



Copper: Preliminary Data for March 2014

The International Copper Study Group (ICSG) released preliminary data for March 2014 world copper supply and demand in its June 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 usage 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 March 2014 (excluding the adjustment for changes in China's bonded stocks) showed an apparent production deficit of 83,000 metric tonnes (t). When making seasonal adjustments for world refined production and usage, March showed a production deficit of 88,000 t. The refined copper balance for the first three months of 2014, including revisions to data previously presented, indicates a production deficit of 205,000 t (a seasonally adjusted deficit of 233,000 t). This compares with a production surplus of 206,000 t (a seasonally adjusted surplus of 183,000 t) in the same period of 2013.

In the first quarter 2014, world usage is estimated to have increased by around 14% (365,000 t) compared with that in the same period of 2013, supported by strong apparent demand in China. Chinese apparent demand increased by 29% based on a 70% increase in net imports of refined copper from the low net import level in first quarter 2013 and consequent lower apparent usage. Excluding China, world usage increased by around 4% supported mainly by usage growth of 12% in the EU and 16% in Japan. However, comparative usage in the first quarter 2013 remained 6% lower in the EU and 7% lower in Japan than the first quarter 2012 level.

World mine production is estimated to have increased by around 4% (185,000 t) in the first quarter 2014 compared with mine production in the same quarter of 2013. Concentrate production increased by 5% while solvent extraction-electrowinning (SX-EW) increased by 3.5%. With the exception of Indonesia (-26%) where production remained constrained by the ban on concentrates exports, all the other major copper mine producing countries had greater output. On a regional basis, production in the first quarter 2014 rose by 12% in Africa, 5% in Latin America, 9.5% in North America and remained essentially unchanged in Asia, Europe and Oceania. The average world mine capacity utilization rate for the first quarter of 2014 was slightly lower than that in the same quarter of 2013.

World refined production is estimated to have increased by 5% (273,000 t) in the first quarter 2014 compared with refined production in the same quarter of 2013: primary production was up by 6% and secondary production (from scrap) was up by 3%. The main contributor to growth was China (+13%), followed by the Democratic Republic of Congo, India, Japan and the United States. Output in Chile, the second biggest world refined copper producer, declined by 3%. On a regional basis, refined production is estimated to have increased in Africa (12%), in the Americas (2%) and in Asia (8%) and remained essentially unchanged in Europe and Oceania. The average world refinery capacity utilization rate for the first quarter of 2014 was slightly higher than that in the same quarter of 2013.

Based on the average of stock estimates provided by consultants, Chinese bonded stocks increased by around 155,000 t in the first quarter of 2014 from the yearend 2013 level. Stocks declined by around 110,000 t in the same period of 2013. In the first quarter of 2014, the world refined copper balance adjusted for Chinese bonded stock changes indicates a deficit of around 120,000 t compared to a surplus of around 220,000 t in the first quarter of 2013.

The average LME cash price for May 2014 was US\$6,883.88 per tonne, up from the April 2014 average of US\$6,670.83 per tonne. The 2014 high and low copper prices through the end of May were US\$7,439.50 (on 2nd Jan) and US\$6,434.50 per tonne (on 20th Mar), respectively, and the annual average was US\$6,938.34 per tonne. As of the end of May, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 277,613 t, a decline of 228,891 t from stocks held at the end of December 2013. Compared with the April 2014 levels, stocks were down at all three exchanges.

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

(table on next page)

World Refined Copper Usage and Supply Trends, 2010-2014

Thousand metric tonnes, copper

	2010	2011	2012	2013	2013	2014	2013	2014		
					Jan-Mar	Dec	Jan	Feb	Mar	
World Mine Production	16,054	16,077	16,711	18,080	4,276	4,461	1,627	1,501	1,424	1,537
World Mine Capacity	19,428	19,644	20,186	21,103	5,128	5,391	1,841	1,849	1,677	1,865
Mine Capacity Utilization (%)	82.6	81.8	82.8	85.7	83.4	82.8	88.4	81.2	84.9	82.4
Primary Refined Production	15,735	16,126	16,545	17,109	4,160	4,407	1,486	1,488	1,375	1,545
Secondary Refined Production	3,250	3,470	3,586	3,852	895	921	351	316	285	320
World Refined Production (Secondary+Primary)	18,985	19,596	20,131	20,961	5,055	5,328	1,837	1,804	1,660	1,865
World Refinery Capacity	23,688	24,279	25,334	26,710	6,473	6,771	2,316	2,324	2,107	2,340
Refineries Capacity Utilization (%)	80.1	80.7	79.5	78.5	78.1	78.7	79.3	77.6	78.8	79.7
World Refined Usage 1/	19,129	19,697	20,390	21,258	4,849	5,533	1,829	1,929	1,657	1,947
World Refined Stocks End of Period	1,199	1,210	1,381	1,336	1,631	1,391	1,336	1,345	1,439	1,391
Period Stock Change	-177	11	171	-45	250	55	-25	10	94	-49
Refined Balance 2/	-144	-101	-258	-297	206	-205	7	-125	2	-83
Seasonally Adjusted Refined Balance 3/					183	-233	-87	-132	-13	-88
Refined Balance Adjusted for Chinese bonded stock change 4/	33	-162	310	-556	222	-120	30	-85	32	-27

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.