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Scrap market faces gloomy outlook amid weak steel: BIR - Wednesday, 29th May 2013

Global scrap

Weak steel demand and overcapacity amid pessimism over the global economies and heavy losses incurred by major steel companies have adversely affected the outlook for the international scrap market, members of the ferrous division of the Bureau of International Recycling (BIR) said at its conference in Shanghai this week.

"The mood for many of us in the steel recycling industry is not so optimistic anymore, especially of those who do their business in Europe, which still is the biggest steel recycling region in the world, but which suffers extremely from the financial crisis, the austerity programs and low consumption," said division president Christian Rubach of TSR Recycling.

He identified as protectionist one of the latest initiatives by the EU seeking mandatory certifications of "Recycling Plants" including steel mills, if these EU recyclers wanted to export their secondary raw materials to countries outside the EU. "The EU 27 would like to camouflage their industrial unfriendly policy by initiatives which could bring down the steel scrap prices or paper scrap prices by 30%, 40%, 50% through export barriers like the (proposed) certification schemes," he said. "If this would become reality, non-EU countries for sure would start to react. And recycling in the EU would decrease due to lowering prices. This never-ending trade war would harm everybody."

Overcapacity in steel production has led to overcapacity for steel-making raw materials such as iron ore and scrap processing, and hence price falls for these materials, said Blake Kelley of Sims Metal Management. Scrap prices would bottom out when scrap collection slows down and falls sufficiently to meet demand from mills.

Kelley was, however, optimistic about strong steel production for the first four months of this year. According to the World Steel Association, the daily rate of world raw steel production increased 1.4% in April from March to an annual rate of 1.607 billion metric tons, which is a record. Of April's output rate, China accounted for 49.7% of the total. Year-to-date world raw steel production increased 1.9% versus last year to an annualized rate of 1.564 billion metric tons, said Kelley.

"There is an expectation for steel demand to recover in the second half of 2013, with the strongest markets remaining the US and China where growth is expected to reach 3% and 4.5% respectively," said Tony Bird (Bird Group) on behalf of Tom Bird, president of EFR (European Ferrous Recovery & Recycling Federation).

The European steel makers were finding it much tougher because of costlier non-scrap raw materials such as gas. "A great deal will depend on the steel demand moving forward, but the reality is the remainder of 2013 poses a challenge," Bird said.

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