



Copper Market Forecast 2020/2021

The International Copper Study Group (ICSG) met via a web-meeting, on 14-15 October 2020. Government delegates and industry advisors from most of the world's leading copper producing and using countries participated 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 small decline of 0.2% in 2019, world copper mine production, adjusted for historical disruption factors, is expected to decline by about 1.5% in 2020 and then to recover by around 4.5% in 2021:

- It is anticipated that 2020 will be the second consecutive year of decline in world copper mine production. In 2019, the reduction was mainly due to a number of operational issues, in particular in Indonesia. This year the expected fall is principally a consequence of the COVID-19 related lockdowns that resulted in temporary mine closures or reduced production levels in many countries, most notably Peru.
- Additional output from new projects, including Tominskoye and Deziwa, coupled with that from ramp-up mines such as Cobre de Panama and a significant recovery in Indonesian output will partially offset the reductions resulting from the pandemic.
- However, despite this additional output, the current ICSG mine production forecast for 2020 is 700,000 tonnes lower than the prediction put forward by the Group in October 2019 at which time a rise in global mine output of 2% had been expected.
- In 2021, growth of 4.5% is currently anticipated although this will clearly be dependent on future global efforts to control the virus. Output is expected to benefit from a recovery from the constrained operating levels of 2020 and increased supply resulting from the ramp-up of recently commissioned mines and expansions as well as from the planned start-up of larger projects including Kamaoka Kakula, the Spence Sulphide Project (SGO) and Lone Star.

After stagnant output in 2019, world refined copper production is expected to increase by about 1.5% in 2020 and 2021:

- The rate of smelter and refinery disruptions has so far been high this year with temporary shutdowns and COVID-19 related issues leading to production declines in a number of countries including Belgium, Brazil, India and the United States.
- However, increases in countries recovering from production constraints in 2019 will more than offset these reductions. A significant recovery in Chilean and Zambian output is forecast following temporary shutdowns for smelter upgrades in 2019. In addition, a strong recovery is anticipated in Japan and a number of EU countries following a series of smelter maintenances in 2019. Electrowinning production in the Democratic Republic of Congo (DRC) is also expected to continue to increase.
- China's contribution to world growth will be at a lower rate than initially expected as output was negatively impacted at the beginning of this year by shutdowns related to COVID-19 restrictions, tight scrap supply, reduced availability of concentrates and oversupply in the sulphuric acid market.
- Taking these factors into consideration, the ICSG forecast for world refined copper production was reduced by 850,000 tonnes in comparison to that published by the Group in October 2019. Production is now expected to grow at 1.5% as opposed to 4% previously.
- World secondary refined production (from scrap) is expected to decline by 5.5% this year due to a shortage of scrap in many regions arising from decreased scrap generation, collection, processing and transport resulting from the global lockdown. World electrowinning (SX-EW) production is expected to decline by 3% mainly due to falls in output in Latin America. In contrast, world primary electrolytic refined production from concentrates is forecast to increase by 4.5% after a decline in 2019 when several large smelters were temporarily shut.
- In 2021, planned growth in primary electrolytic production is expected to be restricted by the availability of concentrates. However, electrowinning output will benefit from the start-up and expansion of SX-EW plants in the DRC and the United States and world secondary production is expected to recover as a result of the improved availability of scrap. Overall, a growth in global refined production of 1.5% is currently foreseen.

World apparent refined copper usage is expected to remain essentially unchanged in 2020 and to grow by about 1.1% in 2021:

- Mainly as a consequence of the lockdowns resulting from the COVID-19 pandemic, world ex-China copper demand is forecast to decline by 9% in 2020. This is primarily due to anticipated falls of 8% and 6% in the EU and United States respectively and significant reductions in India, Japan and a number of ASEAN countries.
- However, this decline is expected to be offset by a sharp rise in Chinese apparent refined usage due to a substantial increase in net imports of refined copper.
- In 2021, growth in global demand of 1% is forecast with world ex-China usage rising by 5% based on a general improvement in world economic conditions and a decline of 2% in Chinese apparent usage after adjusting for the high level of refined copper imports in 2020.
- Sustained growth in copper demand is expected to continue as 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 copper demand.

World refined copper balance projections indicate a deficit of about 50,000 t in 2020 and a surplus of about 70,000t for 2021:

- ICSG recognizes that global market balances can vary from those projected owing to numerous factors that could alter projections for both production and usage namely the current uncertainty on the length of COVID-19 pandemic and possibility of further country's partial or total confinements. 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.
- Market developments since ICSG October 2019 forecast have led to revisions in predictions for supply and demand and therefore in the market balance. Current ICSG projections are for a small deficit of about 50,000 metric tonnes (t) in 2020, compared to a surplus of 280,000 t foreseen at its October 2019 meeting, with the shift to deficit mainly due to a higher than anticipated Chinese apparent refined copper usage. For 2021, the Group forecasts a surplus of about 70,000 t compared to the surplus of 100,000 t put forward at its October 2019 meeting.

Next Meetings of ICSG

The next Meetings of the International Copper Study Group will be held in Lisbon, Portugal in the period 29-30 April 2021

World Refined Copper Usage and Supply Forecast

Thousand metric tonnes, copper

FORECAST TO 2021									
REGIONS ('000 t Cu)	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Africa	2,247	2,327	2,516	1,379	1,482	1,635	180	162	169
N.America	2,627	2,519	2,680	1,727	1,634	1,870	2,389	2,228	2,335
Latin America	8,779	8,506	9,058	2,780	2,941	3,062	428	381	393
Asean-10	742	840	1,032	734	726	718	1,199	1,021	1,154
Asia ex Asean/CIS	2,415	2,461	2,582	12,662	12,859	13,460	16,195	16,941	16,758
Asia-CIS	906	906	911	499	507	504	106	102	106
EU	861	874	837	2,579	2,701	2,760	3,071	2,831	2,983
Europe Others	919	1,069	1,149	1,261	1,281	1,254	853	816	842
Oceania	1,033	946	1,020	426	394	400	5	5	5
TOTAL	20,528	20,446	21,784	24,045	24,523	25,662	24,427	24,486	24,745
World adjusted 1/ 2/	20,528	20,223	21,151	24,045	24,434	24,815	24,427	24,486	24,745
% change	-0.2%	-1.5%	4.6%	-0.1%	1.6%	1.6%	-0.2%	0.2%	1.1%
World Refined Balance (China apparant usage basis)							-382	-52	69

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.