



Copper: Preliminary Data for December 2013

The International Copper Study Group (ICSG) released preliminary data for December 2013 world copper supply and demand in its March 2014 Copper Bulletin. The Bulletin is available for sale upon request.

In developing its global market balance, ICSG uses an apparent demand calculation for China, the leading global consumer of copper, accounting for about 40% 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 may be significant during periods of stocking or de-stocking and which could significantly alter supply-demand balances.

Historically, ICSG has only accounted for reported stock data in its statistics. In recent years anecdotal evidence has suggested that there have been substantial fluctuations in Chinese bonded stock levels, and apparent consumption based on trade, production, and changes in exchange inventories may not adequately reflect industrial use in a given time period. ICSG acknowledges the distortion that these unreported stock movements can cause in the calculation of the world refined copper balance and, therefore, beginning with the January 2014 data release, has included an additional line item - Refined World Balance Adjusted for Chinese Bonded Stock Changes. As there is no officially reported data for Chinese bonded stocks, ICSG uses an average of stock estimates provided by three consultants — based on their ongoing research and analysis of the Chinese copper market — to estimate the unreported inventory changes. The resulting adjustments to world refined copper balance are shown separately in italics below.

According to preliminary ICSG data, the refined copper market balance for December 2013 showed an apparent production surplus of 34,000 metric tonnes (t) as, despite strong Chinese apparent demand, refined usage was weak in major consuming regions during the yearend holiday period. When making seasonal adjustments for world refined production and usage, December showed a production deficit of 57,000 t. The refined copper balance for the full-year 2013, including revisions to data previously presented (including a major revision to India's refined usage series), indicates a production deficit of 193,000 t (a seasonally adjusted deficit of 337,000 t). This compares with a production deficit of 266,000 t (a seasonally adjusted deficit of 419,000 t) in the same period of 2012.

In 2013 world apparent usage is estimated to have increased by 4% (805,000 t) to 21.2 Million metric tonnes (Mt) compared with that in 2012. Chinese apparent demand increased by 7% from that in 2012: a decline in net imports of refined copper of 216,000 t (that occurred mainly in the 1st half of the year) was more than offset by an increase in refined production of around 675,000 t. Actual demand in China in 2013 may have exceeded apparent demand as the lower net imports level was accompanied by a decline in unreported inventories held in bonded warehouses in China. Withdrawn stocks may have been all or partially directed to domestic industrial use. Excluding China, year-on-year world usage increased by 1.4% (160,000 t), with growth in the United States (3.6%), Brazil (3%) and Russia (3%) offsetting declines in South Korea (5%) and the European Union (1%). Japanese and Indian usage remained unchanged. On a regional basis, usage is estimated to have increased by around 5.5% in Asia, 1.5% in Asia Ex-China, 3% in Africa, 3% in the Americas, and 0.5% in Europe and to have declined by around 14% in Oceania.

World mine production is estimated to have increased by 8% (1.3 million tons) to 18 Mt in 2013 compared with that in 2012, mainly owing to a recovery in production levels from constrained output in 2012 (3 major world copper mines recovered from production constraints during 2012, accounting for 28% of the world increase in 2013) and, to a lesser extent, to the ramp-up of new mine capacity. Concentrate production increased by 9% (1.2 million tons) and solvent extraction-electrowinning (SX-EW) by 3.5% (130,000 t). Mine production increased by 6% in Chile (342,000 t), the world's leading producer, and accounted for 32% of world mine production in 2013. Production also increased in Peru (6%), the United States (5%), Indonesia (28%), Mongolia (61%), the Democratic Republic of Congo (50%) and Zambia (7%). These seven countries combined contributed an additional 1 Mt of copper mine supply. On a regional basis, production rose by around 26% in Africa, 6% in the Americas, 10% in Asia, 2.5% in Europe, and 5% in Oceania. The average world mine capacity utilization rate for 2013 increased to around 85% from around 82% in 2012.

