

Stainless Steel & Special Alloys

The good news: stainless steel yet to peak

India's fastgrowing economy has made this country 'a great marketplace for stainless steel scrap'.

In Prague, BIR stainless steel & special alloys committee chairman Joost van Kleef of Oryx Stainless described 2015 as 'one of the most challenging years to date for the stainless steel recycling industry'. So it would have been reassuring to hear the session's guest speaker declare that stainless steel has yet to reach its peak.

Dr Gerhard Pariser, senior consultant at leading analyst Heinz H. Pariser Alloy Metals & Steel Market Research of Germany, indicated that there was significant scope for further growth in consumption. His base case scenario suggested a worldwide increase in annual demand of around 25 million tonnes to 62 million tonnes by the year 2030. Even if China's growth were in the slow lane, annual world consumption of stainless steel would still reach 50 million tonnes in a decade and a half from now.

For the nearer term, Pariser was anticipating global stainless steel demand growth of 1% to 37.1 million tonnes in 2015 from 36.7 million tonnes in 2014.

'A great marketplace'

As regards world stainless steel melting output, Pariser projected an increase of 0.4% this year to 42.004 million tonnes - based on 'strengthening' in the fourth quarter - and a further 3.4% gain next year to 43.421 million tonnes. However, he stressed that this scale of increase would depend heavily on China growing its domestic and export demand. According to Pariser, Chinese output was on course to edge 0.5% higher to 21.918 million tonnes this year, with a far sturdier increase of 4.9% to 23 million tonnes

envisaged for 2016. For the same two years, his presentation indicated production increases of 1.8% and then 4% for the USA while a decline of 1.1% for the EU would be followed by a marginal upturn of 0.1%. For Japan, the prediction was for a 7.7% slump in output this year to be partially offset by growth of 1.5% in 2016.

India, which was described by André Reinders of Nicrinox FZE as having become 'a great marketplace for stainless steel scrap', was likely to see a melting output increase of 7.1% to 3.022 million tonnes this year, with further growth of 4% to 3.143 million tonnes forecast for 2016. On the issue of global stainless steel scrap availability, Pariser told delegates to expect a decline of around 5% for this year to some 8.7 million tonnes.

'Very, very frightening'

Pariser also reflected on the fact that LME nickel stocks' recent peak level of around 450 000 tonnes had taken three and a half years to build and that it would be 'very, very frightening' if it were to take as long for them to return to 'a sensible level'. This tonnage was equivalent to around 20% of the total market and was therefore bound to exert substantial pressure on prices. On this particular point, Jonathan Bower of ELG Haniel Metals in the UK warned the meeting in Prague: 'Unless demand improves substantially or production cuts are announced, then the high LME stocks will continue to weigh heavily on this market.'

As part of his in-depth presentation, Pariser projected that the LME nickel price average would tumble from US\$ 16 878 per tonne last year to some US\$ 12 104 in the current year. But

based on expectations that nickel supply and demand would be relatively balanced in 2016, his charts suggested an average price for next year of nearer US\$ 13 800 per tonne. He also referred to the potential for the nickel market to dip into deficit in 2017.

Lower than expected

In his review of recent market developments, the meeting's chairman Van Kleef said that final demand for stainless steel had been 'slightly lower than expected' and that weak raw material prices had 'failed to stimulate the purchasing behaviour of traders and stockists' - a trend that was expected to persist in the final quarter 'with the probability of an even steeper decline towards the end of the year'. All of the elements of stainless steel - chrome, nickel, molybdenum and ferrous - had sustained significant price declines during 2015 and increases were required in order to 'secure a continuous flow of raw materials', he contended.

In the US stainless sector, order books and margins remained a concern, according to Barry Hunter of Hunter Alloys LLC, but the recent fall in LME nickel stocks offered 'a flicker of light at the end of a dark tunnel'.



Joost van Kleef: 'Final demand slightly lower.'

Dr Gerhard Pariser: further growth in consumption.

