General Overview of Chinese Copper Market: Supply and Demand

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Overview

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- Entering the 21st century, China's copper industry has made impressive progress, both refined copper output and consumption witnessed rapid growth. From 2006 to 2010, the output of refined copper rose to 4.573 mlnt from 3.003 mlnt, with an annual growth rate of 11.1%; refined copper consumption reached 6.80 mlnt from 4.01 mlnt, saw an annual growth rate of 14.1%. The annual growth rate, both are over 10%.
- While the refined copper production and consumption increased rapidly, the copper-in-concentrate output saw a lower growth rate, with annual average growth rate of 7.3%. The supply shortage of copper raw materials continued to widen, copper raw materials is increasingly dependence on imports, currently, China is the largest copper importer in the world.
- The "bottleneck of copper resource" , to some extent, has restricted the development of China copper industry, and China paid a big fortune for it. To solve the copper supply, on the one hand, to make efforts to develop domestic copper resource, on the other hand, to encourage Chinese enterprises to "go Abroad" for copper resource exploration, to ease domestic shortage of copper resource.

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安泰科 Antaike Copper Concentrates and Refined Copper Production

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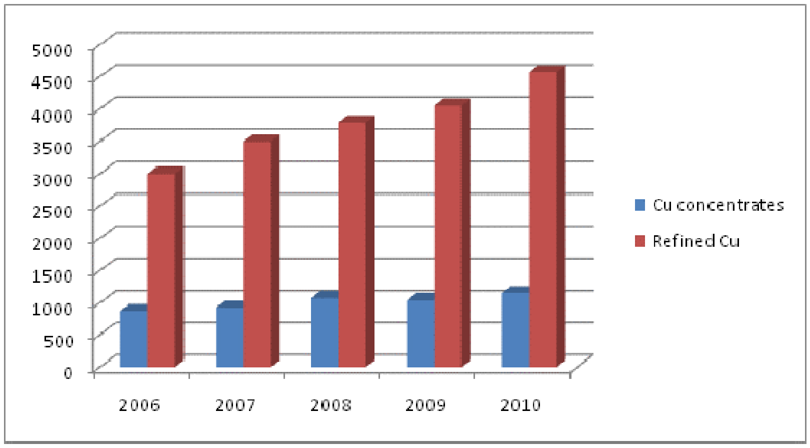

Source: CNIA

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安泰科 Antaike Major Copper Concentrates production Provinces in 2010

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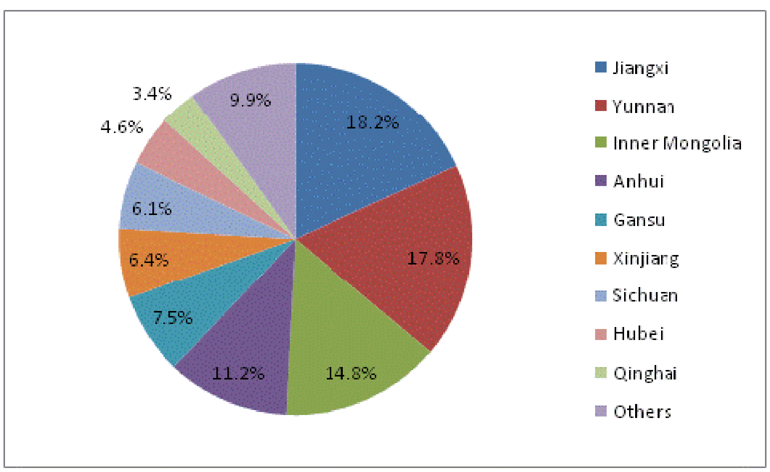

Source: CNIA

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Major Refined Copper Production Provinces in 2010

