

# 2018 BIR Spring Convention: Dark clouds in the ferrous forecast

Events in Turkey and North America could conspire against the ferrous scrap market.



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Most of the world's largest economies have fared well in 2017 and the first four months of 2018, bringing along with it stable-to-rising ferrous scrap prices during most of that stretch.

However, as recyclers and traders gathered in late May at the Ferrous Division meeting at the **2018 Bureau of International Recycling (BIR) World Recycling Convention & Exhibition** in Barcelona, they heard from several panelists who pointed to potential trouble spots looming in the near-term future.

Ferrous Division Interim President Tom Bird of Hong Kong-based **Chiho Environmental Group** said trade disputes are heading down a path that could lead to \$3 trillion worth of global trade "wiped out" by 2021, a notion that should concern recyclers with distant markets.

He also pointed to economic hiccups in Turkey as being "of concern" because that nation "is the biggest market for our ferrous scrap."

Rolf Willeke, the Ferrous Division's statistics advisor, confirmed Turkey's status in a presentation offering highlights of the BIR's updated "World Steel Recycling in Figures" pamphlet, which covers the years 2013 through 2017.

The nearly 21 million metric tons of ferrous scrap imported by Turkey's electric arc furnace (EAF) steelmakers in 2017 made it by far the world's leader in that category,

followed by South Korea at slightly less than 6.2 million metric tons and India with more than 5.3 million metric tons.

The European Union (20 million metric tons) and the United States (15 million metric tons) exported the most ferrous scrap in 2017, Willeke pointed out. Both regions increased their ferrous scrap export volumes in 2017 compared with the year before, with U.S. volume growing by 17 percent and EU volume up by 12.9 percent.

So far in 2018, Division member George Adams of U.S.-based [SA Recycling](#) said ferrous scrap pricing and demand has been encouraging, “premised on healthy domestic demand for new steel [and] strength in the scrap steel export markets, although that strength has since faded.”

Adams referred to Taiwanese demand for U.S. scrap as a “roller coaster ride” so far in 2018, while the South Korean market has been “soft” and China is showing a greater ability to absorb its own ferrous scrap rather than rely on imports.

Adams and Frank Heukeshoven of Germany-based [TSR Recycling GmbH](#) pointed to economic concerns in Turkey, with Adams commenting, “New steel exports from Turkey decreased in the month of March by more than 15 percent, creating less demand for U.S. scrap.” Turkish steelmakers have been “hit hard” by the Section 232 tariffs on imported steel imposed by the Trump administration, according to Adams.

Heukeshoven referred to Turkey as “not doing well,” adding, “Sales [of ferrous scrap to Turkey] really slowed down in April [and] prices paid by the Turks are getting lower.” He said the “main drivers” for the gloomy conditions are “slow Turkish domestic rebar sales and the negative effect on [steel] export sales” caused by the U.S. tariff.

Guest speaker Jason Schenker of U.S.-based [Prestige Economics](#) pointed to potential damage from Trump administration tariffs as having the potential to spread far beyond Turkey. He expressed curiosity that both the Federal Reserve Bank and the International Monetary Fund (IMF) have acknowledged this potential damage, but neither organization has revised its 2018 or 2019 gross domestic product (GDP) forecasts downward. “Tariffs are like cockroaches, there’s never just one,” Schenker warned.

For his part, Schenker forecasts 2.5 percent GDP growth in the U.S. in 2018 but just 1.1 percent growth in 2019. He expressed concern about an angel investing “hype bubble” in the U.S. and beyond and market cap values for some tech companies reminiscent of previous bubbles.

In the manufacturing sector, Schenker said U.S. tariffs on imported steel and aluminum could lead to a short-term improvement in mill capacity rates, but ultimately as basic materials prices rise, many manufacturers could see their businesses erode, causing steel mill output to go back down.

Schenker also referred to this decade’s sustained economy growth cycle as having been fueled by auto sales, “but those are dropping” in 2018.

The [2018 BIR World Recycling Convention & Exhibition](#) was at the Sofia Hotel in Barcelona, Spain, May 27-30.