

## **BIR CONVENTION - Stainless scrap market outlook cloudy for rest of 2011 - delegates**

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Singapore 23/05/2011 - The stainless scrap market outlook looks cloudy for the rest of the year as demand from steelworks is slowing after a strong first half and availability is adequate, delegates at the BIR convention here said on Monday.

Global demand for stainless steel raw materials – scrap, nickel, chrome and iron – staged a dramatic recovery in the first quarter of 2011 following a poor fourth quarter of 2010 when consumers depleted their stocks for balance sheet purposes.

"The buying lasted through most of the second quarter but we are now approaching quarter three with caution," Michael Wright, Chief Operating Officer of ELG Haniel, said.

"This is once again due to short-term orders for finished products and the seasonal adjustment for the vacation period," he added.

The outlook for the rest of the year is "unpleasant", said Frank Waeckerle from Cronimet Germany, while French delegate Boris Pirat of Ferinox predicted "a period of uncertainty and a drop in demand from July onwards."

Consumers, who are reluctant to carry and finance inventories in the current uncertain economic climate, are now only ordering on a "hand-to-mouth" basis, delegates explained.

"The uncertainty of future demand for stainless materials has grown and has basically created a 'spot' business today for stainless scrap, as mill order books will tend to dictate," Danny Fischer of US-based Shapiro Metals, said.

Meanwhile, stainless scrap supply is dropping but remains "adequate" according to Michael Wright who forecast availability to increase by 7 percent to 8.5 million tonnes in 2011 from 7.94 million last year. A further 6.5 percent increase to 9.05 million tonnes is seen in 2012.

Despite the current slowdown in scrap purchases, global demand remains healthy as stainless steel production continues to increase, largely driven by China and India, delegates said.

Global stainless steel production is expected to reach a fresh record high this year above 35 million tonnes, compared with the all-time high of around 33 million tonnes in 2010, according to ELG Haniel.

However most of the growth comes from China where the stainless steel industry consumes mostly domestic scrap and nickel pig iron.