



# International Copper Study Group

## Copper Market Forecast 2014-2015

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 13-14<sup>th</sup> October 2014. Government delegates and industry advisors from most of the world's leading copper producing and using countries met to discuss key issues affecting the global copper market. In its meeting of the Statistical Committee, the ICSG view of the world balance of refined copper production and use was developed.

### Copper Market Forecast 2014-2015

In developing its global market balance, ICSG uses an apparent demand calculation for China, the leading global consumer of copper, accounting for about 40% of world demand. Apparent copper demand for China is based only on reported data (production + net trade +/- SHFE stock changes) and does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer and merchant/trader], which may be significant during periods of stocking or de-stocking and which could significantly alter supply-demand balances.

Historically, ICSG has only accounted for reported stock data in its statistics. In recent years anecdotal evidence has suggested that there have been substantial fluctuations in Chinese bonded stock levels, and apparent consumption based on trade, production, and changes in exchange inventories may not adequately reflect industrial use in a given time period. ICSG acknowledges the distortion that these unreported stock movements can cause in the calculation of the world refined copper balance and, therefore, beginning with the January 2014 monthly data release, has included in its world summary table an additional line item - Refined World Balance Adjusted for Chinese Bonded Stock Changes. As there is no officially reported data for Chinese bonded stocks, ICSG uses an average of stock estimates provided by three consultants — based on their ongoing research and analysis of the Chinese copper market — to estimate the unreported inventory changes.

ICSG projections for 2014 indicate that world apparent refined copper demand is expected to exceed refined copper production by about 300,000 metric tonnes (t). According to ICSG projections for 2015, after five consecutive years of apparent deficits, the copper market could show a production surplus relative to demand. World production of refined copper is expected to exceed demand for refined copper by about 390,000 t, as demand will lag behind the growth in production.

In developing its projections, ICSG recognized that the global market balances could vary from those projected owing to numerous factors that could reduce or enhance projections for both production and usage.

After a growth of 8% in 2013, world mine production is expected to grow by around 3% in 2014 to 18.6 Mt (million tonnes) compared with that in 2013. Operational failures combined with delays in ramp-up production and start-up of new mines are leading to lower than anticipated growth. Strong growth in world mine production is however expected in 2015 owing to additional output from expansions and new mine projects. After adjusting by historical disruption factors, world mine production is anticipated to grow by around 7% in 2015. Most of the new production is expected to be in the form of copper in concentrate.

In 2014, world refined copper production is expected to increase by around 5% to 22.1 Mt compared with that in 2013 mainly supported by expanded capacity at electrolytic plants in China (and to a lesser extent from expanded SX-EW capacity in Africa). Primary refined production (excluding SX-EW) is expected to grow by 7% benefiting from adequate availability of concentrate while secondary production growth is foreseen at 2% impacted by tightness in the scrap market. In 2015, world refined copper production is expected to grow further by around 4% to 23.1 Mt.

ICSG expects world apparent refined demand in 2014 to grow by about 5% from that in 2013 to 22.4 Mt partially supported by the tightness in the scrap market. Apparent demand in China is expected to increase by about 7% in 2014. Usage in the rest of the world is expected to increase by about 3.5%. For 2015, although industrial demand growth in China is expected at 5%, the growth in apparent refined usage is expected at 1.8%. Therefore, world apparent usage growth in 2015 is expected at around 1% although underlying industrial demand growth is expected to be higher.

### Next Meetings of ICSG

The next Meetings of the Study Group will be held in Lisbon, Portugal in the Thursday 23 and Friday 24 April 2015 and will be preceded by a Joint Study Groups Seminar on Wednesday 22 April 2015.

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## FORECAST TO 2015

REGIONS  (1000 t)	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Africa	1,841	1,941	2,273	1,275	1,383	1,566	247	253	263
N.America	2,393	2,660	2,892	1,717	1,838	1,965	2,321	2,400	2,472
Latin America	7,556	7,691	8,294	3,405	3,331	3,346	626	649	668
Asean-10 / Oceania	1,898	1,763	2,209	972	1,028	1,125	916	901	945
Asia ex Asean/CIS	2,080	2,225	2,443	9,550	10,385	10,964	12,946	13,802	14,038
Asia-CIS	582	573	606	436	353	368	101	102	103
EU	855	851	850	2,658	2,769	2,799	3,022	3,247	3,285
Europe Others	897	924	937	1,046	1,060	1,091	1,153	1,089	920
<b>TOTAL</b>	<b>18,101</b>	<b>18,628</b>	<b>20,503</b>	<b>21,058</b>	<b>22,146</b>	<b>23,223</b>	<b>21,331</b>	<b>22,443</b>	<b>22,692</b>
<b>World adjusted 1/ 2/</b>	<b>18,101</b>	<b>18,579</b>	<b>19,816</b>	<b>21,058</b>	<b>22,136</b>	<b>23,086</b>	<b>21,331</b>	<b>22,443</b>	<b>22,692</b>
% change		2.6%	6.7%		5.1%	4.3%		5.2%	1.1%
<b>World Refined Balance</b>							<b>-272</b>	<b>-307</b>	<b>393</b>
<b>World Refined Balance Adjusted for Chinese Bonded Stocks Change 3/</b>							<b>-519</b>		

1/ Based on a formula for the difference between the projected copper availability in concentrates and the projected use in primary refined production; 2/ Allowance for supply disruptions based on average ICSG forecast deviations for pre-recession years 2003/2007. 3/ For details of this adjustment see paragraph 3 of the press release.