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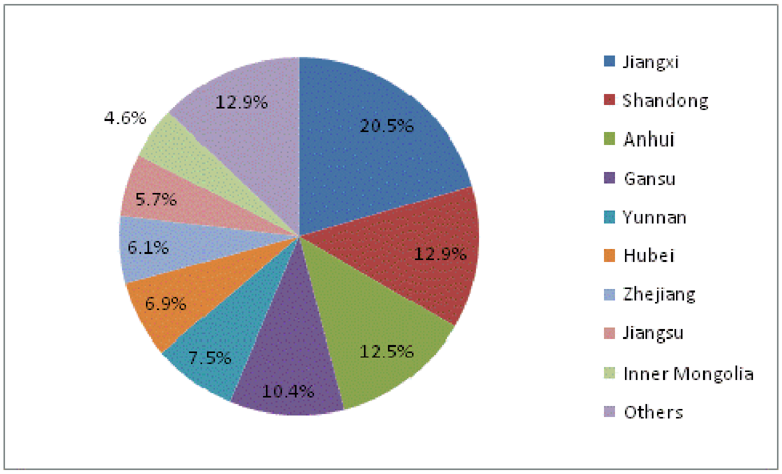

Source: CNIA

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Copper Raw Materials Imports in 2006 - 2010

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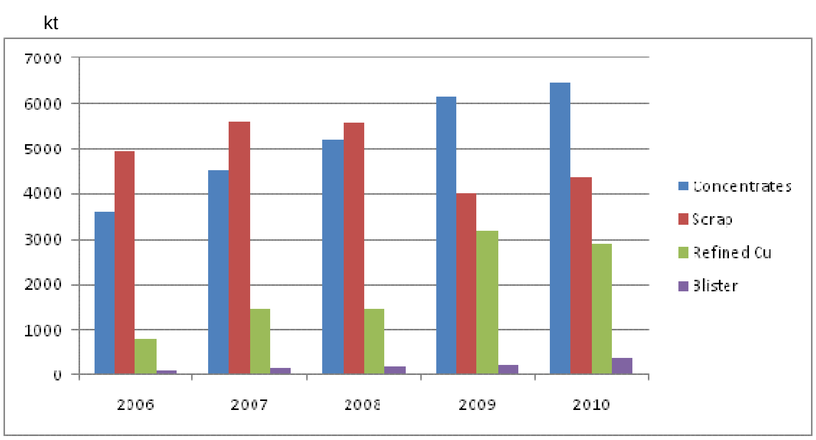

Source: China Customs

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Quantity of Copper Raw Materials Imports

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During 2006-2010, China's raw materials imports continued to increase, but the structure of copper raw materials imports changed.

kt	2006	2007	2008	2009	2010	CAGR
Concentrates	3611.9	4516.2	5192.1	6130.9	6468.1	15.7%
Scrap	4942.9	5584.7	5576.9	3998.1	4364.3	-3.1%
Blister	88.4	172.8	197.6	228.1	399.0	45.8%
Refined Copper (net import)	584.0	1367.8	1360.3	3112.3	2883.4	49.1%

Source: China Customs

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Copper Concentrates Imported by Country/Region in 2010

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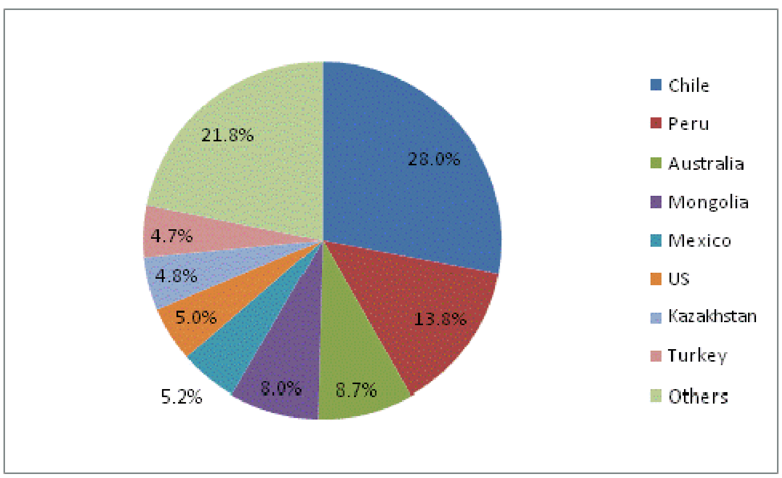

Source: China Customs

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安泰科 Antaike Copper Scrap Imported by Country/Region in 2010

