

## Market Snapshot – July 2019

The key story in recovered plastic markets during the second quarter of 2019 is a 26% increase in recovered LDPE prices; supported by a spike in plastic PRN prices. HDPE bottle prices remained stable during Q2 2019 near £500 per tonne, while clear PET bottle prices increased by around 11% to £190 per tonne.

Mixed paper and board and OCC prices fell by around 10%-20% during the second quarter of the year. A slowdown in global manufacturing activity may be behind the recent fall. Recovered aluminium can prices have declined by around 15% since late 2018, also on weaker growth fears. Forward looking economic indicators suggest there could be a further dampening in demand. Unlike aluminium, steel can prices have been broadly stable. Supply side problems in iron ore – a key component in steel production – mean steel can prices have not been affected to the same degree.

The UK exported 174kt of recovered plastic (both packaging and non-packaging) during Jan-Apr 2019, down 23% compared with year earlier levels. Turkey was the most important end destination, accounting for ~50kt or just less than 30% of total exports. Meanwhile, the UK exported 1.5Mt of recovered paper during the same period, unchanged from the same period in 2018; China accounted for 43% of the UK's exports (approx. 165kt per month).

Amber and mixed cullet prices rose by £3 per tonne during Q2 2019; other cullet prices are stable. Recovered textile prices sourced from charity shops increased by 12% during Q2 2019 while textile bank prices declined by 9%.

**Table 1: Key recovered material prices**

£ per tonne	May-18	Mar-19	May-19	% change	
				Mar-19 to May-19	One year
<b>Recovered paper</b>					
OCC (domestic)	81	65	60	-8%	-26%
News & PAMs	91	103	93	-10%	2%
Mixed (domestic)	18	29	23	-21%	28%
<b>Recovered plastic</b>					
Clear PET	188	171	190	11%	1%
Coloured PET	23	28	31	11%	35%
Mixed HDPE	249	345	345	0%	39%
Mixed polymer	86	68	79	16%	-8%
Natural HDPE	393	470	480	2%	22%
LDPE 98:2	214	144	181	26%	-15%
<b>Recovered cans</b>					
Aluminium	1000	829	840	1%	-16%
Steel	115	140	138	-1%	20%
<b>Glass</b>					
Clear	18	20	20	0%	11%
Amber	13	15	18	20%	38%
Green	11	15	15	0%	36%
Mixed	11	10	13	30%	18%
<b>Textiles</b>					
Banks	305	235	213	-9%	-30%
Charity Shops	448	294	330	12%	-26%

Source: WRAP Materials Pricing Report

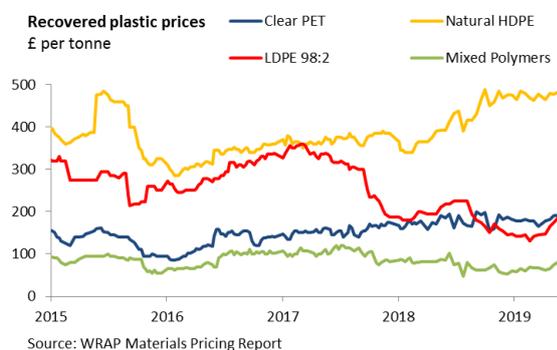
Note: Percentage changes are based on the mid-points of the ranges where applicable.

## RECOVERED MATERIAL MARKETS

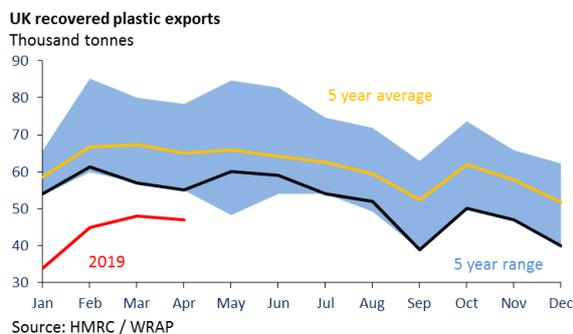
### Plastics

HDPE bottle prices remained stable during Q2 2019 near £500 per tonne, a level they have remained close to since October 2018. Meanwhile, clear PET bottle prices increased by around 11% to £190 per tonne. Over the same period LDPE film prices increased by one-quarter to £181 per tonne; supported by a significant spike higher in plastic PRN prices.

