

PRESS RELEASE

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Stainless Steel & Special Alloys Committee: Potential supply/demand imbalance

Stainless steel scrap availability remains low and a significant increase in demand could bring a supply/demand imbalance, according to Michael Wright of UK-based ELG Haniel Metals Ltd. There is "always a pause of three to six months" between increased production of stainless steel and an upturn in scrap availability, the Chairman of the BIR Stainless Steel & Special Alloys Committee reminded delegates at the meeting in Dubai.

In a written submission, Past Chairman Barry Hunter of Hunter Alloys LLC in the USA agreed that, if recent growth in Chinese stainless steel production proved sustainable, then "scrap availability compared to price will become the major market concern for our consumers".

In the early months of 2009, availability of revert and new production scrap tumbled, respectively, 40% and 25% whereas old scrap availability plummeted a minimum of 60%, according to Mr Wright. Scrap volumes are expected to slide from 7.4m tonnes in 2008 to between 5.2m and 5.8m tonnes for the whole of 2009. Global stainless steel consumption is thought likely to fall 17% from 23.6m tonnes last year to 19.6m tonnes in 2009. However, the speaker stressed that, in the light of current turbulent conditions, "these figures could be out of date within a few weeks".

Ahmad Sharif of Sharif Metals in Jordan pointed to an emerging shortage of stainless steel scrap in the Middle East. Meanwhile, a 40%-plus collapse in stainless steel orders in India resulted in the country's scrap imports slumping from a quarterly average of 75,000 tonnes in 2008 to around 50,000 tonnes in the first quarter of 2009, it was observed by Anand Gupta of Ambica Steels.

Further east in Japan, 2009 domestic production of stainless steel is expected to fall below 2m tonnes "for the first time in more than 30 years", according to Mark Sellier of KMR Stainless BV. Overall, he added, Asia's scrap volumes are "down more than 75%" owing to significantly reduced manufacturing activity, with revert scrap effectively "drying up".

Reporting on events in Russia, Ildar Neverov of Scrap Market Ltd confirmed that customs authorities have reduced from more than 40 to just 10 the number of locations from which scrap metal can be exported. St Petersburg has become an even more important shipping point as a result, handling scrap from as far afield as Siberia and the eastern regions of the country. However, the speaker envisaged "logistics problems" at the port in the near future. Mr Neverov went on to predict that Russian exports of stainless steel scrap will drop some 20% this year to around 100,000 tonnes.

In his special alloys report, Phil Rosenberg of Keywell in the USA noted "quite depressed" demand for high temperature alloys and titanium, largely as a result of a drop-off in orders for new airliners.

The Stainless Steel & Special Alloys Committee's guest speaker George Adcock of the London Metal Exchange warned delegates to expect further price volatility among leading non-ferrous metals. He also confirmed that the Exchange plans to introduce molybdenum and cobalt contracts, and that it would continuously review the scope to add other commodity contracts to its portfolio.

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