

Ferrous and Stainless Steel...

More steel on the way...according to the Boston Consulting Group, world steel output is set to grow by 3 to 4% per year and reach 1.7 billion mt in 2015...last year, world steel output was placed at 1.2 billion tons...consolidation in the industry is expected to continue...by 2010, the world's 10 biggest steel companies would account for 35 percent of global output compared with 28 percent at present. Other sources reckon that the top 10's share is currently closer to 34%.

At last week's BIR meeting in Athens, Ferrous Division President, Christian Rubach, reviewed the latest steel production data from the IISI that he thought was "on the low end." Global production, he noted, increased 10.2% in the first quarter...for the full year IISI is forecasting growth of 5.9% to 1.179 billion metric tons (bmt,) an increase of 65 million tons over 2006. Next year is also positive with production expected to reach 1.251 bmt...Rubach concluded by remarking that these production forecasts, coupled with "very good" demand forecasts and supported by increases EAF capacity expansions around the globe, bode well for scrap demand...

Jeremy Sutcliff, Sims Group, focused on the U.S. market reiterating other speakers' optimism with respect to the domestic steel industry where conditions, he said, "look favorable." Sutcliff believes that steel prices and volumes will be "favorable for many foreseeable months." As for scrap, he noted that the U.S. market experienced a major price correction in May for prime grades but mills only achieved limited success for dealer-supplied grades...scrap prices, he concluded, will soon stabilize both here and abroad based on what he termed the "reality that the world may consume up to as much as 20 mmt more purchased scrap this year than last."

Turning to Europe, ferrous scrap consumption amongst the EU25 was figured around 107 million mt – a record, according to Anton van Genuchten, Thyssen Sonnenberg...crude steel production was also estimated at 198.4 million tons suggesting a scrap rate of about 54%...

In related news, also look for more **stainless steel** production this year... the ISSF forecast global output to rise 5.1% this year to a record high of 29.8 million mt. Last year's growth rate was figured at over 16% year-on-year...also speaking at the BIR meeting, Michael Wright of UK-based ELG Haniel Metals noted that the slow-down in global stainless steel production during the third and fourth quarters of 2006 was less marked than anticipated...production, he said, increased last year to 28.4 million tons.

Other BIR speakers at the session addressed high nickel prices and increased nickel-containing scrap as well as the resultant switch to a greater market penetration of ferritic grades of stainless at the expense of austenitic...a presentation by HHP Alloy Metals & Steel Market Research, for example, indicated that the nickel chrome ratio of stainless steel production would decline from around 75% in 2001 to nearer 60% in 2008...production of chrome manganese grades, meanwhile, would jump from 3 million tons in 2005 to over 4.5 million tons next year.

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