Virgin PET prices have declined by 6% to £1065 per tonne since the start of 2019. Over the same period virgin HDPE prices have risen 6% to £1249 per tonne.



According to the latest HMRC trade data, the UK exported 174kt of recovered plastic (both packaging and non-packaging) during Jan-Apr 2019, down 23% compared with year earlier levels. Based on Jan-Apr 2019 trade data, five countries account for 60% of the UK's recovered plastic export market: Turkey (~50kt), Hong Kong, Poland, Malaysia, Spain and Indonesia (the latter five countries each account for ~10-14kt).

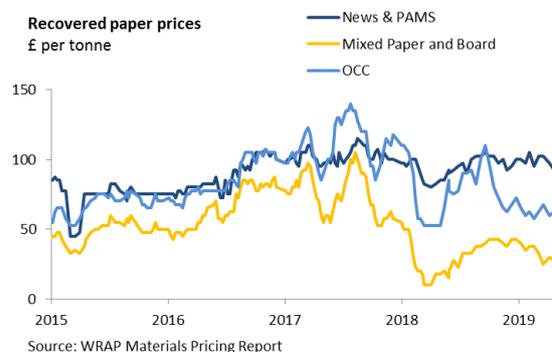


Plastic PRN prices continued to rise during Q2 2019 on fears that further restrictions in export markets would mean that the UK would not meet its packaging target. Prices increased from £160 per tonne to a high of over £450 per tonne in mid-June before declining back to around £250 per tonne at the end of the

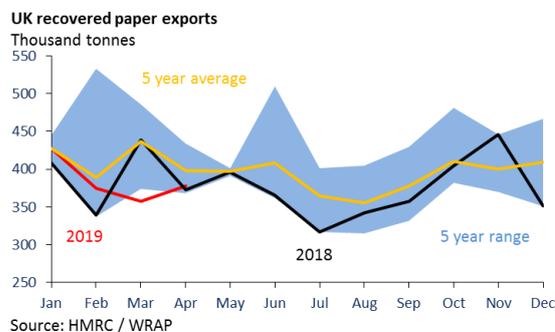
month. Q2 2019 reprocessing data is scheduled to be published on 22<sup>nd</sup> July.

### Paper

The price of domestic OCC and news & PAMs fell by around 10% during Q2 2019 to around £60 per tonne and £95 per tonne respectively. Mixed paper and board prices saw sharper declines, falling just over 20% to £23 per tonne.



According to the latest HMRC trade data, the UK exported 1.5Mt of recovered paper in the period Jan-Apr 2019, unchanged from the same period in 2018. China accounted for 43% of the UK's exports of recovered paper during Jan-Apr 2019 (approx. 165kt per month); India was the second largest end market accounting for 18% with Indonesia the third biggest market with 10%.



Paper PRN prices have been stable around £20 per tonne during Q2 2019. Reprocessing data for the second quarter is scheduled to be published on 22<sup>nd</sup> July.

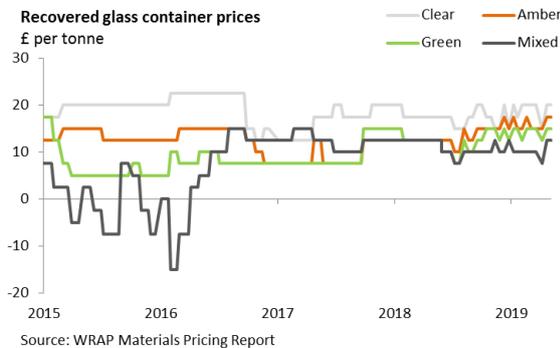
### Box 1: Paper import bans / restrictions announced in Q2 2019

**Indonesia:** In mid-June the Indonesian government announced that it will implement contamination limits on mixed paper. It will use the Institute of Scrap Recycling Industries (ISRI) quality specifications, which allow for 1 to 2% prohibitives (non-paper materials) and 3 to 4% outthrows (grades of paper different

from bale specification). It is not known when the limits will come into force.

## Glass

The price of amber and mixed cullet increased by £3 per tonne during Q2 2019; rising to £18 per tonne and £13 per tonne respectively. Clear and green cullet prices are stable.