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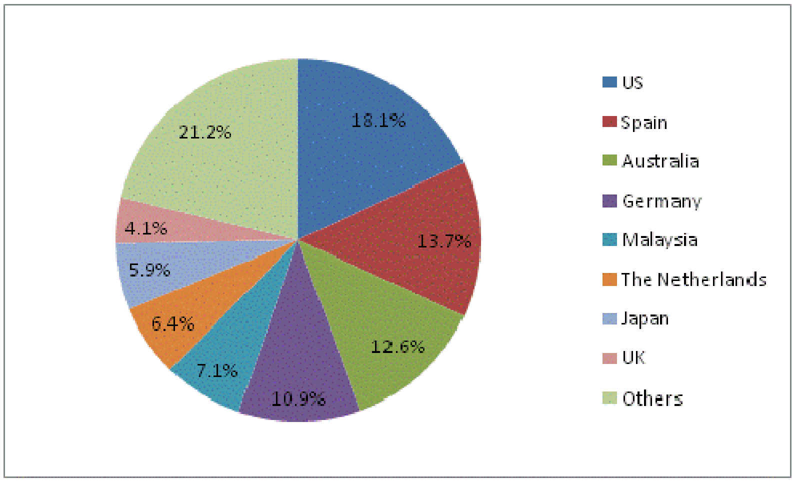

Source: China Customs

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安泰科 Antaike Copper Blister Imported by Country/Region in 2010

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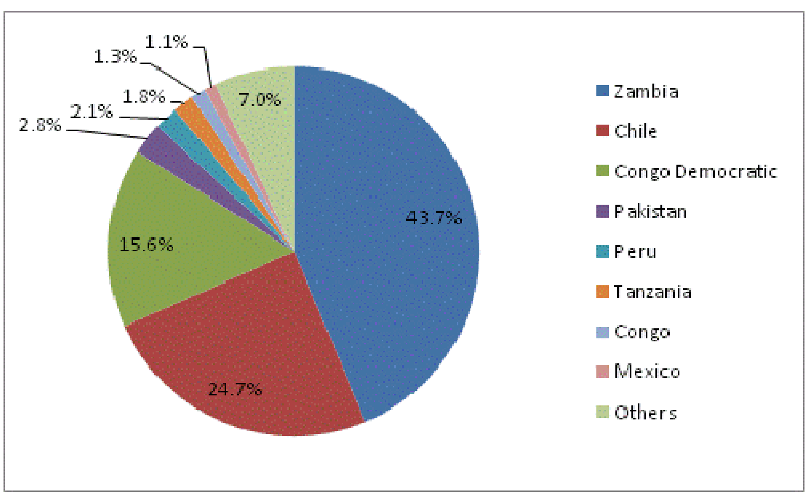

Source: China Customs

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Refined Copper Imported by Country/Region in 2010

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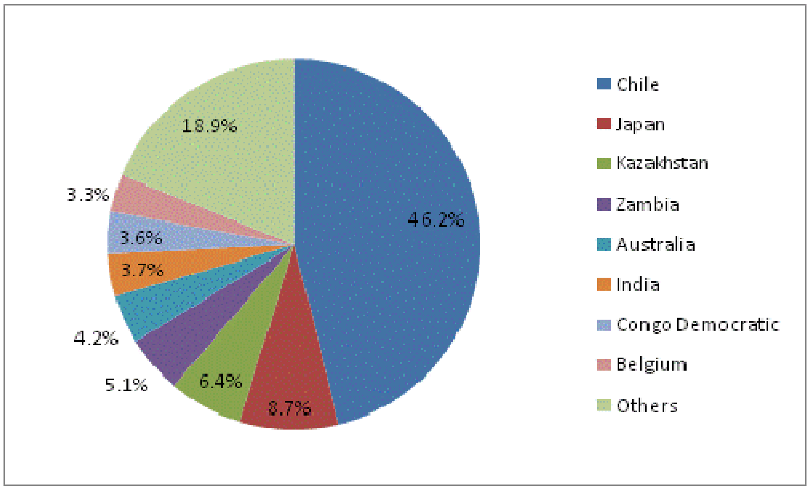

