



# FUTURE BRIGHT FOR MIDDLE EAST METAL RECYCLING INDUSTRY?

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*The Middle East region has long since established itself as a hub for scrap metal recycling and trading. The region's metals recycling industry, as all other industries worldwide, has had its ups and downs in recent years, but had been performing better than most countries globally due to its strategic positioning at the crossroads between the east and west, plus the major developmental projects underway in the Middle East and its main markets, India and China. But with a steep drop in crude oil prices and a slowdown in construction and other economic activities, the sector is facing difficult times at present. The region being mostly a supply market, a lot of what's happening in other parts of the world is also impacting the industry, and major metal consuming nations are in a declining growth phase, with the Indian and Chinese economies continuing to suffer. **Swaliha Shanavas** speaks to industry experts to find out more on the current situation and what's in store for the industry in the coming years.*

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“2015 was a tough year and most likely will follow through in 2016,” says Dr. Sayed Hussain, CEO, Sayed Metals.

Considering that the region's economy is oil-driven, “such a steep fall in oil prices will definitely affect the recycling industry directly or indirectly.”

The metal recycling industry is directly linked with the global commodity markets especially crude oil prices and foreign exchange rates. This sector in the MENASA region has been affected by the overall decline in oil prices and the slowing global economies combined with a tight cash flow, notes Salman Shaban, Senior Manager, Lucky Star Alloys.

“Moreover, the recent corrections in BRIC economies brought down metal prices to the lowest levels seen since the 2008 financial crisis. Banks have also restricted lending to protect them from bad debts due to which those players who are highly dependent on borrowings have suffered the most.”

“2015 has been the toughest for recyclers and all commodity dealers. In the 21st century, this is second major downside for the metal industry. In contrast to 2008 when the market dropped sharply and bottomed out in a short span, year 2015 has been a consistent slow downside,” says Anshul Gupta, CEO, PGI Group. And they are still waiting for it to hit rock bottom. Many

“small and inefficient” scrap collectors have already disappeared, and with the banking sector under pressure, the industry had seen further tightening of credit to companies, which might have a marginal effect on borrowing costs. “This cycle of 2015 would play a major role in accepting only healthy and long term players who can survive this grind,” Gupta emphasises.

One major change perceived by Turkish manufacturer Aymas Makina is that “at the moment the Middle East’s scrap yards are shrinking in size somehow; and we don’t know if this is a temporary effect or a long term one.” Further, investments in “hyper yards” have been low as compared to earlier times, or the projects have been put on hold, comments the company’s International Marketing Manager, Cemal Sincar.

The situation in Turkey is slightly different though. “Like all other countries, Turkey has also been affected by negative events around the world.” But at the moment Turkey’s markets remain “healthy and stable”, and one can say that the country has slowed down for a short period of time, which will not affect its future growth, says Sincar.

From an Indian standpoint, Ehsan Haji Amin, Vice President, MRAI and CEO, Ala Group – a company that has a strong presence in the Middle East, says, “The Middle East market is slow at present, but it is much better than Europe and Far East markets. Again, scrap generation has been better, though quite slow as compared to previous years.”

India has been “a major player and a big game changer” because of the overall downward trend and more importantly China’s economic slowdown, he comments. “The major factor affecting the Middle East is the structure in India especially with regard to aluminium and the biggest problem is FTA, where other countries export finished goods to India on zero duty and India has duty on Scrap.”

With all these, challenges, experts feel there is need to once again focus on factors such as quality, risk management, relationship, commitments and business ethics. “The industry is forcing its players to review those basic principles that in

its early days formed the core foundation of our businesses. Key players are once again reviewing those factors that made a difference to create a good business environment,” says Shaban.

This period would see many weak players leaving the arena as “the inefficient cannot survive this downside, agrees Gupta. The Indian market would be a major support for the Middle East recycling industry, he feels. “The export of copper, brass, aluminium, lead, etc., has drastically slowed down to South East Asia and Far East Asia. I only see reasonable or better growth in India in 2016 and we have continuously increased our focus on India.”

There is also a need for the industry to once again focus on western markets for a few years as they have good potential.

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“Though, in the long term, I still see Asia as a major force that will drive the recycling industry in this century,” he adds.

The Middle Eastern countries are slowly moving away from their dependence on oil and have made efforts to diversify their economies in recent years with focus on tourism, manufacturing, and so on. And though the current situation is not conducive, the industry is hopeful that things would soon take a turn for the better, particularly in the light of the anticipated developments, as a result of the long term investments in infrastructure and related projects with mega events coming up, such as World Expo 2020, Dubai and FIFA 2022, Qatar. In addition, the master plans for waste management and recycling being drawn up by various governments in the region will soon fall in place, leading to greatly improved recycling practices. There are other advantages as well. As Dr.

Hussain points out, recycling in the region, particularly in Dubai, has mostly been a lucrative industry. The emirate enjoys free trade where export is not heavily restricted. Recyclers and traders are able to export all commodities as per regulations set by the ministries. Furthermore, efficient handling of operations, logistics, customs procedure, etc., contributes significantly to the industry and other countries in the region are taking the lead from the UAE.

“There is constant increase in metal scrap generation in the Middle East mainly due to construction and demolition activities as well as rapid increase in population. As most of the countries in region prepare for future commitments, such as the World Expo 2020, etc, it is assumed that

more metal scrap will be generated,” he opines. Yet, metal recycling in the region has not reached its “full maturity” and tons of scrap metal generated is not being recycled within the country, but mostly exported to other markets. “Nevertheless, the Middle East is a proficient collection and sorting point that supports recycling centres all over the world,” he declares.

The business flow and continuity is highly dependent on the capacities of large end-user economies such as BRIC nations and “if the demand in these nations weakens it will have a direct negative impact on our supply quantities,” says Shaban. However, the upcoming events and projects in the GCC region that require long term investment and government spending “will ensure the continued demand for raw materials used in the construction and services sector contributing to the growth of the regional recycling industry,” he states. 