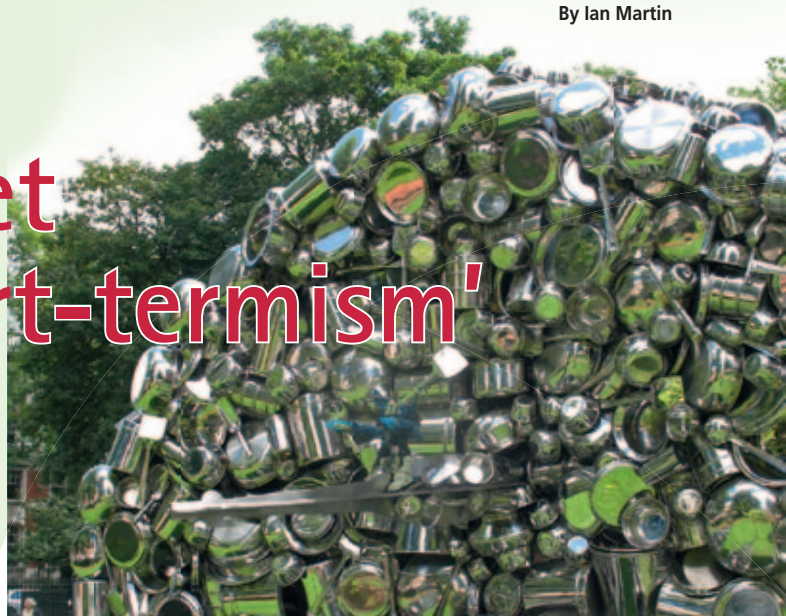


Stainless Steel & Special Alloys

Stainless market returns to 'short-termism'

For 2011, global production of stainless steel is set to fall approaching 10% short of previous projections following the return of a cloudy business outlook and of a trend towards short-term order patterns. 'The only thing we know is that we don't know anything,' was one of the acute observations made at the Round-Table meeting in Munich.



Given that stainless steel demand has failed to rebound as strongly as expected in recent months and that the outlook for the fourth quarter remains 'uncertain', global stainless production for 2011 as a whole appears guaranteed to fall well short of earlier projections, UK-based Michael Wright of ELG Haniel warned delegates in Munich. At one stage this year, it was predicted that production would total around 35 million tonnes in 2011 but the final figure is now likely to be nearer 32 million tonnes, suggested the Chairman of the BIR Stainless Steel & Special Alloys Committee. Furthermore, the outlook for the first three months of 2012 also merits the adjective 'uncertain', he commented. Consumer ordering has been 'hand to mouth' and the stainless market has continued to be

characterised by 'short-term movements in supply and demand', he said.

'Driving force'

Figures released by the International Stainless Steel Forum show that global crude production climbed 3.8% in January-June 2011 when compared to the same period last year. And China provided the 'driving force', noted Mr Wright, with a 13% increase in its stainless output.

Indeed, discussion of events in China dominated much of the Round-Table proceedings as guest speaker Sven Tollin, Chief Statistician at the Portugal-based International Nickel Study Group (INSG), focused on the country's steeply-rising nickel pig iron (NPI) production - from zero in 2005 to a rate nearer 200 000 tonnes per annum at present

- and also on the 'enormous' decline in the country's stainless scrap imports from approaching 380 000 tonnes in 2009 to nearer 80 000 tonnes last year.

'Fundamental shift'

At an LME nickel price of around US\$ 20 000 per tonne, NPI becomes the preferred option in China whereas Ni values between US\$ 15 000 and US\$ 20 000 are likely to tip the balance in favour of scrap once more, it was suggested. The ability of Chinese stainless producers to switch quickly between these two raw materials depending on the LME nickel price was described at the meeting as a potentially 'fundamental shift in the market' by Barry Hunter of Hunter Alloys LLC in the USA. Writing for the latest BIR Stainless Steel & Special Alloys World Mirror, which was released at the Munich Convention, Mark Sellier of OneSteel Recycling speaks in his report on the Chinese market of 'a relative increase in the cost of NPI as well as a summer slow-down in NPI production'. And he adds: 'There is also a marked shortage of stainless scrap in the domestic market where the price is higher than internationally, and in combination with the NPI situation this looks set to open the way for imports of scrap after a considerable period of absence.'

ment object and store of value'. He went on to forecast primary nickel usage increases of around 6% for both 2011 and 2012 but also a primary production leap of 11% this year and of potentially 9% in 2012. Therefore, there will be no shortage of primary nickel in the market in the near future, Mr Tollin indicated.

In his review of the US market, Mr Hunter suggested that domestic mills have been showing little demand for stainless steel scrap, but that the potential for a significant reduction in scrap availability in the fourth quarter of 2011 and the first quarter of 2012 has meant an upward price trend. However, there is still some willingness to hold on to material, he added.

Export impact

In other developments mentioned at the Round-Table, Ahmad Sharif of Sharif Metals Est. confirmed in his Middle East report that the government in Jordan has announced a decision to impose a US\$ 70 per tonne duty on exports of steel/stainless steel scrap and that this move 'is impacting the export market'.

And Ildar Neverov of Steelway Limited Company highlighted on-going difficulties in obtaining payments from Russian stainless steel scrap consumers - a situation that has not been helped, he suggested, by frequent changes in mill management teams. □



Mark Sellier of OneSteel Recycling (left) and Barry Hunter of Hunter Alloys LLC.



Sven Tollin of the INSG.



Ahmad Sharif of Sharif Metals.



Michael Wright of ELG Haniel UK.

Attractive value store

Mr Tollin predicted in Munich that nickel will remain 'an attractive invest-