PRESS RELEASE

Recent BIR World Recycling Convention & Exhibition in Barcelona (27 - 30 May 2018)

Ferrous Division:

Prices impacted by Turkey's economic problems

Brussels, 31 May 2018

The Chinese government's decision to suspend the issuing of inspection certificates for the month up to June 4 will cost US exporters an estimated US$ 400 million as well as a further US$ 100 million associated with market value and shipment diversions to other destinations such as India and South Korea, the latest BIR Ferrous Division meeting was told by its Interim President Tom Bird of Chiho Environmental Group in China.

While ferrous scrap trading conditions had been largely "favourable" since the previous divisional meeting in Delhi last October, trade disputes have put many recyclers in a "precarious" position, he said in Barcelona on May 29. Europe has not been immune to problems, with "far more stringent inspection protocols leading to confusion and shipment delays".

At the same time, the world's leading importer of ferrous scrap, Turkey, has been encountering "very difficult" economic conditions, including the devaluation of its currency, and prices have headed lower as a result. According to Ferrous Division board member Frank Heukeshoven of TSR Recycling GmbH & Co. KG in Germany, Turkish sales of rebar have been slower both domestically and in the export market. George Adams of US-based SA Recycling expected scrap prices to soften further for June, at least in part because Turkey has not been in a position to buy its normal volumes.

Although demand for construction steel was likely to remain strong both before and beyond the 2020 Olympic Games in Tokyo, Japanese scrap price movements were likely to be "sideways" at

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best in the near future because of all of the uncertainties affecting the market, said Hisatoshi Kojo of Metz Corporation. As for the Indian Sub-Continent, Zain Nathani of the Nathani Group of Companies anticipated that ferrous scrap imports into the region would rise “substantially” this year amid “vibrant” steel demand.

In delivering the ninth edition of “World Steel Recycling in Figures”, the BIR Ferrous Division’s Statistics Advisor Rolf Willeke highlighted growth last year in both world crude steel output and global steel scrap use, with China consuming more scrap than any other country with its total of 147.9 million tonnes. Earlier, Mr Adams calculated that China had installed or was in the process of installing 130 new shredders since the beginning of 2017, taking the country’s overall tally to more than 200. In the future, he added, China could need as many as 500 shredders.

On this same topic, Mr Willeke observed in his statistical update: “Electric furnace production accounted for 6.5% of China’s overall steel production in 2017 but this figure is expected to climb over the coming years. As a result, further investments in steel scrap processing are planned, especially in shredder capacity.” He also noted that, worldwide, the global increase in basic oxygen furnace production last year (+2.3% to 1.228 billion tonnes) was eclipsed by growth in electric furnace production (+8% to around 445 million tonnes). “This is very positive for steel scrap use,” he added.

Jason Schenker, founder and president of US-based commodity and financial research firm Prestige Economics, delivered a typically entertaining guest presentation to the Ferrous Division meeting in Barcelona, incorporating such witty observations as: “Tariffs are like cockroaches … there’s never just one.”

At the same time, Mr Schenker had a number of serious messages for his audience. For example, he underlined the need for the recycling industry to take full account of technological changes and predicted a significant increase in automation within scrap operations, potentially including driverless trucks and scrap-carrying drones. “We are beyond the point where you can be ignorant of technology,” he insisted.

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