

Stainless-steel scrap availability boosted by record nickel prices

BaseMetals.com - Martin Hayes

Sharp increases in nickel prices on the London Metal Exchange (LME) have encouraged stainless-steel scrap availability, as well as higher imports from the East, Michael Wright of ELG Haniel Metals Ltd said.

"Stainless scrap availability should reach 7.8 million tonnes in 2006, which represents an increase of 8.5 percent over 2005, Wright, who is chairman of the BIR Stainless Steel and Special Alloys Committee said.

"On this basis, most mills will be able to satisfy their requirements and maintain current scrap ratios," he said at the BIR (Bureau of International Recycling) Autumn Convention in Brussels.

LME nickel prices have risen 150 percent from levels of \$13,000 at the start of the year to a recent all-time high of \$32,700 a tonne, as the market moved from over-supply of 36,000 tonnes in 2005 to a second-quarter 2006 deficit of 10,000 tonnes with a further possible shortfall of 2,000 tonnes in the third quarter.

Although rising nickel prices have been caused to some extent by increased stainless-steel demand, they have also been driven by heavy speculative buying by institutional funds.

"We are just a pawn in what is happening in the City. These are unrealistic prices," Wright said.

"For this reason, we can expect a correction phase at some stage, which will mean an equally dramatic downturn in nickel prices once investors decide to switch funds away from the commodities sector."