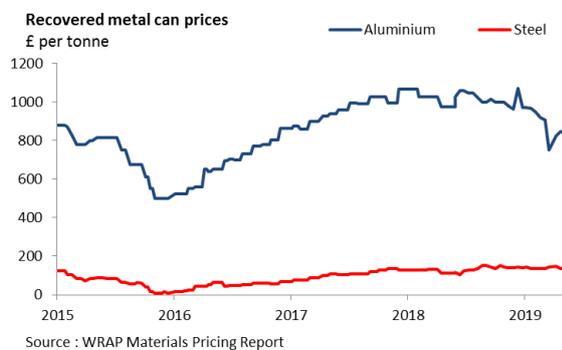
Glass PRN prices have remained broadly stable around £25 per tonne during Q2 2019. Reprocessing data for the quarter is scheduled to be published on 22<sup>nd</sup> July.

## Aluminium & steel

Recovered steel and aluminium can prices are stable during Q2 2019 at around £840 per tonne and £140 per tonne respectively.

Although broadly stable in Q2 aluminium prices have declined by about 16% since late 2018, reflecting weakness in virgin aluminium prices on economic worries.

Steel can prices appear not to have been affected by economic concerns in the same way as aluminium. This is in part due to supply side problems in the market for iron ore – used by steel mills to produce virgin steel.



Aluminium PRN prices increased from around £70 per tonne to £155 per tonne during Q2 2019 due to uncertainty over whether the 2019 target would be met. Meanwhile, steel PRN prices have remained stable around £25-

£30 per tonne. Q2 2019 reprocessing data is scheduled to be published on 22<sup>nd</sup> July.

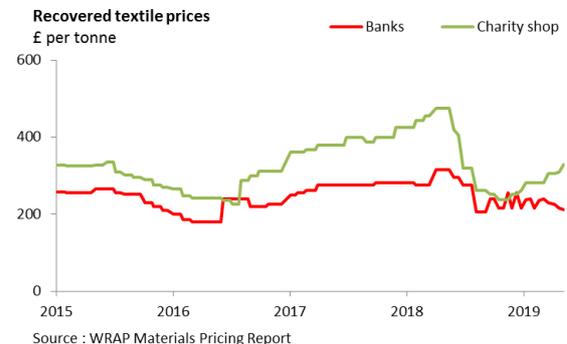
## Box 2: China tightens metal import restrictions

China introduced restrictions on imports of eight types of scrap metal from 1<sup>st</sup> July, including high-grade copper and aluminium scrap, known in China as 'Category 6', as well as types of steel scrap.

China tightened the contamination limit on nonferrous scrap imports to 1% from March 2018; the ferrous scrap threshold was set at 0.5%. China also banned the import of low-grade Category 7 copper scrap and 15 other types of solid waste, including scrap vessels and iron and steel slag from the end of 2018.

## Textiles

Recovered textile prices sourced from charity shops increased by 12% during Q2 2019 to around £330 per tonne. Meanwhile textile bank prices dropped almost 10% to £213 per tonne. Note that the quality of the textiles collected and transport costs may have a significant impact on the overall price achieved.



## Box 3: Signs of a slowdown in the global economy

Leading indicators that have been prescient in previous downturns are starting to flash red. Small open economies that are heavily dependent on exports and are exposed to trends in global supply chains are often the 'canaries in the coal mine', warning of impending expansion or contraction. For example, signs that South Korean manufacturing and export activity continues to be in deep contraction is a concern.

In addition, one of the best predictors of future economic activity in the US has been the yield curve, i.e. the difference between short and long term interest rates on US government

bonds. The current yield curve on US government bonds is indicative of weak growth at best.

A slowdown - or even a contraction - in manufacturing activity would negatively affect demand for recovered materials and their prices.

**WRAP Economics Team**  
**July 2019**

## Glossary

CPI	Confederation of Paper Industries
EA	Environment Agency
HDPE	High density polyethylene
HMRC	Her Majesty's Revenue & Customs
kt	Thousand tonnes
LDPE	Low density polyethylene
Mt	Million tonnes
News & PAMs	Newspapers & magazines
NPWD	National Packaging Waste Database
OCC	Old corrugated cardboard
PET	Polyethylene terephthalate
PRN	Packaging Recovery Note

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