

BIR Spotlight: Uncertainty about UK & EU secondary al dominates

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"Are the good times over for secondary aluminium prices?" was the question being asked by market participants at the BIR conference in Monaco.

After several years of buoyant prices the recent market downturn has left producers and traders wondering how far things will go.

"The mood is not so good because of the slowdown in the global economy, it's hard to be positive," one industry source told MB.

"This is definitely the start of a downward turn, everyone's saying it," a second industry source said.

With the summer holidays looming much debate took place at the conference over how much of the fall could be explained by a historically quiet period and how much was down to the shaky global economy.

"This is more than just a summer thing. None of us want to admit it but it's becoming clearer now," another industry source said.

"Historically it's quiet at this time of the year so September will be the time we can really tell what's happening," an ingot producer said.

Consumers and traders alike were adamant that scrap prices are set to fall further with one market participant suggesting that all grades in Europe would be down €100 within a matter of weeks.

"This week alone I've heard of one UK trader cutting all his grades of scrap by £50 and another who has cut his turnings price by almost £100 in one go. It's all part of the sentiment of continuing decline," a UK-based trader said.

Opinions varied about how much the ingot price has already been affected. Prices in Europe have been falling for a few weeks and producers in the UK are now beginning to feel the pinch.

"The main consumers of secondary aluminium are the automotive, construction and airline industries and they are exactly the ones who are affected first when the economy is in crisis, so demand is definitely down," a second ingot producer said.

Other producers played down the knock on effects on ingot prices but several producers told MB their prices are continuing to fall.

"I think the car industry is slowing down, it's not so bad yet but it could get much worse...right now I'm enjoying the falling scrap prices as it improves our margins," according to a third ingot producer.

Market participants expressed concern at the lack of business conducted at the BIR conference.

"I've done very little business and what I have done I had to sell at much lower prices than I wanted to," a scrap merchant told MB.

Participants were unanimous that there's a surplus of scrap stock in the market and ingot producers seem to have enough to wait it out for prices to fall further.

"Everyone's trying to sell but I'm not buying. There's loads of scrap in the market and I'm going to wait because the prices are all coming down," an ingot producer said.