Source: China Customs

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China's Refined Copper Consumption in 2006-21010

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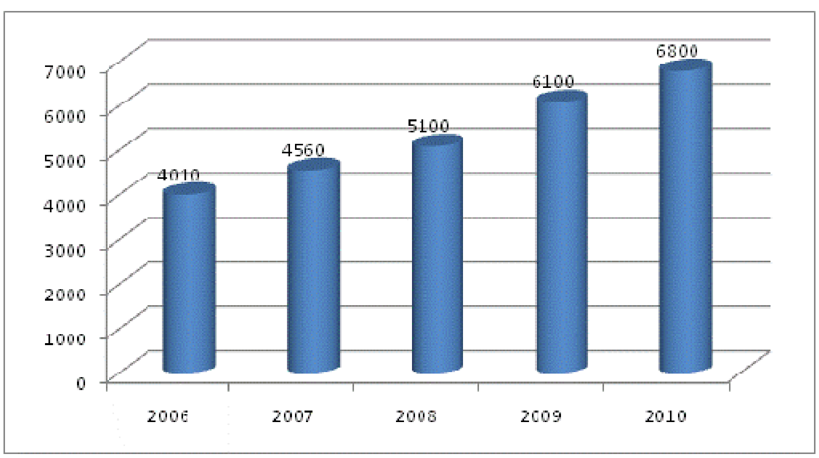

Source: Antaike

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China's Refined Copper Consumption in 2006-21010

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- From 2006 to 2010, China's refined copper consumption increased with an annual growth rate of 14.1%, witnessed a faster growth;
- In 2010, China's actual refined copper consumption accounted for 37.6% of the world total, while the proportion of apparent consumption is even higher;
- Started in 2009, impacted by Chinese government "Economic Stimulus Plan", to further promote refined copper consumption;
- In 2009 and 2010, copper scrap import declined significantly, which lead to increase refined copper consumption.

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Main Refined Copper Consumption Sectors in 2010

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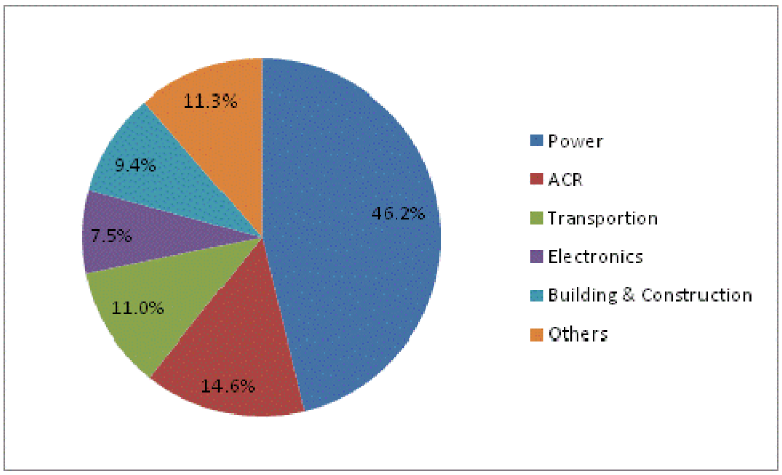

Source: Antaike

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The Difference of Apparent & Actual Consumption

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	2006	2007	2008	2009	2010
Refined copper output	3003.2	3499.4	3794.6	4051.3	4573.5
Refined copper import	827.0	1493.7	1456.4	3185.2	2922.1
Refined copper export	243.0	125.9	96.1	72.9	38.7
Net import	584.0	1367.8	1360.3	3112.3	2883.4
Apparent refined copper consumption	3587.2	4867.2	5154.8	7163.6	7456.9
Actual refined copper consumption	4010	4560	5100	6100	6800
Balance	-422.8	307.2	249.8	1063.6	656.9

Source: CNIA, China Customs, Antaike

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- In 2006, as the rapidly rising of copper price, China's refined copper import fell sharply, while the refined copper export increased, China's copper destocked significantly;
- From 2007 to 2010, because of domestic copper fabricating capacity expansion, SRB restocked, certain amount of refined copper stockpiled in domestic market;
- In 2009 and 2010, imported refined copper for financing, or to the bonded warehouse, stockpiled in traders, not entered end –users;
- China's refined copper consumption increased, also related with copper scrap supply. Copper scrap, either to refined copper production-indirect use, or to copper semis production-direct use, and it will directly affect the quantity of refined copper consumption.

