Bureau of International Recycling

PRESS RELEASE

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

Stainless Steel & Special Alloys Committee:

Indonesia factor could have "profound" effect on markets

Brussels, 1 June 2018

The US stainless steel market has witnessed "very dramatic changes" in 2018 owing to tariffs on imported products and the ownership restrictions involving Norilsk Nickel. "Mills are busy and processors have maintained relatively high prices to keep scrap flowing into their yards," reported Rick Dobkin of US-based Shapiro Metals in his global market update presented to the BIR Stainless Steel & Special Alloys Committee meeting in Barcelona on May 28.

In Europe, by contrast, the second quarter of 2018 had been "more challenging" owing to the increased flow of Indonesian stainless production, against which it was proving "quite difficult for the European mills to compete on a cost basis", said Mr Dobkin. "Expectations are that there will be significant price decreases over the coming months."

For Asia, overall demand for stainless scrap has diminished in the second quarter. Further importation of Indonesian hot rolled coils and cheaper nickel pig iron (NPI) units had combined to place scrap pricing "in a very tenuous situation that could very rapidly deteriorate", warned Mr Dobkin.

The guest presentation from Olivier Masson of Roskill Information Services further underlined the potentially "profound effect" of the new Chinese-backed stainless capacity in Indonesia. In effect, he said, this could reopen markets in the EU and the USA that have been closed to exports from China through trade measures.

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The developing world - and particularly China - was driving growth in stainless-using sectors, according to Mr Masson. Furthermore, stainless demand growth would be concentrated “in regions that are strong Chinese export markets”. Since 2009, China’s stainless steel production had achieved a compound annual growth rate of 12.8% versus 3.9% for the rest of the world; however, growth in China was expected to be less than 2% in 2018, the guest speaker revealed.

During one of the Stainless Steel & Special Alloys Committee’s now-familiar “fireside chats” hosted by former Chairman Barry Hunter of Hunter Alloys, Mr Masson explained that Chinese stainless steel production was likely to grow “considerably more slowly” as a result of 300 series supply coming out of Indonesia. He went on to suggest that, with NPI production generating significant carbon emissions, any related future change in China’s environmental legislation could have potentially significant ramifications for the country’s currently “very low” scrap usage.

Fellow guest Jason Schenker of US-based commodity and financial research firm Prestige Economics said the “generally good” situation for the stainless steel industry of late would be replaced by tougher conditions, partly as a consequence of tariffs and rising interest rates; the recycling industry would also be adversely affected. “Next year won’t be as pleasant as this year,” he warned.

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