Asia dominates the stainless steel outlook

Stainless steel output has taken a downward turn in Europe but production and consumption growth in Asia has been nothing short of staggering. Both these phenomena were reviewed during the BIR Stainless Steel & Special Alloys Round-Table held last month in Milan.

In 2015, Asia's stainless scrap requirements are expected to reach 8.6 million tonnes, corresponding to 51% of global stainless scrap availability.

Sandro Giuliani, President of BIR's Stainless Steel & Special Alloys Round-Table, Lindsay Millington, Director General of the British Metals Recycling Association.

Gerhard Teborg, who recently stepped down from his position with Eisenlegierungen Handelsgesellschaft, Germany, has now established himself as a consultant.

From left: Stuart Freilich of Universal Metal Corp., USA, Michael Wright of ELG Haniel Metals Ltd in the UK and Heinz Pariser of HHP Alloy Metals & Steel Market Research.

By Alfred Nijkerk

It had been a disappointing six months for the stainless steel industry, the BIR Stainless Steel & Special Alloys Round-Table was told in Milan by Sandro Giuliani of Giuliani Metalli, part of the Cronimet Group.

The first half of 2005 brought a 5.5% improvement in global stainless steel production although this was still below the 7.5% increase recorded in the corresponding period of 2004. The upturn was attributable for the greater part to growth in China, commented Mr Giuliani.

According to forecasts, 2005 will ultimately prove to be a very disappointing year for the stainless steel industry in Europe. Production began to trend downwards in the second quarter of 2005 and is expected to decline by 9.7% during the second half of the year. If estimates prove to be accurate, EU production throughout the whole of 2005 may turn out to be lower than in 2003.

This decline was all the more surprising, said Mr Giuliani, given that new production facilities had opened recently in Europe, including Outokumpu's Tornio works in Finland and Arcelor's Carinox plant in Belgium.

Mr Giuliani went on to observe that the sector had now entered a phase characterised by a surplus of scrap supplies - a situation which we would have been considered impossible just six months ago.

Ildar Neverov reported that Russia's domestic stainless steel market was mainly export oriented, with his statistics revealing that no less than 96% of the country's stainless exports are in the form of scrap. Total Russian scrap exports, to which a 15% export duty is still applied, amounted to 203 000 tonnes in the first eight months of the current year. However, the domestic VAT regime is to be abolished from the start of 2006 and, hence, domestic prices could decline by some 18%. The decision to abandon VAT charges was designed mainly to prevent fraud as many suppliers to the mills cash in tax reimbursements but do not pay their VAT to Russia's fiscal authorities, remarked Mr Neverov.

The speaker's figures also revealed that some 52% of Russian exports were to Finland - often for toll conversion. Other leading consumers were: The Netherlands on 23%; Germany on 7.1%; and South Korea on 6.3%.

Reduced scrap requirements

The US market report from Barry Hunter of Hunter-BenMet Assoc. LLC recalled that domestic mills' stainless scrap purchase prices had exceeded US$ 1640 per gross ton delivered earlier this year when LME nickel had reached US$ 17 000. However, producers had significantly reduced their scrap requirements and the October mill buying level had fallen below US$ 1400. He anticipated that, owing to high Asian demand, US consuming markets would eventually find themselves competing for stainless scrap supplies 'down to basically truck-load quantities'.

In the first eight months of 2005, US stainless scrap exports to Asia's five major consuming regions showed a 24% increase compared to the same period in 2004, although shipments to South Korea had fallen by almost 50% following a shift away from bulk cargoes. By contrast, China had increased its intake of US scrap by no less than 70%.

Overall, US offshore shipments in the January-August period had stood at approximately 360 000 tonnes as against some 300 000 tonnes in the first eight months of 2004. For the near future, Mr Hunter envisaged a period of de-stocking in the USA, as well as increased production and a cor-

responding improvement in scrap demand early next year.

China leads world demand

Michael Wright of ELG Haniel Metals Ltd in the UK, presented a detailed report on the development of Asia's stainless steel and related scrap industry.

He began by noting that Asia's crude stainless output had risen from less than 6 million tonnes in 1995 to 12.4 million tonnes last year - equivalent to 49.5% of world output. This year, Asia would be responsible for an estimated 52-53% of global output.

By 2015, Asia could be producing 31 million tonnes of stainless steel, or some 60-65% of world production; according to Mr Wright, this would include 18.5 million tonnes of austenitic grades, 5.4 million tonnes of ferritic, and 6.7 million tonnes of low NiCrMn grades. Asia's stainless scrap requirements would triple over the period to 8.6 million tonnes, corresponding to 51% of global stainless scrap availability.

In the USA and Europe, by contrast, production growth has reached only 3.6% per annum and is even set to decline this year *(see graph)*.

Surge in Chinese output

Asian demand already accounts for 55% of the global market, while China is by far the largest stainless user in the world with an annual consumption of 5.3 million tonnes.

China's stainless steel output is expected to rise from its current level of 2.8 million tonnes per annum to more than 8 million tonnes by 2010. And according to Mr Wright, the country's output was likely to be around 14.4 million tonnes by 2015, including 10 million tonnes of austenitic grades, 1 million tonnes of ferritic grades and 3.4 million tonnes of CrMn grades. Overall, these figures correspond to an average annual growth rate of more than 15%, reported Mr Wright.

Mr Wright feared, however, that the proportion of CrMn and CrMnCu grades would rise and remain relatively high. At the same time, the ratio of austenitic grades could remain steady while the difficult ferritic grades could well be the losers.

China's main handicap was a shortfall of stainless steel raw materials, the speaker continued. The availability of nickel and chromium was limited and the sole domestic source of raw material - reclaimed scrap - might not be fully usable because of CrMn contamination problems.

The speaker noted that China's scrap reserve had already grown to almost 18 million tonnes and could be expected to approach 50 million tonnes by 2015. □

Asia – Stainless Scrap Market Parameters 2004 ('000 tonnes)

	Availability	Exports	Imports	Demand
Japan	960	281	151	893
China	800	39	258	1.019
South Korea	430	106	475	799
Taiwan	270	53	334	551
India	40		158	198
Other Asia	140	140		
Total	**2.640**	**556**	**1.376**	**3.460**