

BIR updates the market



It's a few years since we attended a BIR convention but looking at the photo from their last Prague event, BIR still knows how to put on a show!

BIR recently released a number of their world mirrors looking at the markets and their opening statement for Steel and Special Alloys probably sums up how things are - “probably no stability without deep production cuts”.

Chairman of the BIR Stainless Steel & Special Alloys Committee, Joost van Kleef (Oryx Stainless B.V.), went on to say that, in the EU, 2016 began with anticipated order intakes and production levels at the leading stainless steel flat producers. Furthermore, the officially reported financial results for the fourth quarter of 2015 confirmed their efforts to remain competitive in a challenging market, with their full focus on further cost-cutting.

The entire stainless steel value chain is suffering from continuous, long-lasting and significant price erosion among all key raw materials - with multiple effects. Stainless steel scrap is in short supply as availability is a function of underlying raw material prices. This trend will be halted solely by a market with rising prices, at least for the intrinsic nickel.

At current price levels, stainless producers increased their primary raw material intake but, unfortunately, price reactions did not occur. It will most probably need significant production cuts in the raw material sector over the short and medium term to bring stability to the situation.

BIR's World Mirror on Non-Ferrous Metals reports that the start of 2016 was very disappointing but somehow expected, with the crude oil price falling below US\$30 per barrel before bouncing back a few dollars. All non-ferrous commodities were dragged down at the same speed. This reminded David Chiao, President of the Non-Ferrous Metals Division of BIR's Prague Convention last October when guest speaker Becky E. Hites of US-based Steel-Insights LLC was asked how low the market would go. Her answer was lower than you think.

Over the past two decades, we have all relied on the Chinese market. However, Chinese customs statistics show that its imports in 2015 were 11% lower than in the previous year. The sharp drop in the Shanghai stock index has contributed to the fall in the metal markets. With Chinese New Year just a week away at the time of writing, most manufacturing facilities closed earlier than usual and will take longer out than the traditional two-week holiday.

Unlike most other countries, the USA performed well in 2015 with GDP growth at 2% and above, while the PMI was above the 51 mark. However, the Federal Reserve has sent out a warning to investors about a “significant headwind” in 2016 owing to slow global growth, deceleration in China, short-term disruption and retiring baby boomers. If the headwind is as forecasted by the Fed, then we must ask how strong will it be for us?

William Schmiedel, President of the Ferrous Metals Division asked, “What does 2016 hold for us all?” Probably none of us was sad to see 2015 come to a close. It was certainly a year of demand contraction across the whole commodity spectrum - from oil to ferrous scrap.

Before looking at what 2016 would bring, he went on to review a few of the interesting macro developments from last year:

- World crude steel production for 2015 was down almost 3% from 2014.
- The average capacity utilisation dropped more than 4% in 2015 compared to 2014.
- India surpassed the USA as the world’s third largest steelmaker, producing almost 90m tons of crude steel in 2015.
- Commodity prices are now at levels last seen during the period from 1999 to 2002 and yet our costs are exponentially higher than at that time. Of course, everyone looks at China’s decreasing demand for many commodities as the major factor behind the erosion of commodity pricing. While this is part of the reason, however, it is also a matter of increased supply. Certainly this does not relate to an oversupply of ferrous scrap, but it is true for other commodities such as oil.

The full reports are available to members on [the BIR website](#). BIR recently announced the next BIR World Recycling Convention & Exhibition in Berlin, (29) 30 May - 1 June 2016, which is now open to online registration. BIR conventions are attended by the decision makers of the most important international recycling companies in over 60 countries. BIR Berlin features a broad conference programme with an interesting array of speakers and market overviews in the different plenary meetings, as well as a modern exhibition concept. Anyone who registers online before April 7th will receive a reduced Early Bird rate.

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