

## Market Snapshot – September 2016

UK recovered material prices generally increased in value during Q3-2016 with the strongest gains seen in recovered paper markets.

Recovered paper and board prices increased sharply during Q3-2016. Mixed paper and board prices rose by almost 50% to around £85 per tonne. The decline in the value of sterling since the EU referendum appears to have supported recovered paper prices in particular while merchants have also pointed to strong demand from China, due to bad weather as also supporting prices.

In contrast, recovered plastic packaging markets showed little strong trend. Mixed HDPE bottle prices rose by almost 30% while coloured PET prices fell 14% over the same period. Although overall exports of recovered plastic from the UK have declined through 2016 and compared with 2015, exports of plastic packaging for recycling have increased strongly – up one-third in the year to Q2-2016.

Recovered steel can prices continued to rebound during Q3-2016, rising by around one-quarter to £60 per tonne - although they remain some 5% below year earlier levels. Meanwhile, recovered aluminium can prices jumped by almost £70 per tonne over the quarter to £770 per tonne.

Recovered glass prices are broadly stable. The main exception is mixed cullet prices which have increased by £5 per tonne to £10 per tonne during Q3-2016.

Recovered textile prices appear to have strengthened during Q3-2016. Recovered textiles sourced from banks are valued at around £220 per tonne while charity shop textiles are valued at around £300 per tonne.

*This quarters' Market Snapshot also includes a review of the latest UK economic data post EU referendum and considers what the outlook is for 2017. The note also highlights what impact the bankruptcy of the Hianjin shipping line may have on UK recovered material exports.*

**Table 1: Key recovered material and commodity prices**

£ per tonne	Sep-15	Jun-16	Sep-16	% change	
				Jun-16 to Sep-16	One year
<b>Recovered paper</b>					
OCC	76	79	105	33%	38%
News & PAMs	78	76	93	22%	19%
Mixed	58	58	85	47%	47%
<b>Recovered plastic</b>					
Clear PET	131	153	155	1%	18%
Coloured PET	59	58	50	-14%	-15%
Mixed HDPE	150	144	185	28%	23%
Mixed polymer	89	89	103	16%	16%
Natural HDPE	400	340	350	3%	-13%
LDPE 98:2	216	281	310	10%	44%
<b>Recovered cans</b>					
Aluminium	675	703	770	10%	14%
Steel	63	48	60	25%	-5%
Mixed	86	69	63	-9%	-27%
<b>Glass</b>					
Clear	20	23	23	0%	15%
Amber	13	15	15	0%	15%
Green	5	10	8	-20%	60%
Mixed	8	10	15	50%	88%
<b>Textiles</b>					
Banks	253	240	220	-8%	-13%
Charity Shops	295	235	300	28%	2%
<b>Virgin commodities</b>					
Pulp (NBSK)	548	566	609	8%	11%
PET	712	740	732	-1%	3%
HDPE	948	924	970	5%	2%
LDPE	858	962	966	0%	13%
Cotton	866	1002	1120	12%	29%
Aluminium (LME)	1037	1123	1200	7%	16%
Iron ore	36.8	36.1	42.1	17%	14%
<b>Energy</b>					
Oil (Brent, £ per barrel)	31	33	35	5%	13%

Sources: WRAP Materials Pricing Report, Thomson Reuters Datastream

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

## RECOVERED MATERIAL MARKETS

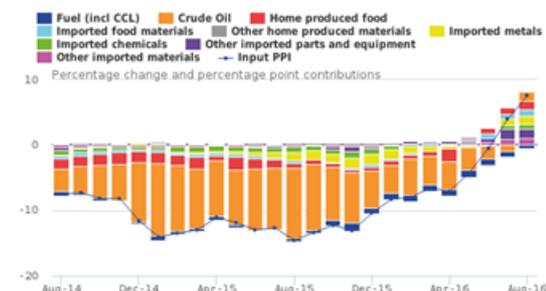
### Box 1: UK macro

The decision by the UK to vote to leave the European Union (EU) in late June has created uncertainty as to what impact it will have on future economic growth in the UK. Indeed, the latest Consensus Forecasts estimate that UK economic growth will slow from 1.7% this year to 0.7% in 2017 (a light improvement from the 0.6% growth forecast seen shortly after the referendum).

