



International Copper Study Group

Copper Market Forecast 2016/2017

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 9th-10th March 2016. 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 2016-2017

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.

According to ICSG projections, the copper market is expected to remain essentially balanced in 2016 and 2017. This compares with a small deficit of 127,000 t and a surplus of 175,000 t for 2016 and 2017, respectively, forecast at our October 2015 meeting. Downward revisions have been made for both production and usage in view of global weaker economic outlook, and project delays and price related 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 1.5% in 2016 (lower than the 3.5% growth in 2015) to reach 19.4 Mt (million tonnes). While concentrate production is expected to grow by 4%, growth will be partially offset by a decline in SX-EW production due to price related production cuts in the Democratic Republic of Congo and closures in Chile. Higher global mine production growth of around 2.3% is expected in 2017 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.

After increasing by around 1.6% in 2015, world refined copper production in 2016 is expected to increase by only 0.5% to 23 Mt. Although primary refined production (excluding SX-EW) is expected to grow by of around 3%, growth will be partially offset by an anticipated decline of 1% in secondary production (from scrap) and a decline of 8% in SX-EW output. For 2017, world refined production is expected to grow by 2% benefiting from a growth of around 7% in SX-EW output. China will be biggest contributor to world growth in both years.

ICSG expects world *apparent* refined usage in 2016 to remain essentially flat. This is mainly because *apparent* demand in China is expected to remain essentially flat (+0.5%), although underlying "real" demand growth in China is estimated by others at around 3-4%. Usage in the rest of the world in 2016 is expected to remain practically unchanged. For 2017, the growth in world apparent refined usage is expected at around 1.8% with underlying Chinese industrial demand growth expected at around 3%, while usage in the rest of the world is expected to increase by about 1%.

Next Meetings of ICSG

The next Meetings of the Study Group will be held in Lisbon, Portugal on the Monday 24th and Tuesday 25th October 2016.

FORECAST TO 2017									
REGIONS (1000 t)	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Africa	1,895	1,823	2,152	1,373	1,268	1,448	258	243	246
N.America	2,660	2,551	2,676	1,886	1,871	1,946	2,299	2,344	2,393
Latin America	7,892	8,239	8,637	3,310	3,185	3,168	497	495	497
Asean-10 / Oceania	1,905	2,297	2,349	985	1,080	1,120	930	1,004	1,019
Asia ex Asean/CIS	2,388	2,455	2,544	11,101	11,604	11,948	14,833	14,842	15,152
China 4/	1,706	1,745	1,850	7,964	8,350	8,700	11,349	11,400	11,700
Asia-CIS	614	678	728	408	480	485	103	103	103
EU	859	879	896	2,707	2,669	2,747	3,117	3,124	3,151
Europe Others	925	900	909	1,050	1,041	1,059	842	845	855
TOTAL	19,138	19,821	20,889	22,821	23,198	23,920	22,878	23,000	23,416
World adjusted 1/ 2/	19,138	19,432	19,869	22,821	22,943	23,436	22,878	23,000	23,416
% change	3.5%	1.5%	2.3%	1.6%	0.5%	2.1%	-0.1%	0.5%	1.8%
World Refined Balance (China apparent usage basis)							-57	-56	20
World Refined Balance Adjusted for Chinese Bonded Stocks Change 3/							-167		

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)