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Review of China's Copper Market in Jan.-Jul. 2011

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- Characteristics of China's copper market in first 7months of 2011:

- Copper production increased steadily: the first 7 months of 2011, copper concentrates output reached 669 kt, with an increase of 12.3% y-o-y; refined copper output was 2.972 mlnt, with an increase of 12.6% y-o-y.
- Apparent refined copper consumption fell 6.8% y-o-y, mainly due to decrease of refined copper import, while the export of refined copper increased.
- In the first 7 months, actual refined copper consumption was still increasing, but the growth rate slowed down compared to the same period in 2010.
- In the first half year of 2011, the inventory of refined copper in bonded warehouse fell significantly.

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Refined Copper Production in Jan.-Jul. 2011

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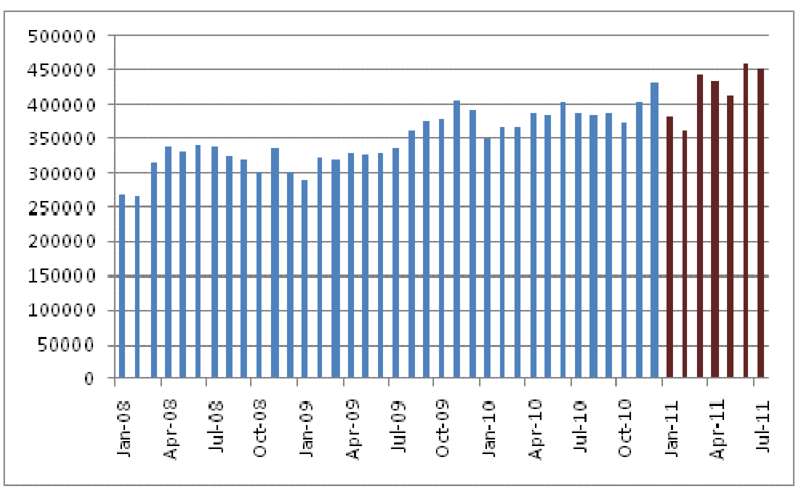

Source: CNIA

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Refined Copper Imported in Jan.-Jul. 2011

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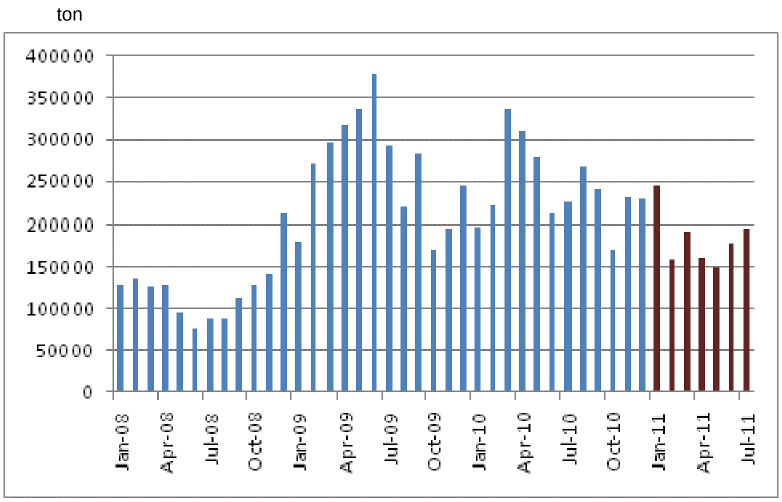

Source: China Customs

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Refined Copper Exported in Jan.-Jul. 2011