Despite fears that the outcome of the EU referendum would prompt a sharp slowdown in UK economic activity there has been (at least not yet) little sign that consumers and businesses are retrenching. The latest measure of manufacturing output expectations over the next three months from the CBI Industrial Trends Survey rose back to pre-referendum levels in September. Meanwhile consumer spending has also been strong with retail sales growing by 1.5% in the period Jun-Aug 2016 versus the previous three months. Consumer spending has been supported by a strong labour market with unemployment remaining at a post financial crisis low of 4.9% in July.

However, as the economic forecasts indicate the outlook going into 2017 may not be quite so rosy. One area of concern is inflation. The sharp drop in sterling relative to its trading partners<sup>1</sup>, while a boost to manufacturers and reprocessors exposed to the export market is also likely to result in significantly higher costs for manufacturers and with a lag higher prices for consumers.

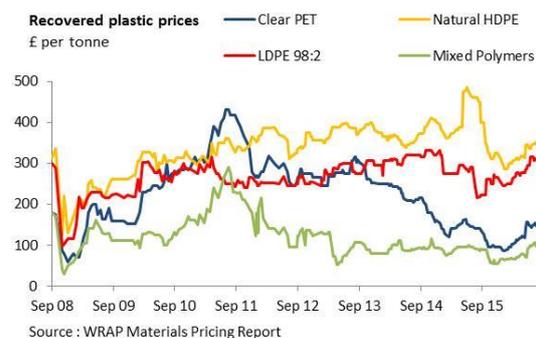
#### Change in UK manufacturers input costs



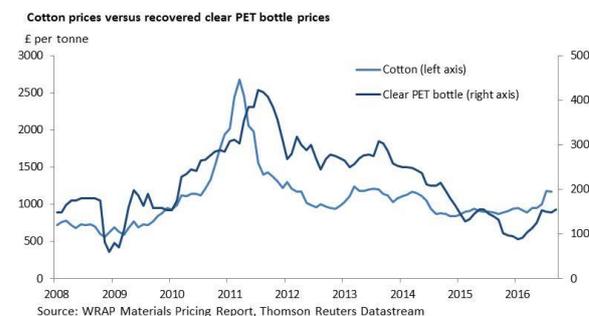
### Plastics

Recovered plastic bottle prices generally increased during Q3-2016, the main grades (clear PET and natural HDPE) up less than 5%.

Coloured PET bottle prices were the notable exception – down 14%.



Clear PET bottle prices around £150-£160 per tonne have been supported by stronger cotton prices (cotton is a substitute to polyester in the manufacture of textiles). The most recent increase in cotton prices may result in stronger clear PET bottle prices over the next few months.



In early July it was announced that Closed Loop's food grade bottle reprocessing plant had been purchased. However, as yet the plant is not thought to be operational. When it does restart this may intensify competition for natural HDPE bottles.

In mid-July it was announced that LDPE plastic bag recycler PlasRecycle had been put into administration. At the time their administrator, Ernst & Young claimed that the plant will continue to convert existing work in progress into finished product but not take in new raw material due to the level of losses in processing. Despite this LDPE 98:2 film prices increased by 10% to £310 per tonne during Q3 2016.

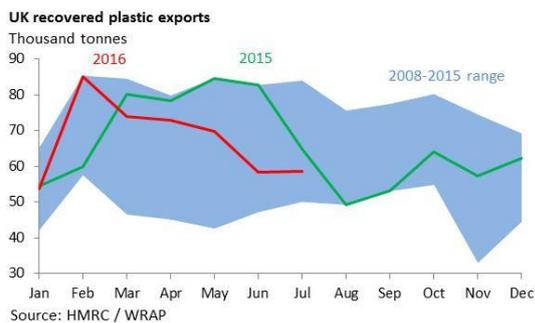
Virgin PET and LDPE prices were broadly unchanged during Q3-2016 at £730 per tonne and £966 per tonne respectively; meanwhile virgin HDPE prices increased by 5% to £970 per tonne.

