

(BN) Stainless-Steel Output to Advance 13% Next Year, Recyclers Say

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By Anna Stablum

Oct. 26 (Bloomberg) -- Stainless-steel makers will increase production by about 13 percent next year as demand improves, the Bureau of International Recycling said.

Recyclers supplying stainless-steel scrap expect output to reach 27.2 million metric tons in 2010, above this year's 24.1 million-ton forecast, said Michael Wright, president of the Brussels-based BIR's Stainless and Alloy Board. This year production fell to levels equal to the global total for 2005, after reaching 26.4 million tons in 2008, he said.

"The growth will be in China," Wright said yesterday in an interview in Amsterdam during a BIR conference.

Demand for stainless steel, the biggest source of nickel consumption, plunged as the world recession caused house prices to slump and construction companies to delay projects. Demand may slow again in 2010's first three months after a pickup in the third quarter of this year stemming mainly from restocking, according to Wright.

"Maybe not in the first quarter, but for 2010 we are still confident we will get to these production figures," said Wright, who is also the Sheffield, England-based chief operating officer of stainless recycler ELG Haniel Group GmbH.

Nickel for three-month delivery slid 55 percent last year on the London Metal Exchange as commodity prices plunged because of the global slump. The metal traded at \$19,351 a ton at 10:11 a.m. local time today. Prices have gained 65 percent this year. Nickel is mostly used to make stainless steel more durable.

Less Scrap

Manufacturers scaled back activity as economies slowed, cutting into supplies from industrial companies of scrap metal, according to Wright. He predicted a 9 percent drop in this year's scrap supply to 6.8 million tons from 7.6 million tons last year.

"We are expecting that to come back in 2010 to 2008 levels," Wright said. "As production is increasing, that will generate more scrap six to 12 months later."

Production of stainless this year will use up 556,000 tons of nickel derived from scrap, increasing to 659,000 tons next year as higher nickel prices trigger recycling, according to Wright. A third of all nickel used to make stainless steel, the main source of demand, comes from stainless scrap, he said.

The recycling industry employs more than 1.5 million people, processes more than 500 million tons of commodities annually and has sales of more than \$160 billion, according to BIR's Web Site.

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