



BIR CONVENTION - Copper scrap market recovers as Chinese demand perks up - Sims

By Perrine Faye, perrine.faye@fastmarkets.com +44(0)20 7929 6339

Singapore 25/05/2011 - Copper scrap prices in China have recovered strongly in recent days as demand perked up amid continuing spending on infrastructure and electrification projects in the country, Michael Lion, chairman and director of Sims Metal Management Asia Ltd, said.

"The spreads have come in again dramatically - from 60 cents under Comex [in China] to about 30 cents a pound," he told FastMarkets in an interview on the sidelines of the BIR convention here.

"Demand has perked up again," he added.

China's scrap demand had slowed significantly in recent months amid aggressive monetary policy tightening and ample copper stocks of both cathodes and scrap. As a result, scrap prices fell and material destined to China was redirected - some US scrap was exported to Europe for instance.

"We saw a contraction of business rather than a fall in demand," Lion said. "The [scrap] discounts certainly widened significantly but there was never a period when we stopped selling scrap."

"Demand has stayed reasonably strong in China," he added.

The Chinese government is very worried about inflation and possible social unrest, hence the current monetary policy tightening, Lion explained.

But the measures taken by the government aim at cutting back discretionary spending, not real demand, Lion said. China is still very keen to get on with infrastructure and electrification projects, which means more copper demand.

"Growth will continue in China for the next 20 years," Lion said, adding that copper prices would thus stay high during that period.