

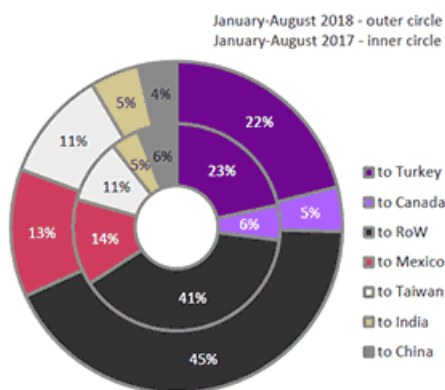
BIR LONDON: US scrap market still depends on Turkey after Section 232

The steel scrap sector in the United States still depends on exports to Turkey, a member of the Fastmarkets research team said during the ferrous session at the Bureau of International Recycling (BIR) conference in London.

This dependence persists despite the changes in the international markets created by the US' imposition of its Section 232 tariffs on imports of steel products, metals analyst Lee Allen said at the conference on Saturday October 6.

Despite the later complications of separate political and economic issues, US exports to Turkey increased to 2.34 million tonnes in January-August 2018, up by 18% compared with 1.98 million tonnes in the first eight months of last year. As the chart below illustrates, the US-Turkey mutual dependence in scrap trade remains high this year to date.

US ferrous scrap exports structure



Source: Fastmarkets MB, ISSB

In the meantime, the share of US scrap in Turkey's total imports of the product rose to 17% this year-to-date from 16% in the first eight months of 2017.

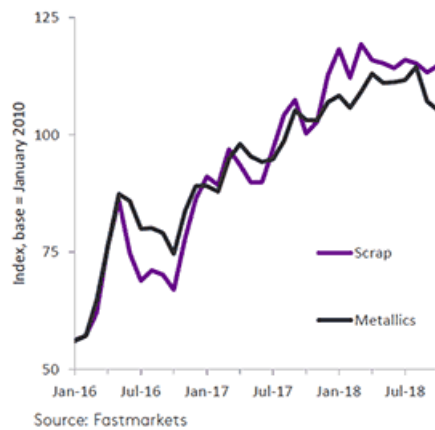
The exposure to exports, Turkey-bound in particular, along with increasingly competitive iron metallica prices, has ensured increases in US scrap prices have lagged behind those observed for steel products, although US scrap demand has picked up, according to Fastmarkets.

Hot-rolled coil prices jumped 27% from early January through the beginning of October, while rebar prices rose 20% over the period in the US. This compares with a 7% rise for domestic prime scrap (busheling delivered Alabama) and a 6% increase for local obsolete scrap (shredded delivered in Philadelphia) over the first ten months of the year.

Unlike the rebar market, domestic shipments of HRC declined, which contributed to the spike in local prices, and consequently attracted higher import volumes at competitive prices. Rebar price movements have not been as dramatic as for coils with imports dropping and domestic shipments on the contrary rising in the year to date.

But ferrous scrap prices were being left behind in comparison to both flat and long steel products, suggesting that scrap prices appear to be undervalued. One of the factors holding back the scrap prices may have included the more competitive prices for alternative irons such as merchant pig iron (MPI) and hot-briquetted iron (HBI). As the chart below shows, metallica have been more competitive than scrap this year on a global basis.

Ferrous scrap vs. Iron metalics index



Consumption of pig iron also rose at a faster rate than scrap, because blast furnace output began to accelerate in the second half of the year, compared with the growth in output from electric-arc furnaces (EAF), which tend to make more use of scrap.

EAF production rose by 3% year on year to 38.17 million tonnes in January-August, while steel output at integrated mills increased 5% to 18.64 million tonnes. Fastmarkets research estimates show that consumption of scrap in the US rose 4% in the year-to-date, compared with 6% growth in pig iron/hot metal consumption in general and a similar increase in merchant pig iron imports in the first eight months.

This insight is delivered by Fastmarkets steel raw materials team of analysts, more information at <http://www.metalbulletinresearch.com>

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