MetalBulletin

SPOTLIGHT: Steady as she goes for scrap and secondary markets – and that's the problem

November 01, 2012 - 18:45 GMT **Location:** London
KEYWORDS: aluminium , titanium , ferro-titanium , prices , scrap , secondary , producers , Europe
Across Europe, the secondary and scrap metal markets are under pressure, as margins continue to be squeezed and production cutbacks loom across the sector.
In the secondary aluminium market in particular, falling demand, coupled with static scrap prices and depressed ingot prices, has left the market struggling to see any relief before the middle of next year at the earliest.

Within the UK market, LM24 pressure diecasting ingots have remained at £1,420-1,450 ($2,286-2,335) per tonne for the last six weeks, while cast wheels and HE9 extrusions are both at £1,100-1,150 per tonne and group 1 litho (baled) is at £1,200-1,350.

In January this year, meanwhile, cast wheels were at £1,100-1,150, and HE9 extrusions were at £1,120-1,170, while LM24 ingots were at £1,460-1,500 per tonne.

Like primary markets, the sector has been dependent on macroeconomic news to guide prices, and the turmoil globally has had a similar impact.

Scrap demand on the continent has been hit hard by the debt crises in Spain and Italy, and some producers there have already undertaken temporary shutdowns to avoid losing any more money.

Prices for DIN 226 pressure diecasting ingots currently stand at €1,720-1,780 per tonne ($2,231-2,309), while floated frag scrap is at €1,320-1,390 per tonne.

Consumers have become increasingly wary of taking on additional risk and have been buying material on a hand-to-mouth basis since before the end of the third quarter.

At the Bureau of International Recycling (BIR) conference, held in Barcelona at the end of October, the mood was broadly pessimistic.

Metal Bulletin spoke with a number of market participants and their comments all seemed to follow a single theme: even if there is an uptick in prices, it will not be sustainable.

It is likely that there will be a flurry of demand at the beginning of 2013 as companies move to restock, they said, but this will be short-lived, as macroeconomic conditions are not expected to improve.

Asia
Even Asia, which has traditionally been the mainstay of scrap demand, has seen something of a downturn, according to one trader.

This is linked to the deceleration of GDP growth in China, which, it now appears, does not have such an insatiable appetite for raw materials as the market once thought.

In recent weeks, moreover, business has been "steady as she goes" in Europe, according to market participants – and that is the problem.

There have been no headlines to guide the market, no increase in enquiries, no fall in scrap prices, and no rise in ingot prices for some time.

As a result, UK ferro-titanium producers are looking at cutting up to 50% of production before the end of 2012, as titanium scrap prices have failed to fall enough to compensate for the cost of production.

In both the secondary aluminium and ferro-titanium markets, those producers who remain active are scrambling for what little business is available, and are forced to sell at lower and lower prices to attract buyer interest.

This means production becomes less and less economical and cutbacks become increasingly difficult to avoid.

Falling London Metal Exchange prices have also had an effect on secondary aluminium, rising suddenly in the wake of the announcement of a third round of quantitative easing in the US, but failing to remain high enough to support secondary ingot prices.

Bullish sentiment has disappeared from the market, it appears, and the mood at the Metal Bulletin recycled aluminium conference in Salzburg at the end of this month is likely to be much the same.

Claire Hack
chack@metalbulletin.com
Twitter: @clairehack_mb