BIR: scrap market full of uncertainty

Global / Scrap

Hard times for the global steel scrap market are gradually passing. However, the sector is no longer subject simply to the traditional “supply-demand continuum,” according to Bureau of International Recycling (BIR).

The main reasons behind the changes in the segment were currency manipulations, political upheavals, and no meaningful reduction in Chinese steel exports. “Chinese officials continually speak of capacity cuts, however, they never speak of production cuts,” William Schmiedel, President of the BIR Ferrous Division, said during the BIR WorldRecycling Convention, held in Amsterdam on October 24-25, 2016.

Among the unpredictable factors is also a sharp increase in coking coal prices. Aiming to raise the price, China reduced coal mining a few months ago, which automatically caused a 16% reduction in the supply of coking coal. According to Metal Expert data, coal prices soared by about 14% over the last two weeks and by almost 86% since early September, coming to the current range of $250-260/t FOB Australia. “I don’t recall ever the coking coal being above the value of steel scrap, so the future is not as it used to be,” Mr. Schmiedel said.

Meanwhile, the US scrap market seems to have bottomed out considering higher contracts prices on external markets. “Export will continue to play its role in US domestic prices and any strength in those markets may translate into stronger US domestic prices,” even with weak steel mill order books, mentioned George Adams, President of SA Recycling.

The expectations for the European scrap market are also optimistic, as there is no reason for weakness for the rest of the year, Metal Expert understands. The outlook for Japanese scrap sector is more stable, though.

Demand in India, Pakistan and Bangladesh brings hope to the scrap sector for the coming years. Imports to those countries could reach a total of 10-15 million t in the next year or so, according to Zain Nathani, Vice President of Nathani Group of Companies. Moreover, taking into account an expected significant capacity expansion in Bangladesh, the country’s annual imports of ferrous scrap may soar from around 1.5 million t last year to nearly 4 million t by 2018.

At the same time, in a long-term perspective, China could become quite a big scrap exporter, as scrap arising will increase significantly after 2030, said Curtis Zhu, consultancy group Wood Mackenzie.