



## International Copper Study Group

### Copper Market Forecast 2018/2019

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 26-27 April 2018. 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.

**After a decline of 1.5% in 2017, world mine production, after adjusting for historical disruption factors, is expected to grow by around 3% in 2018 and remain essentially unchanged in 2019:**

- World mine production decreased by 1.5% in 2017 due to significant supply disruptions and a lack of significant output from new projects or expansions, but is expected to grow by 3% this year.
- Part of the growth expected in 2018 is due to the recovery from constrained output last year, mainly in Chile and Indonesia.
- However, 2018 production will also benefit from the re-starting of temporarily closed capacity in the DRC and Zambia, and to a lesser extent additional output from few new projects/expansions coming on stream.
- Growth in concentrate and SX-EW will be similar as concentrate will benefit from the recovery in production at a number of mines including Escondida and Grasberg, and SX-EW will increase due to the re-start of the Kamoto mine in the DRC, more than offsetting SX-EW declines elsewhere, mainly in Chile.
- 2019 world mine production, adjusted for disruptions, is expected to remain essentially unchanged as growth from new and expanded capacity will be partially offset by expected declines in a number of countries.

**World refined production is expected to increase by around 4% in 2018 with lower growth of about 1% expected for 2019:**

- In 2017, a series of planned and unplanned shutdowns at major smelters and lower output at SX-EW plants significantly reduced primary refined production in major producing countries such as Chile, Japan and the United States, leading to world growth of only 0.7% (even though increased availability of scrap allowed world secondary refined production to grow by 5%).
- In 2018, the expected recovery from 2017 constrained electrolytic refined production combined with the restart of temporarily closed/reduced SX-EW capacity and adequate availability of concentrates should support a 5.5% growth in primary refined production. This will more than offset an anticipated 2% decline in secondary refined production (from scrap).
- China will remain the biggest contributor to world refined production growth in 2018 and 2019, followed by the DRC.
- After a decline of 2% in 2017, world ex-China refined production is expected to recover significantly in 2018.
- In 2019, world refined production growth is expected to be lower as growth in electrolytic refined production is likely to be constrained by tightness in the availability of concentrates.

**World apparent refined usage is expected to increase by 3% in 2018 and 2.2% in 2019:**

- Sustained growth in copper demand is expected to continue because copper is essential to economic activity and even more so to the modern technological society. Infrastructure development in major countries such as China and India and the global trend towards cleaner energy will continue to support growth in copper demand.
- The strength of the world economy has improved with prospects for sustained growth in both 2018 and 2019.
- Better prospects for global and Chinese economies as compared to last October's forecast led to a small upward revision of 2018 and 2019 world refined usage growth.
- China will remain the biggest contributor to world growth in copper usage. Apparent demand in China is expected to increase by around 3.5% in 2018 and 2.5% in 2019, essentially in line with underlying "real" demand growth estimated by other analysts.
- The outlook for the EU, Japan and the United States remains positive. After a small growth of 0.5% in 2017, world ex-China usage is expected to grow by around 2.5% in 2018 and 1.9% in 2019.

**World refined copper balance projections indicate a small surplus of about 40,000 t for 2018 and a deficit of around 330,000 t for 2019:**

- 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 from ICSG market balance forecasts due to unforeseen developments.
- In developing its global market balance, ICSG uses an apparent demand calculation for China that does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer, merchant/trader, bonded]. 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.
- Current ICSG projections are for a small surplus of about 40,000 metric tonnes (t) in 2018, compared to a deficit of about 100,000 t forecast at our October 2017 meeting. The switch to surplus is due to stronger than previously anticipated growth in refined copper production. For 2019, we expect the market to present a deficit of about 330,000 t, in line with our October 2017 forecast, with usage growth stronger than that of production.

#### Next Meetings of ICSG

The next Meetings of the International Copper Study Group will be held in Lisbon, Portugal in the period 1-2 October 2018, with a Study Groups' Joint Seminar on the 3<sup>rd</sup>.

(World Refined Copper Usage and Supply Forecast table on next page)

# World Refined Copper Usage and Supply Forecast

Thousand metric tonnes, copper

FORECAST TO 2019									
REGIONS ( <sup>'000 t Cu</sup> )	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Africa	1,962	2,188	2,469	1,278	1,434	1,659	208	210	213
N.America	2,647	2,720	2,820	1,847	1,875	1,980	2,307	2,349	2,387
Latin America	8,395	8,663	9,116	2,937	3,111	3,151	438	447	457
Asean-10 / Oceania	1,957	2,221	1,953	1,045	1,122	1,263	1,155	1,156	1,199
Asia ex Asean/CIS	2,432	2,507	2,682	12,066	12,645	13,296	15,385	15,929	16,329
Asia-CIS	840	861	871	438	438	438	103	106	106
EU	957	951	945	2,729	2,758	2,796	3,238	3,321	3,344
Europe Others	839	875	927	1,163	1,187	1,214	925	950	960
<b>TOTAL</b>	<b>20,028</b>	<b>20,984</b>	<b>21,782</b>	<b>23,503</b>	<b>24,570</b>	<b>25,796</b>	<b>23,758</b>	<b>24,468</b>	<b>24,995</b>
<b>World adjusted 1/ 2/</b>	<b>20,028</b>	<b>20,670</b>	<b>20,758</b>	<b>23,503</b>	<b>24,511</b>	<b>24,664</b>	<b>23,758</b>	<b>24,468</b>	<b>24,995</b>
% change	-1.6%	3.2%	0.4%	0.7%	4.3%	0.6%	0.7%	3.0%	2.2%
<b>World Refined Balance (China apparant usage basis)</b>							<b>-254</b>	<b>43</b>	<b>-331</b>

1/ Based on a formula for the difference between the projected copper availability in concentrates and the projected use in primary electrolytic refined production.

2/ Allowance for supply disruptions based on average ICSG forecast deviations for previous 5 years.