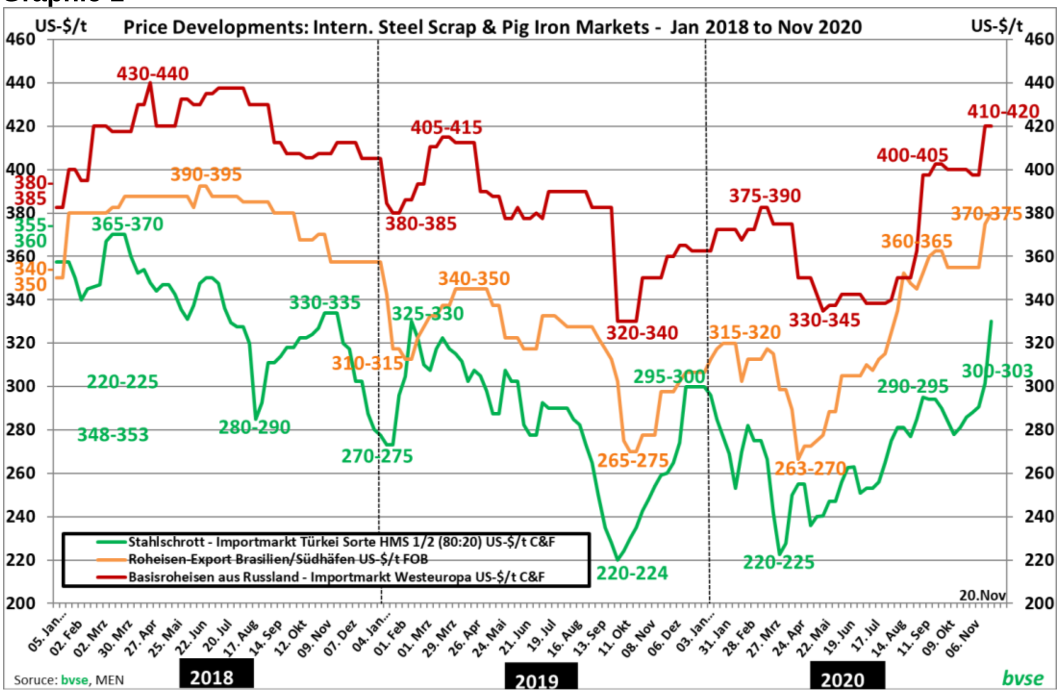
Foundries
Whereas some foundries are now seeing light at the end of the tunnel, some are still struggling in the dark. Those foundries upstream from the automotive or wind-energy industries are profiting from the increasing recovery in these sectors and accordingly their demand was considered satisfactory. Non-index bound foundries purchased scrap at either unchanged price levels or at increased prices of up to €10 per tonne, depending on the foundry and scrap grade concerned. Many foundries are still on short time with corresponding lower levels of demand, so that in some areas the

supply of special foundry scrap grades outweighs the demand, especially as plants usually generating these scrap grades are also back in production. As a result of very strong demand over the last few months from Chinese consumers on the Brazilian and CIS-country markets, the pig-iron market has developed into a sellers' market with steadily increasing prices (see Graphic 1). The price reductions European consumers were hoping for now seem way out of reach. Internationally increasing scrap prices also show no negotiation room for price reductions, which foundries desperately need to improve their difficult economic situation.

Deep Sea Market

All market participants showed surprise at the sudden sharp increase in scrap import demand from Turkish steel manufacturers and the associated setting of prices. Whereas Europe is still suffering under the yoke of the pandemic, its knock-on effects and a very sluggish economic recovery, the Chinese economy and large parts of the south-east Asian economies are making a fast recovery. Obviously, Turkish consumers are profiting from increasing steel demand in these areas as both their domestic and, above all, their foreign orders have resulted in full flat and long steel order books through until March. Rising steel sales prices coupled with good turnover possibilities were sufficient to see an improvement in profit margins, despite increasing scrap prices. According to the international trade press, the price for European HMS 1/2 (80:20) grade scrap was around 330 US-$ (CFR Turkey) on 20th November with potential for further increases. In contrast, the market price 4 weeks ago was around 290 US-$. However, rapidly increasing prices (see Graphic 1) have increased the risks for exporters and reduced their elbow room as far as price negotiations are concerned, as up until now their purchasing prices (free deep sea yard) have increased more rapidly than their sales prices. Global scrap shortages coupled with rapidly increasing demand is driving the market.

Graphic 1



More Going on Than Anticipated

Last month market participants were still expecting a quiet conclusion to the 2020 scrap year with more or less unchanged pricing. However, the international scrap market has now brought movement into the picture and it is unclear how domestic consumers showing demand will react in the coming month. On the consumer side, the EAF-steel mills traditionally curb production during December and scrap demand falls accordingly. On the supplier side, there are large quantities of scrap sold to third countries which will require loading and shipping during December. Available scrap quantities also traditionally decline during December along with a reduction in the trade's delivery willingness due to limited rail, ship and HGV services at the turn of the year. However, most market participants are expecting considerably more moderate price movements on the domestic market than were recently seen on the export market. Nonetheless, price adjustments during January coming into line with international pricing will hardly be avoidable.