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International Copper Study Group

Copper Market Forecast 2016/2017

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 24-25 October 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.

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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 2016 indicate that the market should remain essentially balanced, while in 2017 ICSG forecasts a surplus of around 160,000 metric tonnes (t). This compares with a deficit of 55,000 t and a surplus of 20,000 t for 2016 and 2017, respectively, forecast at our March 2016 meeting. Upward revisions have been made for both production and usage in view of better than expected actual growth so far this year.

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 4% in 2016 (to reach 19.9 Mt (million tonnes) benefitting from new and expanded capacity brought on stream in the last two years. While concentrate production is expected to grow by 6%, growth will be partially offset by a 3% decline in SX-EW production due to price related production cuts in the Democratic Republic of Congo and closures in Chile. In 2017 world mine production is expected to remain practically unchanged as although output from current operating mines is expected to improve, growth will be offset by a 6% decline in SX-EW production and a lack of new major mine projects. Peru and Mexico are the main contributors to growth this year with Chile expected to contribute significantly to growth in 2017.

World refined copper production in 2016 is expected to increase by around 2% year-on-year to 23.4 Mt. Although electrolytic production is expected to increase by 3%, growth will be partially offset by an anticipated decline of 3% in SX-EW output. For 2017, world refined production is expected to maintain a similar growth of around 2% with the anticipated decline in SX-EW output still limiting overall growth. In both years China will be the biggest contributor to world growth while total output in Chile is constrained by an expected decline in SX-EW production.

ICSG expects world *apparent* refined usage in 2016 to increase by 1.5%. This is mainly because *apparent* demand in China is expected to increase by around 1.5%, although underlying "real" demand growth in China is estimated by others at around 4%. Usage in the rest of the world in 2016 is also expected to increase by 1.5%. For 2017, the growth in world apparent refined usage is expected at around 1%.

Next Meetings of ICSG

The next Meetings of the Study Group will be held in Lisbon, Portugal on the Thursday 27 and Friday 28 April 2017.

FORECAST TO 2017									
REGIONS	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
(1000 t)	2015	2016	2017	2015	2016	2017	2015	2016	2017
Africa	1,896	1,829	1,901	1,384	1,222	1,250	258	233	227
N.America	2,708	2,880	2,885	1,906	2,043	2,046	2,317	2,312	2,353
Latin America	7,895	8,266	8,664	3,312	3,273	3,119	497	456	454
Asean-10 / Oceania	1,906	2,119	2,272	979	1,063	1,160	953	1,060	1,096
Asia ex Asean/CIS	2,376	2,449	2,474	11,110	11,664	12,092	14,845	15,109	15,189
Asia-CIS	618	677	738	398	420	433	103	103	103
EU	857	880	896	2,731	2,675	2,746	3,215	3,240	3,298
Europe Others	872	837	872	1,062	1,032	1,094	847	879	908
TOTAL	19,128	19,936	20,702	22,883	23,393	23,940	23,035	23,391	23,628
World adjusted 1/ 2/	19,128	19,884	19,878	22,883	23,383	23,791	23,035	23,391	23,628
% change	3.8%	4.0%	0.0%	1.8%	2.2%	1.7%	0.7%	1.5%	1.0%
World Refined Balance (China apparant usage basis)							-153	-8	163
World Refined Balance Adjusted for Chinese Bonded Stocks Change 3/							-256		

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/ Estimated Chinese bonded stock changes; averaged from multiple sources.