

# Market Report

April 1<sup>st</sup> 2022

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## General market report

The war in Ukraine and the corresponding economic and political sanctions against Russia and Belarus have an impact on the manufacturing industry. With Russia being one of the countries with the most natural resources in the world, actions taken result in an increase of commodity prices.

### Materials

With regards to producers of aluminum in the world, after China (56% of world production of refined aluminum in 2019), Russia is the [second largest producer country](#) for aluminum with a share of 6%.

Material prices have been rapidly increasing over the past months. Steel prices have increased 75% YOY, with extreme increases since the beginning of the Ukrainian war in February (EU-Warband; see [here](#)). Furthermore, Aluminum prices have [increased 58% YOY](#).

Trading was halted for some materials. The London Metal Exchange (LME) has suspended the trading of nickel in CW10 after the price increased by as much as [250% in two days](#). Overall, the price for nickel has doubled over the [past 12 months](#), although prices recovered slightly after the peak in mid-march. All base metals have seen prices rise by 10% in the past three months compared to the same period last year.

### Ferrous alloys

The Russian-Ukrainian war has also affected the ferroalloy market. The withdrawal of major transport companies from Russia and the imposition of unprecedented [sanctions against Russian businesses](#) has disrupted ferroalloy supplies from the country.

In particular, prices for [ferrochrome](#), of which Russia is one of the largest global suppliers, have risen by more than 25%, according to Metalshub. Quotes for [ferrotitanium](#) in Europe doubled during the month, while [ferrovanadium](#) prices rose by almost 50%. And, as with other ferroalloys, there is no direct ban on Russian products on Western markets, but the introduction of personal sanctions against the owners of some Russian companies (notably [Evraz](#)) creates reputational risks.

In the medium term, the ferroalloy markets are likely to see a review and restructuring of supply chains and geography aimed at replacing Russian or Ukrainian products. [Ferroalloys produced in Asian countries](#) may become an alternative. More data on transaction based price indices and live market insights can be accessed by subscribing to Metalshub [price indices](#).

### Energy prices

Energy prices are on the surge globally with different increases across regions. Whereas industrial energy prices in Germany have increased [by 25% over the last year](#), price increases in Poland are much more dramatic. Polish manufacturers must handle [increases of 305%](#) (Jan 2021 – Dec 2021).

## Supply-chain

One impact of the war in Eastern Europe so far has been seen in flight diversions, extended transit times and increased CO<sub>2</sub> emissions. Already, cargo air planes en route from Asia to Europe avoid the potential conflict area. In addition, companies are experiencing difficulties in transporting equipment. In particular, the ferroalloy plant in Malaysia was ready to send a broken unit for repair to Italy, but some of the high-capacity aircrafts belong to the sanctioned Russian companies or have been damaged during the war in Ukraine. The war could result in both higher insurance costs for shipments in the region and [reduced insurance cover](#) overall.

On the Asia to Europe route, a redirection of rail and air transport results in delays and increased lead times, reduced capacity and higher freight costs for container shipping. The China-Europe freight train, which is a crucial pipeline for Chinese exports to Europe, faces high uncertainty as political and economic sanctions are imposed on Russia and Belarus – two countries that [most routes run through](#).

## Manufacturing lead times

Average manufacturing lead times for production materials have reached [all-time highs in the US](#) in March 2022. For China, certain regions are facing Covid-19 restrictions. As of CW 13, a strict lockdown applies to the city of Shanghai and may have influence on manufacturing and shipping activities, although the [Shanghai port will continue its operations](#).

At KREATIZE, manufacturing lead times are stable since the beginning of the year.

Contact our sales teams by email for detailed advice and assistance on product, supply-chain and/or material issues.



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