Scrap prices in 2022

Splash · December 23, 2021

With scrap prices more than doubling in 2021 and the year closing out above a remarkable $600 per ldt, questions are now being asked about how long into 2022 the resurgence can last. Jamie Dalzell, senior trader at GMS Singapore, reports.

Following a collapse in rates brought on by the coronavirus outbreak, the scrap price trajectory has been only up – mirroring dry and container charter rates and stock markets.

Inevitably, what goes up must come down, and as 2021 ends, we are starting to see a correction in ship recycling levels which is likely to continue into the new year.

Ongoing uncertainty surrounding about new Covid-19 variants remains a constant threat with disruption to trade and supply routes an ever-present danger. Is it any wonder that leading players are exercising caution, despite the outlook for prices remaining optimistic and vessel supply expected to remain somewhat static?

Most vessels recycled so far this year are from the beleaguered tanker and offshore sectors, and whilst charter rates remain in the doldrums, we expect it may be more of the same again for 2022. There are suggestions in the market that the wet market may be starting to turn a corner and there is some optimism for a resurgence in rates for the coming year. Hence it may be that we see tanker owners hold back their vessels for a while longer and wait for an uptick rather than opt to recycle now. This will lead to an interesting supply/demand dynamic playing out across the sub-continent, with a healthy appetite to fill plots in all locations apparent off the back of firm steel prices.

China demand for steel will also sustain in 2022, and rather than the cheap billets being exported from China in 2015 which so damaged the industry and led to a ship recycling recession, this is helping to prop up prices. The Chinese ship recycling market also remains closed, except for Chinese flagged government tonnage, so the majority of vessels are being recycled in the subcontinent and Turkey (for mostly EU flagged vessels).

Dramatic currency fluctuations have been of chief concern in both Turkey and Pakistan this year counteracting stunning steel gains seen on occasion in those locations and will likely continue to frustrate going into the New Year. In India and Bangladesh currencies have largely been stable, and this has contributed to the stunning performance of both markets this year in tandem with rising steel prices.

There has also been great progress in the upgrade/certification of yards in India, with 92 out of 120 active yards now holding either IR, LR, RINA or Class NK Statement of Compliance (SoC) with the Hong Kong Convention. In Bangladesh, so far, only PHP Ship Breaking and Recycling Industries holds a Class NK SoC, but several others are expected to follow suit as ship recycling standards continue to improve at pace.

So, whilst no one expects the market to double again next year, there is cause for optimism in 2022 global ship recycling markets, with demand rampant, a dwindling supply of vessels and strong local fundamentals expected to sustain across the board.