

**Steel & Special Alloys**

# Difficult present – but a 'bright' future



Over-capacity and volatile nickel prices are just two of the problems confronting the stainless steel industry at present. However, the meeting of the BIR Stainless Steel & Special Alloys Committee in Rome also offered grounds for longer-term optimism. As regards scrap, one of the main issues is availability.

Recent months have brought generally 'good' global demand for stainless steel scrap - but business has continued to be conducted largely 'on a short-term supply and demand basis', according to Michael Wright of ELG Haniel in the UK. Speaking in Rome, he also reported signs of 'a slight tail-off' in demand for June but insisted that any decline in scrap orders has been 'more than compensated' by a lack of availability.

Re-elected Chairman of the BIR Stainless Steel & Special Alloys Committee during the world body's latest Spring Convention, Mr Wright argued that these conditions are unlikely to change in the third quarter given the relatively low price of nickel and the lack of production. With LME nickel values heading southwards towards US\$ 16 500 per tonne at the time of the meeting, the speaker con-

firmed that investment funds 'are not interested' in the metal at present.

### Production recovery

Mr Wright alluded to continuing nickel price fluctuations in his summary of recent market developments whereas guest speaker Pascal Payet-Gaspard, Secretary General of the International Stainless Steel Forum and formerly Chairman and CEO of ArcelorMittal Stainless International, suggested that the increasingly important role of nickel pig iron 'will help the industry to have less volatile nickel prices'.

In a largely bullish presentation in which he described the future of the stainless steel industry as 'bright', Mr Payet-Gaspard said that this metal had enjoyed faster growth than most metallic materials over the past three decades and that its potential in emerging countries is 'enormous'. Despite a sharp drop in stainless production in the aftermath of the world financial and economic crunch of 2008, output leapt approaching 25% in 2010 and by a further 3.3% in 2011 to reach an all-time high of 32.11 million tonnes, he said.

World crude stainless

production growth had reached an average of 6% per annum for the period from 2001 to 2011. However, the speaker went on to stress that China has accounted for, in effect, all of the growth achieved since the start of the Millennium. Mr Payet-Gaspard also identified stainless mill expansion programmes in China as one of the major factors underlying the 'significant over-capacity expected going forward'.

He acknowledged efforts already being made in various parts of the world to tackle overcapacity through restructuring measures which he hoped would be followed by others. However, significant expansion plans in China - notably at Baosteel and Shanxi TISCO - will mean that overcapacity remains an issue, he also observed.

### 'Heavy-handed' policy

In the established round of country and regional market reports, Barry Hunter of Hunter Alloys LLC in the USA said that scrap flows into domestic wholesalers continue to be 'slow'. The trend in US stainless scrap exports is clearly downwards, he added, with Asia accounting for most of the volumes shipped out. Summarising conditions in Asia itself, Mark Sellier of OneSteel Recycling spoke of generally 'tight' scrap availability. The report from Anand Gupta of Ambica Steels in India suggested that

domestic stainless mills are operating at around 70% capacity utilisation and have been buying scrap 'on a hand-to-mouth basis'. Meanwhile, Ahmad Sharif of Sharif Metals Est. confirmed stainless steel was being traded in Jordan at low levels 'due to a heavy-handed government policy of imposing US\$ 70 per tonne export fees, which is obviously having an impact on stainless steel exports'.

### 'Less optimistic'

Reviewing conditions and developments in Europe based on reports from committee board members, Mr Wright indicated that recent market restructuring - notably the Outokumpu/Thyssen Krupp link-up - should lead to AST in Terni, Italy, becoming 'the most important stainless steel scrap purchaser in Europe'. And speaking of his own UK market, Mr Wright revised an earlier prediction that stainless steel production in 2012 would repeat the 310 000 tonnes of last year. 'We are less optimistic now,' he said in downgrading the forecast to around 280 000 tonnes. In his superalloys report, Phil Rosenberg of Keywell LLC in the USA noted the recent announcement by Airbus of a 10% cut in its mid-range aircraft. However, he still expected titanium prices to be 'soft' in the short term but 'good' in the long term. □



BIR Stainless Steel & Special Alloys Committee Chairman Michael Wright of ELG Haniel in the UK.



Barry Hunter of Hunter Alloys LLC in the USA.