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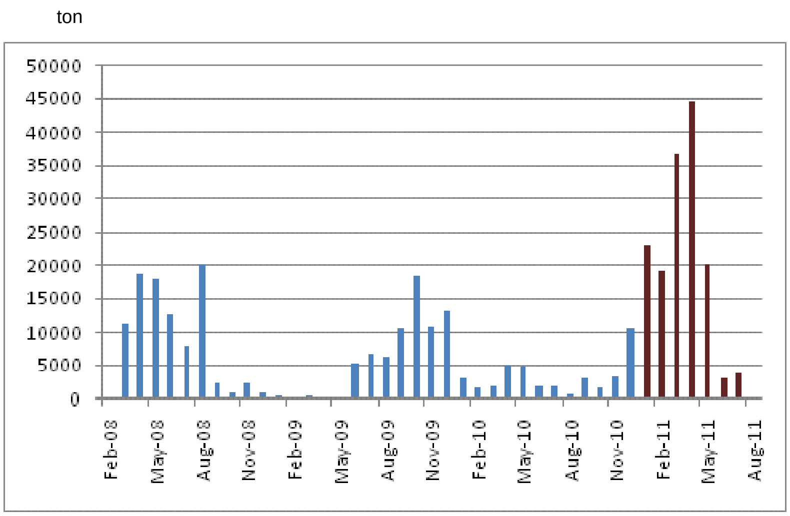

Source: China Customs

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Copper Supply/Demand In Jan.- Jul. 2011

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kt	Jan.-Jul. 2010	y-o-y	Jan.-Jul. 2011	y-o-y
Consumption	3960	11.7%	4245	7.2%
Supply	4400.8	1.6%	4099.8	-6.8%
Of which: Output	2639.6	16.3%	2972.4	12.6%
Net import	1761.2	-14.6%	1127.4	-36.0%
Balance	440.8	-	-145.2	-

Source: CNIA, China Customs, Antaike

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China's Copper supply/Demand in 2011

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kt

Refined copper	2010	y-o-y	2011	y-o-y
Output	4573.5	12.9	5100	11.5%
Import	2922.1	-8.3	2430	-16.8%
Export	38.7	-46.9	230	494.3%
Supply	**7456.9**	**4.1%**	**7300.0**	**-5.0%**
Consumption	6800.0	11.5	7380	8.5%
Balance	**656.9**	**-**	**-80**	**-**

Source: CNIA, China Customs, Antaike

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Conclusion

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- In 2011, China's refined copper imports will decline, although the domestic refined copper production maintains stable growth, the total supply of refined copper will decrease compared to 2010.
- China's refined copper consumption remains stable growth, in 2011, China's refined copper consumption will increase 8.5% y-o-y.
- Refined copper destocked in 2011, if taking into account the export and supply/demand of refined copper, the inventory of refined copper will fell around 250kt in 2011.
- During "twelfth five-year plan" period, China will continue to intensify investment in copper resource exploration, and copper reserve will increase, hence, output of copper concentrate will go up, but copper raw materials imports will continue to increase.

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Thank you

for your attention !

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The Most Essential and Authoritative Source for Chinese Metals Market

The Leading Information Provider and Consultancy for the Global Metals and Mining Industry

Since being established in 1992, Antaike has built a reputation for its authoritative, strategic, and in-depth analysis of the Chinese metals industries and markets. It also provides news, trade and production data, prices and forecast.

Working under China Nonferrous Metals Industry Association (CNIA) and directly overseen by the Information Center of China National Nonferrous Metals Industry, Antaike has become a key center for information collection and delivery within the country and across the world.

Antaike has a team of nearly 100 highly skilled employees, including more than 30 senior metals analysts, who have all been involved in the metals and mining industry for over a decade. It offers customized consulting assignments to deliver high quality and specialized advice and business intelligence.

Antaike has built up good relationship with thousands of Chinese miners, smelters, refineries, fabricators, metals consumers and traders, as well as Chinese government departments. At the same time, it has been working with a large number of international metals and mining corporations, associated organizations and research institutes. It has more than 10,000 clients, both in China and abroad.

Antaike's metal events have been attracting more and more attendees in recent years. They have become the biggest and most informative gatherings in China and even the world, with their focus on specific metals such as copper, aluminum, lead and zinc, nickel and cobalt, gold and silver, indium, and others.

Antaike's motto is to supply the best services to our clients and to use our information to create business value.

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