

## Stainless

# No hint of recovery in the near term



It is not expected that stainless steel scrap will be in short supply in the near future.

**For the world stainless steel industry, optimism and orders are in short supply. Scrap suppliers have seen their early-2008 expectations systematically dismantled – and are anticipating that these difficult market conditions will persist well into 2009, according to feedback from the latest BIR Stainless Steel & Special Alloys Round-Table.**

**W**ith the markets adrift in uncharted territory, forecasts as to their future course are inherently unstable. However, based on input from a number of experts, Michael Wright of UK-based ELG Haniel Metals ventured to suggest that stainless steel production and associated raw material demand are unlikely to improve until the second quarter of next year at the earliest. 'That's the most optimistic we can be,' the Chairman of BIR's Stainless Steel & Special Alloys Committee told the latest Round-Table in Düsseldorf. Mr Wright's tentative summary of the market outlook indicated slowly rising stainless steel output and increasing demand for stock replenishment towards the end of 2009. He observed: 'Providing stainless steel consumers are in long-term contracts with their scrap suppliers, we cannot see there being any shortage of scrap in the near

future.' Recyclers will need to ensure that scrap remains attractive 'both in price and quality', he went on to say. Earlier in the year, it was envisaged that Europe's stainless steel production for 2008 would exceed the 8.1 million tonnes recorded in 2007. 'It is now anticipated, in view of the end-of-year performance, that this will now be reduced by some 5.5% to a figure of 7.6 million tonnes,' said Mr Wright. 'At this stage, we can only "best estimate" a further reduction of up to 10%, or production levels in Europe of less than 7 million tonnes, in 2009.' From the global perspective, the consensus is that stainless steel production could slide from 28.5 million tonnes in 2007 to 27.3 million tonnes this year and then to 26.4 million tonnes in 2009. The outlook is particularly grey for the austenitic grades

whose share of overall production is expected to slump from 59% in 2007 to 55.4% next year.

## Withdrawn from market

The major US mills have 'basically withdrawn from the scrap market' in response to 'a lack of new orders and some reported cancellations of old orders', reported Barry Hunter of Hunter Alloys LLC. 'Any limited amount of scrap required by the mills is being negotiated quietly on a spot basis with their one or two major suppliers,' he observed

The market correction had been 'predictable' whereas 'the speed and magnitude of that correction unfortunately was not', the speaker acknowledged. While expecting a turn-round in fortunes to 'take a while', stainless steel 'is not going out of fashion', Mr Hunter insisted in Düsseldorf. And he sounded another positive note in adding: 'Limited manufacturing reduces the availability of prompt industrial scrap, low prices restrict general flows of scrap, a lack of mill production reduces the amount of revert scrap availability - all of these conditions, which we clearly recognise as being with us today, must eventually impact need, competition and price.'

## No significant imports

According to the South East Asian market report from Mark Sellier of

KMR Stainless, China has not completed any significant imports of stainless scrap in the third and fourth quarters of 2008. Meanwhile, this year's exports of stainless scrap from Russia are likely to fall some 30 000 to 35 000 tonnes short of the 2007 total of 264 000 tonnes because of the world economic climate, reported Ildar Neverov of Scrap Market Ltd. In the Middle East, some mills extended their maintenance closures into September in response to more difficult market conditions, it was reported by Salam Sharif of Sharif Metals.

For the Indian market, Anand Gupta of Ambica Steels spoke of 'high' overall stainless scrap availability as a result of lower demand from domestic producers who have cut production by an average of 30 to 40%. The same speaker also pointed out that India's production of stainless steel had increased at an annual average of 18.3% over a seven-year period to reach 2.3 million tonnes by 2007, with the 200 series accounting for around 85% of this total.

The special alloys report provided by Stuart Freilich of Universal Metal Corporation in the USA confirmed that titanium scrap is currently 'very competitively priced' in relation to sponge. Although markets will take time to recover, titanium scrap and high-temperature alloys should prove easier to sell 'later next year', he added. □



Michael Wright of UK-based ELG Haniel Metals and Chairman of BIR's Stainless Steel & Special Alloys Committee.



Sandro Giuliani of Giuliani Metalli SAS in Italy.



Ruurd Werner of the Germany-based Cronimer Group.