

# **China's Refined Copper Usage**

**By BGRIMM**

**Wang Ye**

**April , 2008, Lisbon**

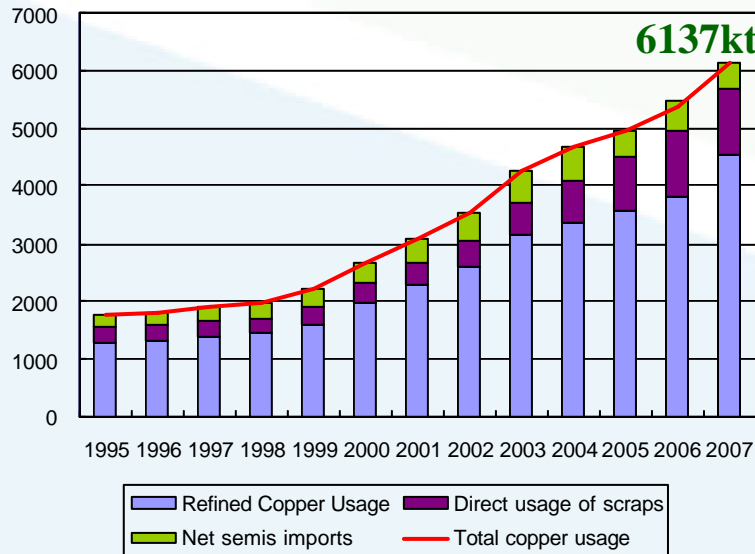
# Content

---

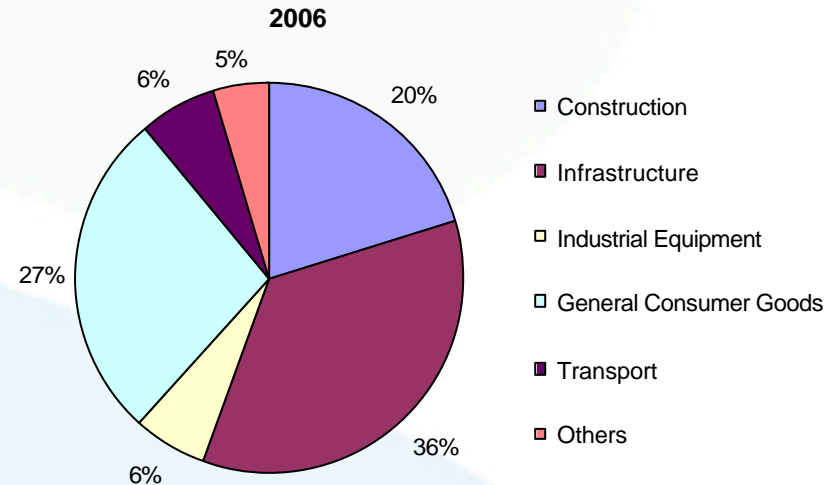
- ◆ **Main factors impacting China's refined copper usage in 2007**
- ◆ **Forecast of China's refined copper usage till 2010**
- ◆ **BGRIMM's work**