World refined production is estimated to have increased by around 4.5% (879,000 t) to 21 Mt in 2013 compared with refined production in 2012: primary production was up by around 4% (638,000 t), and secondary production (from scrap) increased by 6.5% (241,000 t). The main contributor to growth was China, where production increased by 11.5% (675,000 t). Production also increased in Brazil (38%), the Democratic Republic of Congo (40%), and Zambia (10%). However, due to smelter maintenance and other temporary shutdowns, refined production declined by 5% in Chile, the world's second largest refined copper producer, 11% in India, 3% in Japan, and 4% in Scandinavia. On a regional basis, refined production is estimated to have increased in Africa (24%), Asia (6.5%), Oceania (2.5%), and the Americas (1%) and to have declined in Europe (2%). The average world refinery capacity utilization rate for 2013 declined slightly to 78.5% from 79.2% in 2012.

Based on the average of stock estimates referred to above, Chinese bonded stocks declined by around 260,000 t in 2013 compared to an increase of around 570,000t in 2012. In 2013, the refined copper balance adjusted for Chinese bonded stock changes indicates a deficit of around 450,000 t compared to a surplus of around 300,000 t in 2012.

The average LME cash price for February 2014 was US\$7,152.15 per tonne, down from the January 2014 average of US\$7,294.89 per tonne. The 2014 high and low copper prices through the end of February were US\$7,439.50 (on 2 Jan) and US\$7,091 per tonne (on 31 Jan), respectively, and the annual average was US\$7,226.92 per tonne. As of the end of February, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 484,339 t, a decline of 22,165 t from stocks held at the end of December 2013. Compared with the January 2014 levels, stocks were down at the LME and Comex and up at SHFE.

Please visit the ICSG website www.icsg.org for further copper market related information.

World Refined Copper Usage and Supply Trends, 2009-2013

Thousand metric tonnes, copper

	2009	2010	2011	2012	2012	2013	2013			
					Jan-Dec	Sep	Oct	Nov	Dec	
World Mine Production	15,934	16,054	16,079	16,700	16,700	18,047	1,536	1,592	1,567	1,621
World Mine Capacity	19,135	19,428	19,644	20,186	20,265	21,175	1,758	1,825	1,774	1,841
Mine Capacity Utilization (%)	83.3	82.6	81.9	82.7	82.4	85.2	87.4	87.3	88.4	88.1
Primary Refined Production	15,407	15,732	16,125	16,544	16,544	17,182	1,430	1,501	1,501	1,503
Secondary Refined Production	2,841	3,250	3,470	3,583	3,583	3,824	315	339	346	347
World Refined Production (Secondary+Primary)	18,248	18,981	19,595	20,127	20,127	21,006	1,745	1,840	1,847	1,850
World Refinery Capacity	23,419	23,668	24,279	25,334	25,427	26,763	2,223	2,306	2,241	2,325
Refineries Capacity Utilization (%)	77.9	80.2	80.7	79.4	79.2	78.5	78.5	79.8	82.4	79.6
World Refined Usage 1/	17,893	19,125	19,696	20,393	20,393	21,198	1,909	1,850	1,952	1,817
World Refined Stocks End of Period	1,376	1,199	1,210	1,373	1,373	1,303	1,482	1,439	1,351	1,303
Period Stock Change	275	-177	11	163	163	-70	-97	-43	-89	-48
Refined Balance 2/	355	-144	-101	-266	-266	-193	-164	-10	-105	34
Seasonally Adjusted Refined Balance 3/					-419	-337	-131	-76	-113	-57
Refined Balance Adjusted for Chinese bonded stock change 4/	464	33	-162	302	302	-452	-147	28	-83	74

Due to the nature of statistical reporting, the published data should be considered as preliminary as some figures are currently based on estimates and could change
 1/ Based on EU apparent usage. 2/ Surplus/deficit is calculated using refined production minus refined usage. 3/ Surplus/deficit is calculated using seasonally adjusted refined production minus seasonally adjusted refined usage. 4/ For details of this adjustment see paragraph 3 of the press release.