Market Report

May 2nd 2022

General market report

The war in Ukraine and Covid-related lockdowns in China are still dominating the news and continue to affect global supply chains, material prices and market stability. In addition, high inflation has an influence on many different industries. As a consequence, interest rates at European banks are on the rise after the US Federal Reserve has increased its interest rate by 0,25% for the first time in years. Despite these factors, prices for materials such as ferroalloys and oil have been decreasing since they reached their peaks in March.

Materials

Material prices have retreated after all time highs at the beginning of March. Still, prices remain at a high level.

The German Trade Association Metals warns of magnesium bottlenecks in Germany and Europe. Magnesium is essential for the production of aluminum. Despite this, Aluminum prices have decreased by 17% since their peak and almost returned to the price level before the war in Ukraine began, the price of Nickel even decreased by 45% and seems to have stabilized, not long after trading of it at the London Metal Exchange (LME) was halted in CW10. Steel prices also decreased by 17% to 1.335€/t since the peak price for EU-hot rolled coil, but remain at a very high level (as of CW16).

Nickel prices declined slightly in April, although they remain at historically high levels. Thus, the average premium to the LME price of nickel briquettes on Metalshub decreased by 350$/mt, but is still four times higher than the average of January and February.

The good news is that most base metals have seen their price peaks in March, but have started decreasing again despite the ongoing uncertainty in the markets.

Ferroalloys

In April, the European and global ferroalloy markets were characterized by contradictory sentiment and, consequently, price trends. On the one hand, the risk of shortages of some ferroalloys remains on the markets amid the Russian-Ukrainian war. On the other hand, steel production in key countries is declining. Despite good steel consumption figures, steel production in the EU fell by 8.5% in March, while in the first quarter the figure fell by 3.8%. This has a negative impact on the demand for ferroalloys.

Russian supply of ferroalloys to Europe is now hampered by unprecedented sanctions that restrict export opportunities for businesses in Russia. As a result, throughout April the prices of many ferroalloys continued to rise in Europe. These include high-carbon ferrochrome, which rose by more than 30%, ferrotitanium (+18%) and ferrosilicon (+13%). In the case of the latter, the increase in prices was due to the war in Ukraine (one of the key FeSi exporters to the EU market) and the delivery challenges amid the military blockade of Ukrainian seaports. More data on transaction based price indices and live market insights can be accessed by subscribing to Metalshub price indices.

Energy prices

Energy prices continue to remain on a very high level. Regarding energy prices in Germany, energy experts are no longer assuming a short-term fluctuation, as two key factors for electricity price development will not bring any relief in the foreseeable future. First, the electricity price is particularly strongly influenced by the tense situation on the gas market. Gas storage facilities are emptying seasonally, demand on the gas market remains high, and supply volumes from Russia continue to be low because the start of Nord Stream 2 commissioning has been suspended. This is driving up the price of gas and thus making it more expensive to generate electricity from gas. This results in the second key factor: CO_2 tax. If gas is too expensive and less energy is produced with renewable sources, emission-intensive energies have to step in to close the electricity gap. This makes electricity more expensive due to the CO_2 tax.

Regarding energy prices in Poland, the country faces more uncertainty after Russia halted gas exports to Poland (and Bulgaria) on April 27th after they refused to pay for supplies in Russian rubles. Although Poland was already planning to stop importing Russian gas by the end of the year, this action puts more economic pressure on the country.

Logistics

The war in Ukraine and China´s zero-covid strategy are causing turbulence in global supply chains. Covid levels are rising in Shanghai and other cities in eastern and western China. This is affecting production facilities, warehouses and truck availability. However, ports are still operating. While the cities of Shanghai and Guangzhou remain in lockdown, their ports remain operational, although they are becoming increasingly congested as trucking is severely constrained and many warehouses are closed since late March. China relies heavily on trucking to move raw materials from coastal ports to the factories further inland. As the container backlog increases, a threat of further delays and increasing freight rates in the future exists. Currently sea rates remain stable, although on elevated levels.

Air cargo planes en route from China to Europe are heavily impacted by the lockdown, too. From Shanghai airport, 80% of commercial air freight services have been canceled. Operators are struggling to shift to other airports nearby.

Manufacturing lead times

Due to the lockdown around the large ports of Shanghai and Guangzhou, lead times from China to Europe are hard to predict. While the ports operate normally in closed-off systems where they are sealed off from the city, trucks face difficulties when entering and exiting these systems. As of CW16, lead times have increased due to longer shipping times. Wait times of trucks, container shortages or shipping delays all pose further potential risks regarding the prolongation of lead times.

At KREATIZE, manufacturing lead times remain stable since the beginning of the year. This can be achieved thanks to KREATIZE´s global network of manufacturing partners.

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