# China's refined copper usage in 2007

## Chinese copper usage kt-Cu



## Chinese copper usage in 2007



Data source: BGRIMM

Refined copper consumption

av. 11%

Direct scrap usage

av. 13%

Net imports of Cu & Cu alloy semis – Cu content

av. 8%

Total copper consumption

av. 11%

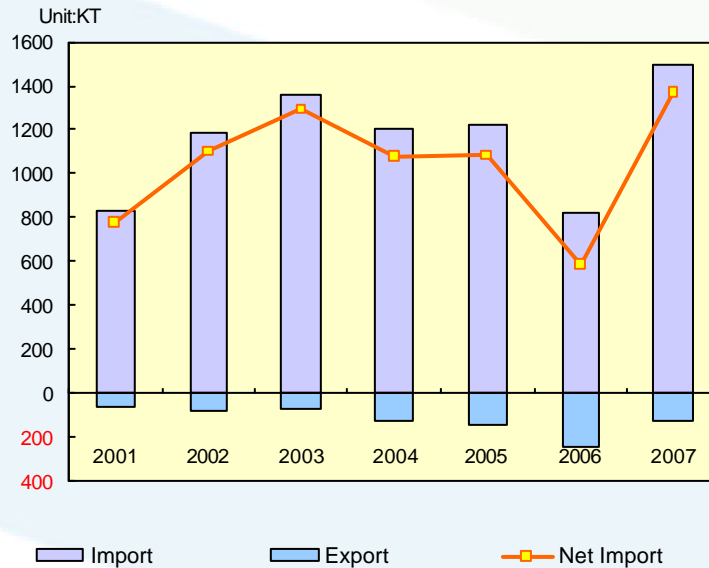
# China's refined copper usage in 2007

---

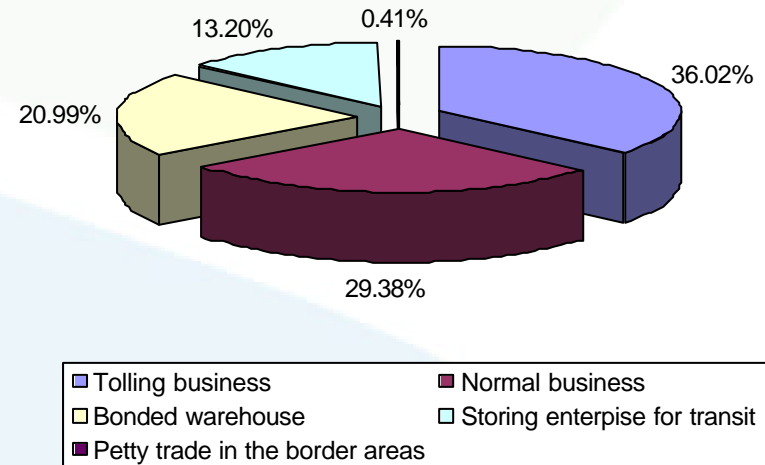
- ◆ **China's refined copper usage increased by 19% in 2007, reaching 4546 kt.**
- ◆ **The factors impacting the statistics**
  - **Scraps usage (un-know)**
  - **Re-stocking or de-stocking of government, traders, or other organizations (un-know)**

# China's cathode import

## The Import & Export of refined copper



## China cathode import in 2007



Data source: BGRIMM

- ◆ Net import: 1368 kt in 2007, increasing by 134% YoY!
- ◆ In 2007, the imports in terms of bonded warehouse and storing enterprise imports for transit accounted for 21% and 13% respectively of total imports.

