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Chinese scrap exports five years out: Zhu - Wednesday, 26th October 2016

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#### Ferrous scrap

Chinese exports of scrap into the global market are still at least five years away, said Curtis Zhu, principle analyst for steel and iron ore at Wood Mackenzie, at the Bureau of International Recycling conference in Amsterdam Tuesday.

Current scrap needs in China are well served by new arisings from steel production, alongside offcuts from further down the supply chain, Zhu said. The relative youth of the Chinese economy means end-of-life material has yet to hit the market.

"Q4 [2016] should be a short term peak for steelmaking costs and is likely to be lower next year. This will impact scrap," he said.

Iron ore pricing for Q4 should be stable, he believed, but pressure would return next year. Mining giant Vale will have a major expansion project coming online towards the end of this year, and slower Chinese growth this year will exacerbate oversupply.

"The coking coal price now means that all seaborne material is making money, it's too good to be true. This rise is built on the fact that the Chinese government controls the domestic supply - they just need to restart production, " said Zhu.

Mining could be restarted at higher capacity as early as the end of this year, he said, leaving impact to be felt in the coking coal price by the spring.

-- *Simon Price*

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