



# International Copper Study Group

## Copper Market Forecast 2015/2016

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 5th-6th October 2015. 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 the meeting of the Statistical Committee, the ICSG view of the world balance of refined copper production and use was developed.

### Copper Market Forecast 2015-2016

In developing its global market balance, ICSG uses an *apparent* demand calculation for China, the leading global consumer of copper, accounting for about 45% 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 can be significant during periods of stocking or de-stocking and which can markedly alter global supply-demand balances.

ICSG projections for 2015 indicate that the market should essentially remain balanced, while in 2016 ICSG forecasts a small deficit of around 130,000 metric tonnes (t) as demand growth outpaces production growth. This compares with a surplus of 360,000 t and 230,000 t for 2015 and 2016, respectively, forecast at our April 2015 meeting. The revisions reflect substantial changes in market conditions since April 2015. Although a downward revision has been made to global usage in view of lower than anticipated growth in China, larger downward adjustments have been made to production as a result of recent announcements of production cuts.

In developing its projections, ICSG recognizes that global market balances can vary from those projected owing to numerous factors that could alter projections for both production and usage. In this context it can be noted that actual market balance outcomes have on recent occasions deviated significantly from ICSG market balance forecasts due to unforeseen developments.

World mine production after adjusting for historical disruption factors is expected to increase by around 1.2% in 2015 (a similar growth to 2014) to reach 18.8 Mt (million tonnes). Despite announced production cuts, higher growth of around 4% is expected in 2016 as additional supply is expected to arise from expansions at existing operations, ramp-up in production from mines that have recently come on stream and output from a few new mine projects. Growth in 2015 and 2016 is expected to be in the form of copper in concentrate as SX-EW production is envisaged to decline mainly due to the announced production cuts being almost entirely at SX-EW mines.

After increasing by almost 7% in 2014, world refined copper production in 2015 is expected to increase by only 1% year-on-year to 22.7 Mt. Growth of around 7% in China will be partially offset by a decline in production in Chile, Japan and the United States, the second, third and fourth leading refined copper producers. Primary refined production (excluding SX-EW) and secondary production are expected to grow by around 2% each, while SX-EW output is anticipated to decline by 4%. In 2016, world refined copper production is expected to grow by around 2.5% to 23.2 Mt, as larger growth of 4% in primary electrolytic production will be partially offset by a further 4% decline in SX-EW production.

Following growth of around 7% in 2014, ICSG expects world *apparent* refined usage in 2015 to decline by 1.2%. This is mainly because *apparent* demand in China is expected to remain essentially flat, although underlying "real" demand growth in China is estimated by others at around 3-4% (lower than the 4.5-5% anticipated growth in April). On the other hand, usage in the rest of the world is expected to decline by 1.5%. For 2016, the growth in world apparent refined usage is expected at around 3% with underlying Chinese industrial demand growth expected at around 4%. Usage in the rest of the world is expected to increase by about 2%.

### Next Meetings of ICSG

The next Meetings of the Study Group will be held in Lisbon, Portugal on the Wednesday 9 and Thursday 10 March 2016 in conjunction with the annual Metal Bulletin International Copper Conference to be held in Lisbon on 7-9 March 2016.

(table on next page)

FORECAST TO 2016									
REGIONS  (1000 t)	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Africa	1,945	1,877	2,006	1,357	1,372	1,349	247	257	263
N.America	2,595	2,520	2,741	1,812	1,789	1,894	2,266	2,319	2,364
Latin America	7,562	7,705	8,167	3,344	3,191	3,178	579	546	568
Asean-10 / Oceania	1,726	1,926	2,270	1,002	934	1,088	908	932	1,004
Asia ex Asean/CIS	2,363	2,407	2,564	10,798	11,392	11,868	14,498	14,420	14,939
China 4/	1,781	1,741	1,845	7,649	8,174	8,600	10,995	10,937	11,389
Asia-CIS	578	616	679	370	432	478	102	103	103
EU	845	854	873	2,741	2,713	2,696	3,179	3,191	3,195
Europe Others	914	925	935	1,056	1,082	1,087	1,115	860	875
<b>TOTAL</b>	<b>18,527</b>	<b>18,830</b>	<b>20,234</b>	<b>22,479</b>	<b>22,904</b>	<b>23,637</b>	<b>22,893</b>	<b>22,628</b>	<b>23,310</b>
<b>World adjusted 1/ 2/</b>	<b>18,527</b>	<b>18,751</b>	<b>19,542</b>	<b>22,479</b>	<b>22,669</b>	<b>23,183</b>	<b>22,893</b>	<b>22,628</b>	<b>23,310</b>
% change		1.2%	4.2%		0.8%	2.3%		-1.2%	3.0%
<b>World Refined Balance (China apparant usage basis)</b>							<b>-414</b>	<b>41</b>	<b>-127</b>
<b>World Refined Balance Adjusted for Chinese Bonded Stocks Change 3/</b>							<b>-427</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 previous 5 years. 3/ For details of this adjustment see paragraph 3 of the press release.

4/ 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)