

Stainless

Output grows - but fragility remains

Depending on how the global economic recovery plays out over the remainder of the year, experts are putting the increase in world stainless steel production at anywhere between 6 and 8 million tonnes for 2010. And unsurprisingly, Asia will be the driving force behind this surge in output as well as that envisaged for the years ahead, it was confirmed in Istanbul.

Even though world output of stainless steel is on course to record a massive recovery in 2010, scrap industry experts are concerned about market prospects for the third quarter of the year, it emerged at the BIR Stainless Steel & Special Alloys Committee meeting in Istanbul. Committee Chairman Michael Wright of ELG Haniel GmbH believes global stainless steel production could soar from below 24 million tonnes in 2009 to more than 30 million tonnes in the current year. Half of this output is likely to be



Stainless Steel & Special Alloys Committee Chairman Michael Wright of ELG Haniel.



Ahmad Sharif of Sharif Metals in Jordan.

from emerging markets such as China, India, the Middle East and South America, he said. But despite demand for stainless steel scrap outstripping supply following a 'healthy pick-up' in orders, 'there remains great uncertainty for the third quarter', according to Mr Wright, as the recovery continues to be 'fragile at best'.

Interestingly, one of the meeting's guest speakers suspected the 30-million-tonne threshold would not be breached in 2010. Cengiz Onal, Sales Manager of Eti Krom Inc. of Turkey, acknowledged that stainless steel industry guru Heinz Pariser had predicted stainless production of 31.5 million tonnes for 2010 before pitching his own more conservative estimate at 'just below 30 million tonnes'.

Spurt in Chinese output

Picking up on Mr Wright's observation that China remains 'the main driver' of stainless steel production growth, David Wilson of Société Générale Corporate & Investment Banking (SGCIB) suggested that the country's annual output could grow to approaching 16 million tonnes by the year 2014.

His graphics revealed that the Asian giant's stainless production recorded phenomenal average annual growth of 44% between the years 2000 and 2007; after slowing in 2008, output reached 8.8 million tonnes last year and a further spurt to beyond 11 million tonnes is anticipated for 2010. China 'is going to have a massive requirement for scrap', concluded SGCIB's Director of Metals Research.

Thanks in huge measure to production expan-

sion in China and other Asian countries, world stainless steel output could approximate to 38 million tonnes per annum in four years from now, according to Mr Wilson. 'And that picture could be quite conservative,' he added.

Misplaced concern

Earlier, the same guest speaker had argued that concerns are misplaced over the wider market consequences of fiscal tightening measures in China. 'There is a lot more spending and a lot more consumption to come from China's 2008 stimulus policy,' he insisted. And later, he went further by describing these measures as 'a non-issue' in terms of metals consumption.

Having predicted that the nickel market will record a deficit of around 50 000 tonnes this year, Mr Wilson anticipated a price ranging between US\$ 20 000 and US\$ 24 000 per tonne in June and July. A return to restocking and end-user consumption should push the price average to US\$ 25 000-26 000 per tonne in the fourth quarter to give an average for 2010 of an estimated US\$ 23 760. This upward price progress should be maintained into 2011, he added.

In his report on the Asian market, Mark Sellier of OneSteel Recycling said that tightness in the region's scrap availability had been 'exacerbated over recent months by the aggressive buying coming out of Europe'. Asia's stainless mills are still operating at near-full production capacity and are expected to continue at these levels throughout the quieter summer period. While a few mills had earlier hinted at scaling back output in the coming months, 'the recent plum-



Guest speakers Cengiz Onal, Sales Manager of Eti Krom Inc. of Turkey (left) and David Wilson of Société Générale Corporate & Investment Banking.

met of raw material prices will probably put any such plans on hold and certainly wouldn't deter buying enthusiasm', according to Mr Sellier.

Emergence of India

Although much of the spotlight at the Stainless Steel & Special Alloys Committee meeting fell on China, Mr Onal of Eti Krom also underlined India's meteoric rise as a stainless steel force. The country is on course to become the world's third largest producer next year when its annual melting capacity is scheduled to reach 3.3 million tonnes; and this figure could rise to 6 million tonnes per annum within the next five years, delegates were informed. 'India is coming to the dance floor and we will hear a lot more about them in the coming years,' he said.

As for latest market intelligence, good demand from India's stainless steel producers has increased scrap imports by 22% this year - with fellow Asian countries proving to be 'quite aggressive' suppliers at the expense of their US and European counterparts, noted Anand Gupta of India-based Ambica Steels. The Indian government has also reduced the import custom duty from 5% to 2.5% on all stainless steel and special alloys scrap, he pointed out.

Wait-and-see policy

The Middle East report provided by Ahmad Sharif of Jordan-based Sharif Metals Est. reflected reasonable scrap availability although suppliers and yard owners 'are adopting a wait-and-see policy while holding on tight to unsold materials'. And Ildar Neverov of Scrap Market Ltd emphasised that Russia's domestic market is becoming 'more powerful' in terms of stainless steel scrap consumption although steady volumes are continuing to exit the country, mainly via St Petersburg.

The report prepared by Barry Hunter of US-based Hunter Alloys LLC anticipated 'a great deal of caution being expressed by our mills across the USA in relationship to future purchasing' such that 'spot buying will once again become the norm'. At the same time, 'scrap remains in tight supply'.

Also from the USA, Phil Rosenberg of Keywell reported that the high temperature alloy and titanium markets have witnessed steady improvements in pricing and volumes this year. Supply continues to be tight 'and the value for recycled material as compared to virgin remains quite close'.



Sandro Giuliani of Giuliani Metalli (left) and Mark Sellier of OneSteel Recycling.



Ildar Neverov of Scrap Metal Ltd in Russia (left) and Phil Rosenberg of US-based Keywell.

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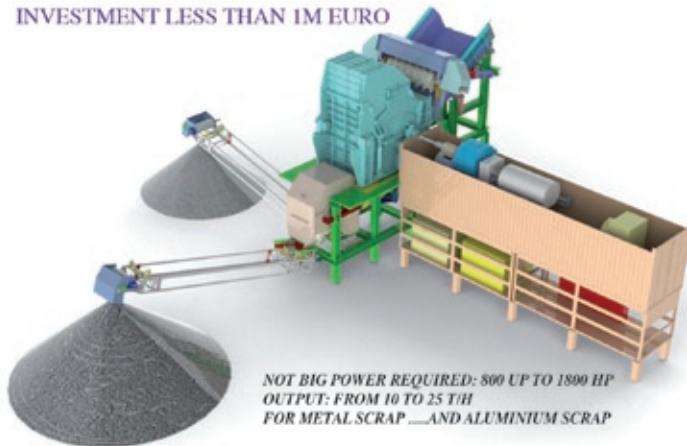


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