

PRESS RELEASE

Recent BIR World Recycling Convention in Warsaw (28-29 October 2013)

Stainless Steel & Special Alloys Committee: **China heading towards a stainless scrap “bubble”**

Brussels, 4 November 2013

The rapid development of nickel pig iron (NPI) production in China had sharply reduced its scrap requirement. However, continuing growth in the country's internal and external scrap volumes now threatened to create a stainless scrap “bubble” over the coming years, sector specialist Heinz Pariser told the BIR Stainless Steel & Special Alloys Committee meeting in Warsaw on October 29.

From a standing start around a decade ago, NPI already accounted for 57% of the Chinese stainless steel industry's external raw material purchases while the scrap share had slumped from 52% to 11% over the same period, according to the founder and head of Heinz H. Pariser Alloy Metals & Steel Market Research in Germany. Assuming low recycling ratios, China's stainless scrap reserve was duly expected to soar from less than 20m tonnes in 2012 to 62.2m tonnes by 2020 and to 164m tonnes by 2030. This “huge” volume was “definitely a challenge for the stainless scrap industry”, Mr Pariser warned. Earlier, he had termed China's preference for NPI “a major disaster for the scrap industry”.

China was also the point of focus for the meeting's guest speaker when reviewing world stainless steel output and demand trends. Mr Pariser predicted that global stainless melting production would climb 5.9% to around 37.9m tonnes this year and a further 6.5% next year to 40.37m tonnes; however, output in China was expected to jump 13.8% this year and 10.1% in 2014 to 20.5m tonnes, or more than half of the world total. For the same two years, EU production was

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deemed likely to fall by, respectively, 5.2% and 2.3% while increases of 3.5% for 2013 and 12.3% for 2014 were envisaged in the USA.

China was “overdoing it” in terms of stainless steel capacity expansions, according to Mr Pariser, as increases were running ahead of demand and leading to growing global oversupply. Having voiced his belief that China’s production capacity would exceed 30m tonnes by 2015, he added: “There is a big overcapacity in stainless steel and a big decision needs to be made.”

Earlier, Mark Sellier of OneSteel Recycling in China spoke of “a period of uncertainty” in summarising latest developments within the global stainless steel industry. The balance between scrap supply and demand was “moving towards tightness” in the USA where most small dealers were currently “low on stock”. In Europe, meanwhile, stainless steel production had fallen - “but not dramatically” - and scrap values in relation to the LME had also headed lower of late. Stainless steel scrap demand was stable in India “but securitising sales to that market remains a concern”, according to Mr Sellier. As for Russia, there was some evidence to suggest that lower scrap export duties could be countered by the possible introduction of an environmental tax.

Mr Sellier took charge of the Stainless Steel & Special Alloys Committee meeting in Warsaw pending the appointment of a permanent Chairman, possibly ahead of next June’s BIR World Convention in Miami.

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