# China's refined copper usage in 2007

---

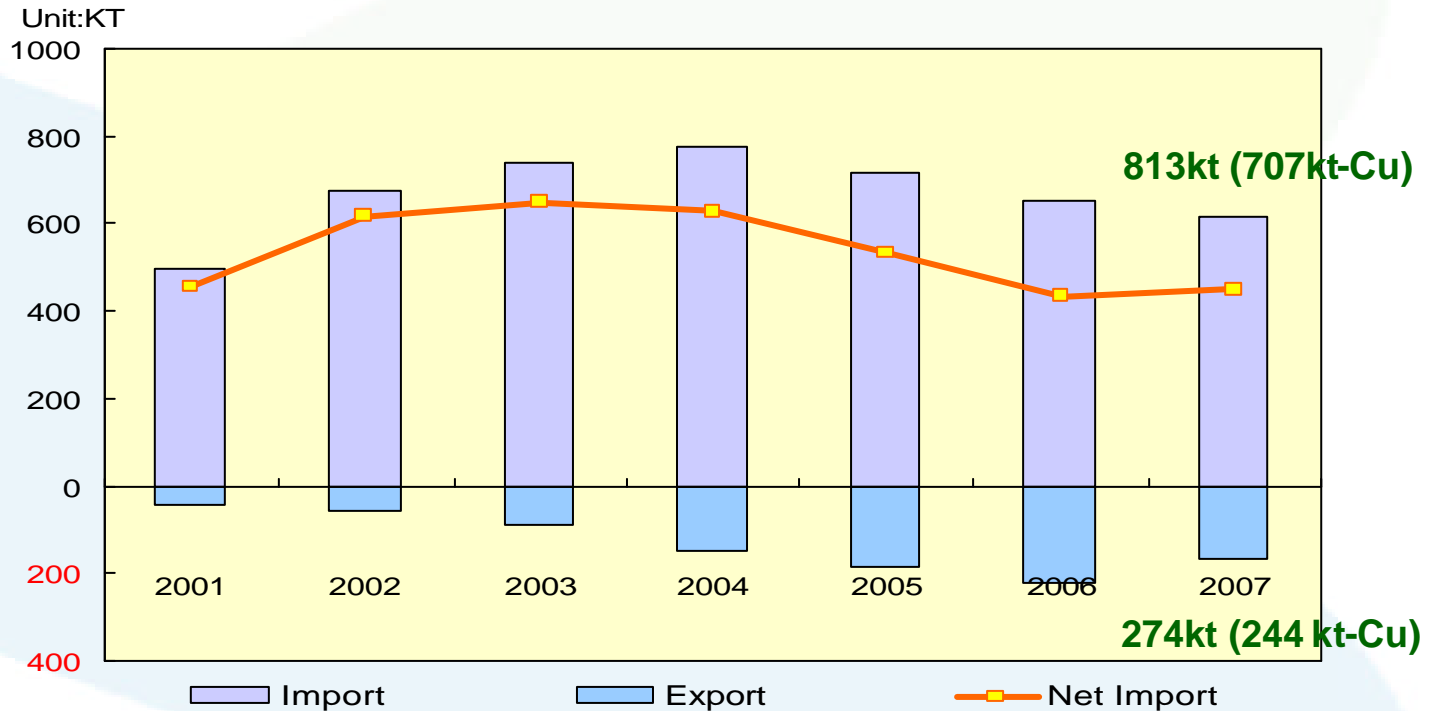
- ◆ **Fundamental sector promoted China's refined copper usage in 2007**
  - **Strong fixed asset investment on infrastructure**
  - **Import substitution**
  - **Direct scrap usage decline**

# China's refined copper usage in 2007

	2007
◆ <b>GDP</b>	<b>11.4%</b>
Fixed asset investment	24.8%
Real estate investment	30.2%
◆ <b>Foreign trade</b>	
Import	25.7%
Export	20.8%

# China's refined copper usage in 2007

## The import & Export of Semis



Data source: BGRIMM

- ◆ **Import: -4% in 2007**
- ◆ **Export: -5% in 2007**
- ◆ **Net imports: -3% in 2007**



# China's refined copper usage in 2007

---

## Scrap direct usage decline

- ◆ **High quality scarps which could be used directly were becoming tight**

Direct scraps usage in brass mills: increasing by 0.5% YoY

Direct scraps usage in wire rod mills: falling by 6% YoY

- ◆ **Central government allied local government to prohibit scraps smuggling in whole country**

# The trend of China's copper consumption

## Factors impacting future's copper consumption

### Positive factors:

- ◆ Chinese economy will be still very strong.
- ◆ The growth rate of infrastructure is still very high.
- ◆ The direct copper scraps usage will still keep declining.
- ◆ Import substitution will be continual.
- ◆ Export of copper and copper alloy semis will increase.

### Negative factors:

- ◆ The growth rate of the export of containing copper goods might slow down.
- ◆ Tighten money policy
- ◆ Substitution will still exist.
- ◆ Capacity shifting out of China of some Chinese copper fabricators.

# China refined copper consumption in 2008

## - Positive factors



**China's macro-economy will continue to be strong**

**Central government target**

**2008 Growth rate %**

<b>GDP</b>	<b>8.0% (might be ~10%)</b>
<b>Fixed asset investment</b>	<b>20.0%</b>
<b>Foreign trade</b>	
<b>Import</b>	<b>22.9%</b>
<b>Export</b>	<b>20.5%</b>

# China refined copper consumption in 2008

## - Positive factors

---



- ◆ **Infrastructure will be the main factor driving the market**
  - **Power cable**
    - ✓ Investment in power grid in 11<sup>th</sup> five-year period: 1200 billion RMB, 2.4 times of that in 10th five year period
    - ✓ Investment in state grid updating program in the next 3 years: over 820 billion RMB
  - **Transformer: keeping high production in 2008**
  - **Light train and subway construction: still booming**

