

Stainless Steel

Signs of uncertainty in the stainless steel market

A sudden upturn in the price of nickel failed to override the generally downbeat tone of the BIR Stainless Steel & Special Alloys Round-Table in Brussels. However, guest speaker and stainless steel guru Heinz Pariser was still backing an 8% increase in stainless steel production next year if global economic growth met its forecasts.



From left: Gerhard Teborg of ELG Germany, Chairman Sandro Giuliani of the Giuliani Metalli/Cronimet Group of Italy, and Paolo Brach of Ferinox Eisenlegierungen of France.

A whiff of pessimism pervaded the well-attended BIR's Stainless Steel & Special Alloys Round-Table in Brussels, which was chaired for the first time by Sandro Giuliani of Italy's Giuliani Metalli/Cronimet Group of Italy. However, those delegates taking a short break from the meeting would have been surprised to see on the LME screens that the nickel price was leaping to US\$ 7290 - its highest level since July 15.

Unaware of this sudden but short-lived upturn, Mr Giuliani reported that 'the signs of weakness - or, at least, uncertainty - are more and more frequent and they are coming from all markets'. Japan had been a consistent source of disappointment whereas, last year, growth in Europe had exceeded that of the U.S. That said, European stainless steel production in the first eight months of this year was even higher than in the corresponding period of 2001. Mr Giuliani predicted growth of at least 6% for the year 2002, arguing that 'we are seeing a replenishment of stocks at service centres and consumers'.

Europe had also seen the opening of several new stainless steel plants. For example, the new thin slab caster which had entered production last year at Terni, Italy, was now fully operational. Avesta Polaris's new furnace at Tornio in Finland had started up last September, while the new

Arcelor melting shop at Genk, Belgium, came on stream in October.

Strong demand for ferro-titanium

According to Mr Giuliani, Italian mills were helping to restore the supply/demand balance by considerably reducing the scrap ratio in their charges. Italy actually imports some 8000-9000 tonnes a month of stainless scrap from Germany, of which 7000 tonnes is exported to France.

'The high-speed steel situation is still dramatic,' Mr Giuliani continued. 'Production has dropped some 50% since last year. Prices of molybdenum, vanadium and cobalt have also slumped. Titanium, however, shows a trend in the opposite direction. The lack of scrap and the strong demand for ferro-titanium are pushing the prices upwards.'

The report prepared by Stuart Freilich of Universal Metal Corp, U.S., and delivered by BIR President Barry Hunter, stated that the titanium ingot market for scrap had been badly depressed during 2002. U.S. titanium exports were expected to total around 40 million pounds this year compared to 52 million pounds last year.

Ferro-titanium prices have risen this year from US\$ 80 per lb to more than US\$ 1.10 as a result of strong mill demand and a shortage of scrap.

By Alfred Nijkerk



Mr Freilich expected scrap demand from ferro-titanium producers to remain strong next year but he did not anticipate prices much above their current levels. He believed 2003 would prove to be slightly better for the high-temperature and alloy business in general.

Dramatic U.S. export slump

Reporting on the stainless steel market in the U.S., Mr Hunter pointed to strong indications of a significant reduction in fourth quarter production requirements. Except for the large NAS Group, other U.S. mills were 'sending strong signals' of reduced scrap needs. Exports had declined from a monthly average 40 000-50 000 tonnes last year to 17 000 tonnes in August 2002, of which more than 96% went to Asia. Mr Hunter predicted sufficient scrap availability in the U.S. for the short term.

According to Gerhard Teborg of ELG Germany, austenitic stainless qualities produced in his home country had grown steadily over recent years. Production reached 1.072 million tonnes in 2001 and was expected to top 1.165m tonnes in 2002; next year, production is thought likely to reach 1.213m tonnes. External scrap supply had fallen below 30% compared to the year 2000 figure of 36.4%.

According to Mr Teborg, there had been a dramatic decrease in Russian exports from 160 000 tonnes in 2000 to 11 000 tonnes in 2001. However, imports of remelted ingots from Russia and the Ukraine are expected to increase by some 37 000 tonnes this year.

Scrap availability remains low

Stainless steel expert Heinz Pariser of HHP Alloy Metals & Steel Market Research and Publications in Germany shared his wealth of metal trading experience gained during more than 20 years in the industry. His company specialises in market research and analysis covering stainless steel, nickel-based alloys and alloying elements.

He ventured to forecast that, should the global economy expand by an anticipated 2-3% in 2003, stainless steel production would grow by 8%. However, the primary nickel and chrome markets would register record deficits, while the shortfall in primary material would not be offset by scrap deliveries since the availability of secondary raw materials would remain below demand. Scrap processors, Mr Pariser informed the meeting, would continue to have to live on low profit margins while the EU - a major importer of scrap - would be in urgent need of more scrap from the former Soviet countries.

Western world melting production of stainless steel continues to recover (See graph: Stainless Steel Melting Production) from the dip of 2001, with

Stainless Steel Melting Production

Country	2000	2001	2002	2003	Change 03/02 in %
	in Mill t				
USA	2,2	1,8	2,2	2,4	9,5
W. Europe	7,9	7,7	8,3	8,9	7,7
Japan	3,8	3,9	3,7	3,8	2,4
Asia	3,7	3,5	3,8	4,2	10,7
Other W. World	1,1	1,0	1,0	1,3	30,0
Total W. World	18,7	17,9	19,0	20,6	7,9

EU - Stainless Scrap Imports

	1999	2000	2001	2002	
	in '000 t			1-6	Structure in %
America	99,6	70,8	86,2	25,4	7,3
Other W. Europe	70,6	84,1	75,2	39,9	11,5
Eastern europe	83,3	98,0	74,8	42,1	12,1
FSU	465,2	674,8	449,7	220,0	63,1
Others	55,1	53,8	35,5	20,8	6,0
Total	773,8	981,5	721,4	348,2	100,0
% change	-16,0	26,8	-26,5	-5,4	

Western Europe remaining the main producer. However, EU demand is still outstripping availability. Some 84.5% of former Soviet Union exports went to the EU in 2001, as well as 12.1% to China and 2.4% to South Korea. The figures for 1999 were 88.1%, 11.3% and 0.6% respectively (See box: *EU - Stainless Scrap Imports*).

The former Soviet Union exported 429 000 tonnes of nickel containing scrap (inclusive of remelt ingots) in 1999; 671 000 tonnes in 2000 (+56.3%); and 450 000 tonnes in 2001 (-32.9%). Exports dropped 23.4% in the first half of 2002.

Meanwhile, the U.S. exported 468 000 tonnes of alloy scrap in 2000 and 438 000 in 2001. The total is expected to be slightly in excess of 300 000 tonnes this year.

The Pacific Rim will continue to post a scrap deficit. The shortfall totalled 920 000 tonnes in 2001 but is likely to fall to 880 000 tonnes in 2003, Mr Pariser concluded.



□ BIR President Barry Hunter and Guest Speaker Heinz Pariser.