A need to 'push for new markets'

At BIR conventions over recent years, Ranjit Baxi of UK-based J&H Sales International has regularly drawn attention to the slower growth in European recovered fibre exports to China when compared with North American shipments to the same destination. But at the world body's latest gathering in Prague, the message was turned completely on its head.

BIR's world president and also honorary president of its paper division, Baxi noted that Europe had shipped 5.923 million tonnes of recovered fibre to China in the opening eight months of 2015 versus 5.136 million tonnes in the same period last year - an increase of approaching 800 000 tonnes. Four of the continent's top five exporters had recorded double-digit percentage increases in its deliveries to China: the UK (+10% to 2.495 million tonnes); Italy (+22% to 743 480 tonnes); Spain (+44% to 479 870 tonnes); and France (+25% to 361 923 tonnes).

Strong domestic demand

Furthermore, North America's exports to China had actually fallen when making the same January-August comparison - from 9.753 million tonnes in 2014 to 9.626 million tonnes this year. 'Very strong' domestic demand in the USA could offer some explanation for this slightly



Europe's top five exporters have recorded double-digit percentage increases in its recovered fibre shipments to China.

softer export performance, he contended.

By extrapolating data for the first eight months of the year, Baxi said that Chinese imports from all destinations were on course to total 28.86 million tonnes for 2015 as a whole - or approximately 1.5 million tonnes more than last year - despite the country's high-profile economic slowdown. China was far from in a state of collapse, he pointed out, given that its GDP growth

estimates of 6.9% for this year and 6.5% for 2016 easily outshone those of Western economies. BIR's world president concluded that recovered paper demand in China was likely to remain 'sustained' and that its mills would increase consumption of domestic fibre as the country's own collection volumes continued to grow. And while low oil prices and freight rates would help to keep export pricing competitive, 'quality is - and must remain - the central focus', he asserted.

Limit of recycling 'getting closer'

In her European Recovered Paper Association report in Prague, the body's president Merja Helander of Finland confirmed a trend towards paper fibres becoming shorter and weaker. Not so many years ago, it had been possible to reuse fibres seven times on average but this number has now fallen to nearer three and a half in Europe, while the world average is even lower. Having stated that 'the limit of recycling is getting closer', Helander put the ceiling rate at perhaps 78%. 'One of our future challenges will be more complex packaging solutions and more multi-material products which might be difficult to recycle and use as raw material,' she added.

Her comments were given deeper context by confirmation within the European Recovered Paper Coun-

cil's latest monitoring report that the recycling rate in Europe last year was a 'record high' 71.7%. Jaroslav Tymich - executive and managing director of EuroWaste (Mondi Group), vice president of the Association of Czech Pulp and Paper Industry and a member of the raw material committee of the Confederation of European Paper Industries (CEPI) - told the meeting in Prague that CEPI would use the target of a 74% recycling rate by the year 2020 as the basis for discussions with partners regarding the voluntary European Declaration on Paper Recycling commitment for the period from 2016 to 2020. This fourth declaration is due to come out before the end of this year. In his presentation, Tymich put the global paper recycling rate at 57%.



Jaroslav Tymich: global paper recycling rate at 57%.

'Red tape everywhere'

Although no country was coming close to threatening China's status as the world's leading importer of recovered paper, it was no longer advisable to continue to regard this Asian giant as 'the solution' for all of Europe's surplus recovered paper, according to divisional honorary president Dominique Maguin of La Compagnie des Matières Premières in France. There was now a need, he insisted to delegates in Prague, to 'push for new markets'. Effects of 'the downtrend in China' were also mentioned by BIR paper division president Reinhold Schmidt of Germany-based Recycling Karla Schmidt in his review of difficulties facing the industry since the previous BIR convention in May. He also stressed the difficulties for paper recyclers caused by the shorter contract periods with municipalities. The sector was 'under pressure from red tape everywhere' and 'investment safety' was under threat, he added.