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Scrap Metal Market Report - September
Trend Towards Normality
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Review
Price increases during both August and September averaged at €20 - €25 per tonne for all steel mills. In order to procure their required quantities, those steel mills with backlog demand offered more than the commonly seen €10 - €15 per tonne, this was especially true for particular scrap grades. Some traders entered September negotiations expecting higher prices, but these expectations were not met. Coupled with an increasing demand for scrap, steel production also started to bounce back. The trade had difficulty securing sufficient scrap quantities to cover the quantities sold as industrial production was, and still is, under pre-pandemic capacity utilisation levels and consequently, scrap inflow is still around 30% lower than its pre-pandemic level. The automotive industry is way behind normal production levels and the move towards e-mobility, especially, is negatively impacting wide numbers of upstream suppliers. First announcements of redundancies and shutdowns are a foretaste of things to come. Furthermore, the German mechanical engineering sector is waiting for positive demand impulses both on the domestic and export market; protectionist measures are hindering the German export flagship reaching their normal export levels. According to the trade, construction activity is increasing, whilst some industrial demolitions are being postponed due to the difficult market situation. Many companies reported that available scrap quantities for collection left a lot to be desired, particularly due to the fact that many households and small businesses had taken the opportunity to clean up and sort out during lockdown. As a consequence, shortcomings in input material for the aggregates was noticeable. In particular, low turnings availability reflects the difficult economic environment in which many metal treatment plants find themselves. A lively export market supported the positive pricing developments seen in the first third of the month, but also resulted in scrap being diverted away from the domestic market.

Neighbouring Foreign Markets
Despite the vacation period, steel production in **Italy** had already increased during August, and during September many more mills recommenced production. However, demand was mostly covered by domestic traders, who were satisfied with price increases of around €5 per tonne. The majority of Italian consumers offered German traders markups of approximately €10 per tonne (compared to August); this resulted in a reduced delivery willingness on the part of the German suppliers as the gap to prices prevailing on the German domestic market was too wide. During the month, steel mills announced further price increases in the long-steel segment, so that an increase in demand for scrap from neighbouring countries could be on the cards next month, especially as domestic scrap yards used September to reduce their stock levels. Both of the mills in the **Czech** Republic increased their offered prices by approximately €15 per tonne, whereas their **Polish** counterparts only offered price markups of between €6 and €8 per tonne as they had already offered more marked price increases during August, compared to other neighbouring countries. On the **Austrian** domestic market, price markups of €20 per tonne for obsolete scrap and €15 per tonne for industrial scrap were registered. Foreign suppliers were offered markups of €15 per tonne, regardless of the scrap grade. Scrap demand from **Swiss** steel plants was higher than during August and with price mark ups of €15 per tonne scrap was purchased from both German and Austrian suppliers. It appears that demand from one of the mills has at least stabilised, whilst demand from the other mill was reported to be normal. During September, **French** and **Belgian** mills fell in to line with their offered price increases of between €10 and €15 per tonne as seen in the majority of countries neighbouring Germany. The consumer in **Luxembourg** also fell in line with price markups of €15 per tonne and showed a pleasingly high level of demand, albeit with massive logistic problems. Due to the cut-back in rail freight capacity, the majority of the purchased quantities were to be transported by HGVs on the roads; this has proved, and still is proving, challenging for both parties involved. In the **UK**, consumers paid an average markup of €11 per tonne, although though some mills were forced to pay more as their demand increased. Foundries showed a cut-off point at €5 per tonne due to their poor order book situation.

Foundries
In contrast to crude steel production, the trade saw no visible signs of recovery in the foundries. The topics short-time and reduced shift numbers are still the most important topics of the day. Non-index bound foundries increased their offered prices by approximately €10 per tonne.

Deep Sea Export
Turkish importers were looking to reduce their purchasing prices by steering clear of the market for 14 days. At the editorial deadline, they reappeared and started purchasing scrap to cover their estimated 10 freight loads of remaining scrap demand for October. According to trade circles, apparently four contracts were closed with European traders on 23rd September, whereby the price for HMS 1/2 (80:20) was up to 5 US-$ per tonne lower than the last registered EU contract closure, where prices were between 292 US-$ and 293 US-$. A slight decrease in freight costs and a more favourable US-$ exchange rate enabled exporters from the European continent to partially accommodate Turkish pricing requests. The majority of market participants are not expecting marked price adjustments due to the above-mentioned discrepancy between scrap demand and supply on the European market. Instead, they are anticipating that the strong constant demand for scrap from Turkish consumers will continue during October for November delivery. A reappearance of consumers from the Indian subcontinent is also expected. The unforeseeable possible negative effects of political escalation, the strong resurgence of COVID-19 in many countries and exchange-rate turbulences could put a damper on the market.

Closing Remarks
Furnaces both in Germany and the EU that have been in operation since August (after their pandemic-related shutdowns or postponement of their initial firing) are indicating a recovery in demand for flat steel, this should also lead to an increase in demand for industrial and high quality scrap grades. On the Rhine and Donau rivers low water is affecting barge deliveries both in and out of the steel mills, and according to the long-term weather forecast relief is not in sight in the near future. The German economic institutes and the Federal Ministry for Economic Affairs are generally predicting a cautious positive economic development in Germany for the rest of the year.
For the coming month, market participants are expecting scrap prices to remain unchanged or to show a slight increase, albeit some consumers will have to adjust their offered prices to come in line with prevailing market pricing.