

PRESS RELEASE

Recent BIR World Recycling Convention in Munich (24-25 October 2011)

Stainless Steel & Special Alloys Committee: Stainless production falls short of expectations

Brussels, 31 October 2011

The scale of China's stainless steel scrap usage will remain dependent on the LME nickel price, according to the guest speaker at the BIR Stainless Steel & Special Alloys Round-Table in Munich.

Sven Tollin, Chief Statistician at the Portugal-based International Nickel Study Group (INSG), charted the steep rise in China's nickel pig iron (NPI) production - from zero in 2005 to around 170,000 tonnes in 2010 - and also the "enormous" decline in the country's stainless scrap imports from approaching 380,000 tonnes in 2009 to nearer 80,000 tonnes last year.

NPI became a preferred option in China when the LME nickel price was higher than, typically, around US\$ 20,000 per tonne, it was suggested. According to Barry Hunter of Hunter Alloys LLC in the USA, the ability of Chinese stainless producers to switch quickly between these two raw materials depending on the LME nickel price represented potentially "a fundamental shift in the market".

Delegates in Munich also learned that the INSG is projecting primary nickel usage increases of around 6% for both 2011 and 2012; however, production is expected to leap 11% this year and potentially a further 9% in 2012. Therefore, there will be no shortage of primary nickel in the market in the near future, Mr Tollin indicated.

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Meanwhile, global stainless steel production is likely to total around 32m tonnes this year - well short of the 35m tonnes previously projected, the meeting was told by the Chairman of the BIR Stainless Steel & Special Alloys Committee, Michael Wright of ELG Haniel. The post-summer pick-up in demand for stainless steel products was not as strong as had been hoped while the outlook for the fourth quarter of 2011 and the first three months of 2012 remained “uncertain”, he said.

In his review of the US market, Mr Hunter suggested that domestic mills have been showing little demand for stainless steel scrap, but that the potential for a significant reduction in scrap availability in the fourth quarter of 2011 and the first quarter of 2012 has meant an upward price trend. However, there was still some willingness to hold on to material, he added.

In other developments mentioned at the Round-Table, Ahmad Sharif of Sharif Metals Est. confirmed in his Middle East report that the government in Jordan has announced a decision to impose a US\$ 70 per tonne duty on exports of steel/stainless steel scrap and that this move “is impacting the export market”. And Ildar Neverov of Steelway Limited Company highlighted ongoing difficulties in obtaining payments from Russian stainless steel scrap consumers - a situation not helped, he suggested, by frequent changes in mill management teams.

According to the superalloys report, which was authored by Keywell’s Phil Rosenberg and summarised in his absence by Danny Fischer of OneSteel Recycling, secondary titanium demand has slowed as a direct result of weaker ferrous and stainless steel markets, with no pick-up anticipated for the balance of 2011.

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