Chinese non-ferrous scrap imports set for 4-month standstill as buyers delay shipments to Feb 2020

Metal bulletin

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China's non-ferrous scrap imports will come to a standstill in the next four months, because major buyers have used up their 2019 import quotas and new quotas are unlikely to be granted before the lunar new year in late January, industry sources have said.

Major Chinese non-ferrous importers have delayed further purchases of copper and aluminium scrap to February next year because they were worried about not receiving import permits.

“We are afraid that we won't be able to get import quotas in January, so the first 2020 cargoes have to come after the lunar new year holidays,” a source with a Ningbo-based scrap importer said.

In 2020, the first day of the lunar new year will be January 25, earlier than in 2019, 2018 and 2017. While this will mark the beginning of week-long celebrations across China, it will also mean an absence of manpower and trading interest ahead of the nationwide holiday.

“We will have to hold materials until the end of December so that it arrives in China after the lunar new year holidays. That's two months!” a non-ferrous scrap trader in Southeast Asia said.

The trader source added that cashflow could be stretched by the unprecedented warehousing and financing costs during those two months.

But rushing to sell scrap cargoes by the end of this year appeared not to be an option.

“The biggest copper scrap buyer has nothing [of its quota] left for 2019, even after what was announced last week. They already filled it,” a second scrap buyer source said. “We have stopped looking into spot offers from traders because we could not buy them, no matter how cheap they are.”
On October 18, China approved a fifth round of copper scrap import quotas to allow an additional 57,365 tonnes of copper scrap into the country by the end of this year. It also granted quotas for an additional 44,935 tonnes of aluminium scrap and 610 tonnes of ferrous metal imports.

Since July this year, China has put in place a quota system to restrict the inflows of both ferrous and non-ferrous scrap, leading to this material being diverted to markets outside China.

At the recent Bureau of International Recycling (BIR) conference in Hungary, scrap sellers were eagerly approaching buyers in the hope of offloading materials by the end of this year.

“When you can buy birch/cliff [No2 copper scrap with 94-96% copper content] at 85% of the LME price in Europe, it’s clear that the market is full,” a Europe-based buyer said.

Both copper scrap and aluminium scrap were being offered at bigger discounts in the oversupplied European market.

Fastmarkets assessed the price for aluminium pressure diecasting ingot, DIN226/A380, delivered Europe, at €1,260-1,290 ($1,389-1,422) per tonne on October 18, unchanged week on week but down from €1,550-1,590 per tonne since the start of the year. The price was also at its lowest since June 2009.