

PRESS RELEASE

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Stainless Steel & Special Alloys Committee: Strong demand for stainless steel likely to continue

Strong demand for stainless steel is likely to continue for the remainder of this year and probably into the first quarter of 2007. That was the welcome forecast issued to the BIR Stainless Steel & Special Alloys Round-Table in Brussels by its Chairman, Michael Wright of ELG Haniel Metals Ltd in the UK.

Stainless steel producers shortened their normal holiday shutdown periods in the third quarter of 2006 to take advantage of the positive market conditions. Global production duly soared 20% compared to the same three months of last year and a further 12% improvement is predicted for the fourth quarter. For 2006 as a whole, stainless steel ingot production is expected to rise 9.4% to 27.1 million tonnes.

Mr Wright confirmed Asia as the engine room of global market growth, with the continent now responsible for producing around 53% of the world's stainless steel. According to best estimates, Chinese production will jump from 3.8-4 million tonnes this year to nearer 4.8 million tonnes in 2007.

High global demand for stainless steel has contributed to nickel prices soaring well

above US\$ 30,000 per tonne and to a stimulation of stainless steel scrap availability. However, the main cause of this price surge has been “heavy speculation and institutional buying”, Mr Wright told delegates. “For this reason, we can expect at some stage a correction phase, which will mean an equally dramatic downturn in nickel prices once the investors decide to switch funds. And this in turn will have a dramatic effect on the stainless steel raw material prices.”

Indicators suggest another strong year for US stainless steel production in 2007, according to the report from Barry Hunter of Hunter BenMet Assoc. “However,” he added, “we are starting to see more emphasis on the marketing of 201, 301 and 400 series as nickel prices have escalated to heights never seen before. Many projections indicate a decrease of some 10-15% in overall austenitic production.”

Russia’s stainless steel exports are expected to fall some 30% this year to around 250,000 tonnes in response to growth in domestic production - with Finland on course to consume more than half the export total, explained Ildar Neverov of Scrap Market Ltd in his report on the Russian market. Domestic VAT changes introduced at the start of this year were “not efficient” and had become an “urgent and important issue” for the country’s scrap industry, he added.

The special alloys report from Stuart Freilich of US-based Universal Metal Corporation highlighted the positive market impact of the world’s “major military spending spree”. He concluded: “I expect that the price levels of titanium scraps have probably seen their highs and will stay in their current ranges.”

Peter Cutler of the Nickel Institute, who was guest speaker at the Stainless Steel & Special Alloys Round-Table in Brussels, identified stainless steel as “the fastest growing metallic material” of the last 25 years, with compound annual growth running at over 5%. He went on to suggest that, in Europe, almost all process scrap and some 80% of end-of-life nickel-containing products are recycled. The challenge, he said, was to ensure that the remaining 20% re-entered the production loop.

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