The UK exported 472kt of recovered plastic (both packaging and non-packaging) during the period Jan-Jul 2016, down 6% compared

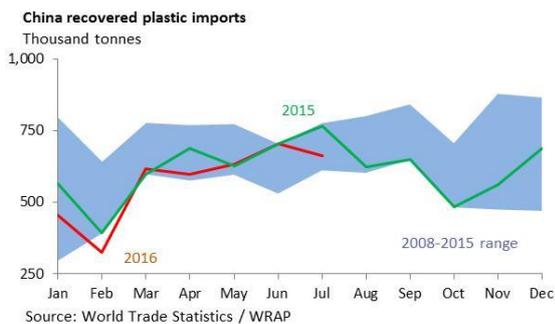
<sup>1</sup> Down 12% on a trade weighted basis

with the same period in 2015. Looking at the most recent month for which the data is available (July 2016), there does not appear to have been a boost to exports following the EU referendum and the subsequent fall in sterling – exports are flat on month earlier and down 10% versus July 2015.

During the first seven months of the year just over 50% of the UK's recovered plastic exports were sent directly for recycling in China/Hong Kong, down from 70% during the same period in 2015. Malaysia is now the UK's second largest export destination, accounting for around 10% of total recovered plastic exports.



Although its importance has dwindled, China still remains the most important export market for the UK's recovered plastic. Overall Chinese imports of recovered plastic (from all countries) amounted to 4Mt during the period Jan-Jul 2016, down 8% compared with the same period in 2015.



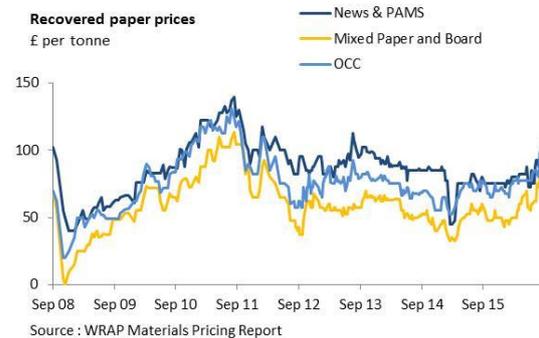
Plastic packaging recycling compliance data shows that 267kt was recycled during Q2 2016 (the latest quarterly data available), up 21% on year earlier levels. Meanwhile, plastic packaging exported for recycling rose by one-third over the same period.

Based on provisional packaging obligation data and including carryover from December 2015, plastics have met 53.2% of its 2016 target. Plastic PRN prices have declined from around £35-£40 per tonne to near £20 per tonne with market anecdote suggesting that many obligated businesses have secured their tonnage earlier in the year.

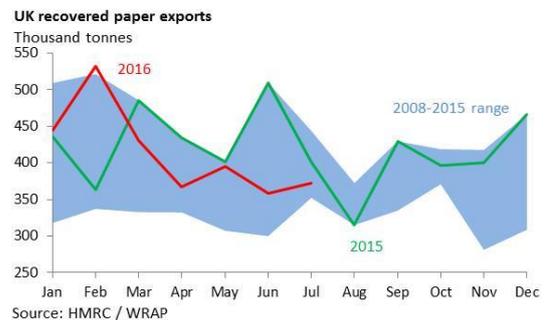
## Paper

Recovered paper and board prices saw the sharpest increase of any recovered material during Q3 2016. News & PAM prices rose by almost £20 per tonne (over 20%) to around £95 per tonne, while OCC prices increased by £25 per tonne (up by one-third) to £105 per tonne. Mixed paper and board prices recorded the strongest increase, up by almost 50% to £85 per tonne.

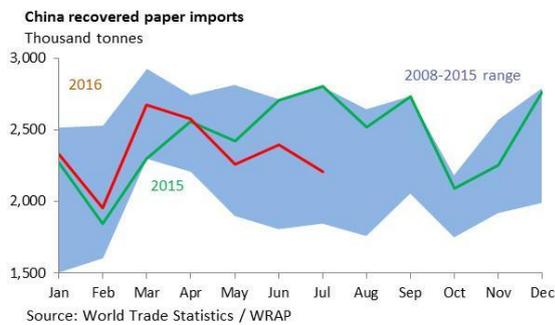
Virgin pulp prices (a substitute in the manufacture of paper products) increased by 8% during Q3 2016 to £609 per tonne. Virgin pulp prices are up 11% compared with year earlier levels.



The UK exported 2.9 Mt of recovered paper during the period Jan-Jul 2016, down 4% compared with the same period in 2015. Of the UK's exported recovered paper and board, 73% was sent to China, up from 70% in Jan-Jul 2015. Despite reports of higher export demand (in the wake of the Brexit related decline in sterling), UK exports only rose by 4% between June and July, down 7% on year earlier levels.



