

**Welcome to our Metal News Review, which we will be updating every 4 weeks. To start here is our guide to the metals that matter for the door & window industry:**

## **Are metal prices going up or down ?**

Metal prices are fluctuating all the time, but in general terms most metals used in door and window components have been steadily falling over the last 5 years, with the exception of zinc which has been slowly rising. Historically metal prices went off the scale at the height of the boom before the credit crunch and in 2007/8 metal prices were at previously unheard of levels with copper in particular (the major component of brass alloys) trading at almost \$10,000 per tonne (\$10 per kilo) . This was the height of the incidence of metal theft, with copper becoming a semi-precious metal and copper cable in particular being stolen for scrap in unprecedented quantities.

Metals generally are prone to huge price swings as supply (which takes a long time to increase) fails to match demand which leads to regular cycles of shortages or gluts with prices soaring or collapsing accordingly. Opening a new copper mine or steel plant is a very expensive and lengthy process and commissioning new capacity is a big risk for the producer. Add in the activities of metal traders and speculators and the end result is a highly volatile market in the short term. However, in the longer term the prices will normally be predictable given the relative volumes for supply and demand. Here is a brief guide to the most important metals for our sector.

## **Which metals matter ?**

### **STEEL**

This is a very important commodity for the production of door locks, window locks, friction hinges, reinforcing and other hardware products. Mild steel prices have been much in the UK news lately due to the problems of Tata Steels as the well publicised reduction in the price of Chinese made steel has made UK production of low end steels uneconomic. To put this in context, mild steel billet prices for many years before 2007 were reasonably steady at around \$500 per tonne but at the peak of the worldwide construction boom increased to \$1200 per tonne in 2008. The collapse of 2008/9 saw prices more than halve to \$400 per tonne, before recovering to approx. \$650 per tonne in 2010/11. However, in the 7 years from 2003-2010 China trebled it's steel capacity, so that now China has almost 3 times the steel making capacity of the whole of Europe and 5 times the capacity of North America. Keeping this capacity busy has been almost impossible, and hence China has resorted to continually dropping export prices to keep the mills going. Between Jan 2014 and Jan 2016 the price of Chinese steel fell from \$500 to \$250 per tonne – way below the cost of a UK plant, or anywhere else in the world for that matter. This has led to the not unreasonable accusation of “dumping” and the USA in particular imposed hefty tariffs. Since then Chinese prices have risen to around \$400 per tonne – which is why Tata are reconsidering the sale/closure of their UK plants. This extreme price variation has been mainly at the commodity end of steel production, with higher grade steels considerably more expensive but less prone to volatility.

The increasing use of stainless steel in door and window components means the price of mild steel is much less important than it used to be but it is still significant. International mild steel prices now average around \$550 per tonne which is not far away from the historical norms of pre-2007.

## ZINC

Another very important material for the door and window sector with most window & door handles made from this material plus a significant proportion of door hinges. Historically zinc traded at around \$1100 per tonne from 1990 to 2004 but then rose steadily to peak at \$4600 per tonne by late 2007. During the price collapse of 2008/9 zinc fell back to \$1200 per tonne but has since steadily increased to it's current level of \$2400 per tonne. The fact that zinc is widely used for it's protective coating properties in many industries (not least automotive) has kept demand generally high so despite extra capacity coming on stream in Australia prices have steadily risen and show no signs of falling back to anything like the \$1100-\$1200 range that was norm until 10 years ago. At the moment, taking account of the increase in the US\$ price of zinc and the 20% depreciation of sterling against the US currency zinc is almost 50% more expensive in sterling terms now than a year ago. This increased cost of zinc is the main reason for hardware manufacturers substituting aluminium for zinc where possible.

## ALUMINIUM

Aluminium has long been used in both cast and extruded form for door/window handles and European made door hinges. It has been increasingly used in Asian made handles and hinges as the cost of zinc increases and aluminium stays relatively stable. It has been the least volatile of the major metals with the pre-2004 historical average of \$1600 per tonne rising to \$3270 in 2008 and before falling back to \$1400 in 2009. Aluminium spiked again at \$2700 per tonne in 2011 but has since fallen steadily back to the \$1600 level which is the pre-2004 norm. Because aluminium is much lighter than zinc a tonne of aluminium will theoretically produce over 2.5 times the components that a tonne of zinc will yield – so with zinc now 50% more expensive than aluminium to start with it is clear why hardware producers would seek to replace zinc with aluminium. Historically aluminium was always 50% or so dearer than zinc but the reverse is now the case and it looks likely to stay that way for the near future.

## COPPER

This is the main constituent part of brass alloys (with zinc being the next most important component) and hence for many years has been important in our industry most obviously for eurocylinders and high end door handles but also for door lock components. Historically it traded at between \$1200 and \$3500 in the 1990s and early 2000's and averaged \$2200 or thereabouts. It rocketed in value to \$8600 per tonne in 2008. The construction collapse saw prices fall to \$3000 in 2009 but by 2011 it was back at the new height of \$9500 per tonne. It has since steadily fallen to \$5000 per tonne but this is still much higher than any price seen before 2005 so it is still at a very high historical level. For a time it was almost a semi-precious metal and it's high value created a huge market in the UK for stolen scrap with high voltage cables a particularly lucrative, if dangerous, commodity to steal. With a scrap value of up to £5 per kilo a van load became worth a lot of money. Eurocylinders are still the most common use of brass in our industry and again the combination of high copper and zinc prices and the weakness of sterling has pushed up the UK cost of Asian made cylinders significantly in the last 18 months. This trend looks unlikely to reverse in the near future.

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