# China refined copper consumption in 2008

## - Positive factors

---

- ◆ **Direct scrap usage might continually decline**  
Some wire rod SCR mills are under construction.  
Small wire rod mills with scraps are very difficult to survive.
- ◆ **Import substitution will be continual**
- ◆ **Export of semis was reopened this year through cancellation of export tax on copper and copper alloy semis**

# China refined copper consumption in 2008 - Positive factors



## Policies on Foreign Trade

Time of implementation	Policies
1st Jan, 2006	Canceling tolling business with imported copper concentrate
10th, April, 2006	Imposing 10% export tax on refined copper, copper and copper alloy semis (Except tube)
15th Sep, 2006	Canceling VAT rebate of refined copper, copper alloy casting and copper powder, Cutting VAT rebate of major copper and copper alloy semis (except copper tube ) from 13% to 5%,
Nov, 2006	Imposing 10% export tax on concentrate, and other copper containing materials,
June, 1st, 2007	Increasing export tax of blister and scraps to 15%
1st, Jan, 2008	Canceling import tax of blister, refined copper and scraps, Cutting export tax of high-purity refined copper (Cu>99.995%) to 5% from 10%. Canceling export tax of copper and copper alloy semis to 0% from 10%

*Purpose: Limit the export of cathode and copper raw materials, including concentrate, blister and scraps. Encourage the import of refined copper and copper raw materials. Reopen the export of copper and copper alloy semis.*

*Background: China's high foreign surplus, China is short of copper resource and other copper raw materials. Limit the smelting capacity increasing.*

*Fabricating industry is not a high energy consumption industry and should encourage the export of those high quality semis, such as ACR tube etc.*

# China refined copper consumption in 2008 - Negative factors

---



- ◆ **Growth rate of export is slowing down.**  
Due to
  - Revaluation of RMB
  - Increasing shipment charges
  - VAT rebate issues
  
- ◆ **Macro-economy control and tighten money policy in 2008**
  
- ◆ **Impact of substitution due to high copper price and the flexibilities of Chinese small down stream producers.**

# China refined copper consumption in 2008

## - Negative factors

---

### Some fabricators are shifting some capacities outside of China.

- GD tube mill in Mexico, commission end 2008
- Hailiang brass rod mill in Vietnam, commissioned end 2007
- Some Taiwanese connector producers: shifting from Kunshan to Vietnam. And also some sheet/strip mills are thinking to follow their customers.

### Because of

- High cost of RMB
- Tighten power supply, transportation issues, increasing labor cost etc
- Export policy



# Out look of China's refined copper usage in 2008~2010

## Forecast of China's refined copper production and consumption

	2008(f)	2009(f)	2010(f)
<b>Cathode production</b>	<b>3949</b>	<b>4240</b>	<b>4464</b>
<b>YoY%</b>	<b>13%</b>	<b>7%</b>	<b>5%</b>
<b>Net Cathode import</b>	<b>975</b>	<b>970</b>	<b>1066</b>
<b>YoY%</b>	<b>-29%</b>	<b>-1%</b>	<b>10%</b>
<b>Cathode Consumption</b>	<b>4924</b>	<b>5210</b>	<b>5530</b>
<b>YoY%</b>	<b>8%</b>	<b>6%</b>	<b>6%</b>

Data source: BGRIMM

# BGRIMM's work

---

- ◆ Built detailed database of mines, smelters, refineries, fabricators and some down-stream end users
- ◆ IWCC representative in China
- ◆ Detailed breakdown of China's copper consumption
- ◆ Cost analysis of China's mines, smelters and refineries
- ◆ Supplying services to many international organizations, mining companies, associations, copper fabricators, and trading companies

**More than 10 years working experience for supplying research on China's copper industry**

---

**Thank you for your attention!**

**Contact us**

**Li Lan**

Email: [LeeLan@163.net](mailto:LeeLan@163.net)

Tel: +86-10-88399495

Fax: +86-10-88399497

**Wang Ye**

Email: [Yeawang@163.net](mailto:Yeawang@163.net)

Tel: +86-10-88399496

Fax: +86-10-88399497