China imported 16.4 Mt of recovered paper (from all countries) during Jan-Jul 2016, down 3% compared with the same period in 2015. The UK's market share of China's recovered paper imports is unchanged at 18%. Reports that bad weather in southern China that hampered domestic collections had increased import demand appear not to have been borne out – July imports were down 8% on month earlier and over 20% on July 2015 levels.



## Box 2: Impact of Hanjin bankruptcy

The South Korean shipping container company Hanjin declared bankruptcy earlier in September. Concerns over the creditworthiness of the world's seventh largest shipping line (e.g. more than half of its ships are reportedly blocked from docking in ports around the world) could mean that other carriers are able to raise freight rates in the meantime. Indeed some market reports suggest that container prices from the UK to China could increase by \$25-\$75 per 40ft container.

Any increase in costs for exporters may then result in lower recovered material prices, while recovered materials being blocked from docking may result in the terms of the cargo being renegotiated.

Nevertheless, in late September reports suggested that the carriers' largest shareholder may approve the provision of a loan.

## Glass

Mixed cullet prices increased from £10 per tonne to £15 per tonne during Q3-2016. Clear, amber and green cullet prices are broadly stable.



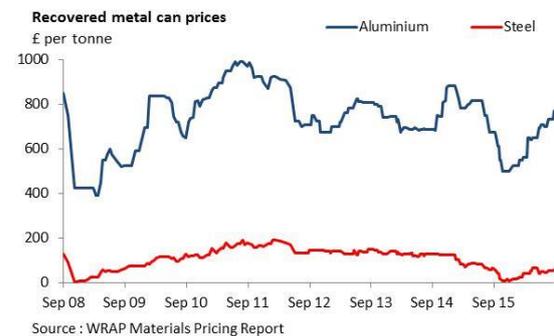
Glass packaging recycling compliance data shows that 406kt was recycled during Q2-2016, up 8% compared with Q2-2015. Based on provisional packaging obligation data and including carryover from December 2015, glass has met 48.9% of its 2016 target. Glass PRN

prices are broadly stable around £10-£15 per tonne.

## Aluminium & steel

Recovered aluminium can prices jumped by almost £70 per tonne during Q3-2016 to £770 per tonne, while recovered steel can prices rose by £12 per tonne (up 25%) to £60 per tonne. In contrast, mixed can prices fell by around £5 per tonne.

The rebound in recovered aluminium can prices has been supported by higher virgin aluminium prices (up 7%), while higher iron ore prices (up 17%) have increased demand for recovered steel.

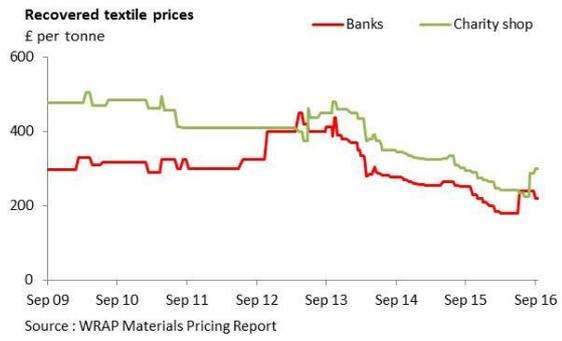


Aluminium packaging recycling compliance data shows that 23kt was recycled during Q2-2016 (up 74% on year earlier levels), the increase supported by higher exports. Based on provisional packaging obligation data and including carryover from December 2015, aluminium has met 55% of its 2016 target. Aluminium PRN prices declined from around £25 per tonne to £10-£15 per tonne during Q3-2016.

Steel packaging recycling compliance data shows that 120kt was recycled during Q2-2016, up 22% on year earlier levels and the highest quarterly tonnage since Q4-2009. Based on provisional packaging obligation data and including carryover from December 2015, steel has met 58.9% of its 2016 target. Steel PRN prices fell from around £25 per tonne to £10 per tonne during Q3-2016.

## Textiles

Recovered textiles sourced from banks are valued at around £220 per tonne while charity shop textiles (the value that a charity receives for charity shop clothing sold to merchants that collect the garments from the shop) are valued at around £300 per tonne. Note that the quality of the textiles collected and transport costs may have a significant impact on the overall price achieved.



**WRAP Economics Team**  
**September 2016**

## 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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