

South Asia fastest growth market for EU scrap

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London, 25 October (Argus) — The highest regional rate of growth for imports of European ferrous scrap was posted by south Asia in the first half of 2016, Bureau of International Recycling (BIR) data showed. Trade with countries such as Bangladesh and Pakistan has boomed this year, market participants said.

India was the world's second-largest importer of ferrous scrap, behind Turkey, in January-June, taking 3.77mn t — a 19pc increase year on year, according to the BIR statistics released this month. And the country's imports of EU-produced ferrous scrap rose by 29pc over the same period to 958,000t, making India the second-largest market for EU exporters.

EU shipments to Pakistan, the third-largest buyer of European scrap, increased by 59pc to 767,000t and deliveries to Bangladesh grew by 207pc to 262,000t, making the country the sixth-largest importer of EU-produced scrap.

But EU supply is unable to keep pace with rising demand in south Asia, regional scrap traders said — partly because of lower automotive and machinery scrapping rates in European countries with fragile economies, but also as a result of competition for scrap cargoes from Turkey, they said.

"We import scrap from the UK, France and Sweden, but we also buy from the US," Bangladesh-based steelmaker BSRM's head of supply chain management, Imtiaz Uddin Chowdury, told *Argus*. BSRM has recently commissioned electric arc furnace (EAF) capacity in Bangladesh and plans to launch a 430,000 t/yr steel producing plant in 2018.

Bangladeshi scrap demand is being driven in part by domestic economic growth of more than 6pc/yr in the past five years, which has spurred steel consumption. Demand has received addition support from a growing number of large companies, such as Danish shipowner Maersk, deciding to locate scrapping activities at yards in Bangladesh, where labour costs are low and steel prices are relatively high.

"Bangladesh and Pakistan are growing areas for us," Netherlands-based recycling group Jansen's sales and marketing manager, Frank van Delft, said. "It opens up more options in terms of trading with Asia-Pacific. Business could still be better, but its OK — [scrap] prices are up now," he said.

Bangladesh has around 3.5mn-4mn t/yr of crude steelmaking capacity and domestic consumption of around 4mn-5mn t/yr, according to India-based steel trader Nathani Group's managing director, Zain Nathani. The supply deficit is made up with imports of Chinese billet, Nathani said. But Bangladesh is trying to increase its domestic EAF capacity and, collectively, India and Bangladesh could import 10mn-15mn t/yr of scrap within the next few years, he said.

In addition to a slight recovery in the Indian steel market this year, recent price increases for sponge iron in India have prompted increased scrap buying, Nathani said.

But with other customers in south Asia registering higher demand for scrap, suppliers can be more selective about where they trade. One UK-based scrap exporter has practically ceased business with India in favour of trade with Bangladesh and Pakistan, where the trading environment is less hostile and bureaucratic, it said.

Although the EU remains the world's largest ferrous scrap exporting region — sending almost 8.6mn t overseas in the first half of 2016, a 15pc increase year on year — European scrap demand is in terminal decline, resulting in a fundamental, permanent shift in favour of the Asia-Pacific market, the UK-based exporter said.

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