Copper: Preliminary Data for June 2014

The International Copper Study Group (ICSG) released preliminary data for June 2014 world copper supply and demand in its September 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 discussed separately in italics below.

According to preliminary ICSG data, the refined copper market balance for June 2014 (excluding the adjustment for changes in China's bonded stocks) showed an apparent production deficit of 27,000 metric tonnes (t), lower than that of the previous few months of 2014. When making seasonal adjustments for world refined production and usage, June showed a production deficit of only 1,000 t. The refined copper balance for the first half of 2014, including revisions to data previously presented, indicates a production deficit of 526,000 t (a seasonally adjusted deficit of 470,000 t). This compares with a production surplus of 139,000 t (a seasonally adjusted surplus of 227,000 t) in the same period of 2013.

In the first half of 2014, world usage is estimated to have increased by around 14.5% compared with that in the same period of 2013, supported by strong apparent demand in China. Chinese apparent demand increased by 27% (1.1 Mt) based on a 47% increase in net imports of refined copper from the low net import level in the first half of 2013. Excluding China, world usage increased by around 5%, supported mainly by apparent usage growth of 15% in the EU and 12% in Japan. However, it should be noted that comparative usage in the first half of 2013 was 5% lower in the EU and 4.7% lower in Japan than in the first half of 2012.

World mine production is estimated to have increased by around 5% (410,000 t) in the first half of 2014 compared with mine production in the same period of 2013. Concentrate production increased by 6% while solvent extraction-electrowinning (SX-EW) increased by 1%. Almost all major copper-mine producing countries had greater output, including Indonesia (+5%) where production remained constrained by the ban on concentrates exports; comparative production in May-June 2013 had been reduced by a tunnel collapse at Grasberg. Production increased by 2.6% in Chile, 10% in Peru, 15% in the United States (where production in the first half 2013 was impacted by the landslide at Bingham Canyon mine), 15% in the DRC and 60% in Mongolia. Production in Zambia declined by 10% impacted by an operational failure at the Lumwana mine and lower production levels at other producers. The average world mine capacity utilization rate for the first half of 2014 remained practically unchanged compared with that in the same period of 2013.

World refined production is estimated to have increased by almost 8% (800,000 t) in the first half of 2014 compared with refined production in the same period of 2013: primary production was up by 7.5% and secondary production (from scrap) was up by 8%. The main contributor to growth was China (+19%, 580,000 t), followed by India, the Democratic Republic of Congo, the United States and Japan, where aggregated production increased by 16% (287,000 t). Output in Chile, the second biggest world refined copper producer, declined by 3% owing to an 8% decline in electrowon production. On a regional basis, refined production is estimated to have increased in Africa (9%), North America (10%), Asia (13%), Europe (2.5%) and Oceania (1%) and to have declined in South America (-2.5%). The average world refinery capacity utilization rate for the first half of 2014 was higher than that in the same period of 2013.

Based on the average of stock estimates provided by independent consultants Chinese bonded stocks increased by around 140,000 t in the first half of 2014 from the yearend 2013 level. Stocks declined by around 350,000 t in the same period of 2013. In the first half of 2014, the world refined copper balance adjusted for Chinese bonded stock changes indicates a deficit of around 390,000 t compared to a deficit of around 215,000 t in the first half of 2013.

The average LME cash price for July 2014 was US$7,000.55 per tonne, down from the July 2014 average of US$7,104.50 per tonne. The 2014 high and low copper prices through the end of August 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$6,952.04 per tonne. As of the end of August, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 253,190 t, a decline of 253,314 t from stocks held at the end of December 2013. Compared with the July 2014 levels, stocks were up at all exchanges.

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

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World Refined Copper Usage and Supply Trends, 2010-2014

Thousand metric tonnes, copper

	2010	2011	2012	2013	2013	2014	2014			
					Jan-Jun		Mar	Apr	May	Jun
World Mine Production	16,038	16,053	16,699	18,082	8,670	9,080	1,543	1,506	1,550	1,547
World Mine Capacity	19,368	19,581	20,167	21,064	10,348	10,827	1,851	1,798	1,865	1,811
Mine Capacity Utilization (%)	82.8	82.0	82.8	85.8	83.8	83.9	83.3	83.8	83.1	85.4
Primary Refined Production	15,736	16,125	16,550	17,085	8,324	8,972	1,544	1,486	1,538	1,504
Secondary Refined Production	3,250	3,470	3,586	3,845	1,863	2,014	327	344	350	351
World Refined Production (Secondary+Primary)	18,986	19,596	20,137	20,930	10,187	10,985	1,871	1,830	1,888	1,855
World Refinery Capacity	23,688	24,280	25,310	26,689	13,093	13,687	2,340	2,272	2,356	2,288
Refineries Capacity Utilization (%)	80.2	80.7	79.6	78.4	77.8	80.3	80.0	80.5	80.1	81.1
World Refined Usage 1/	19,129	19,697	20,387	21,230	10,047	11,511	1,959	2,037	1,976	1,882
World Refined Stocks End of Period	1,199	1,210	1,383	1,337	1,760	1,127	1,401	1,221	1,153	1,127
Period Stock Change	-177	11	173	-47	377	-210	-39	-180	-68	-27
Refined Balance 2/	-143	-102	-251	-300	139	-526	-88	-207	-88	-27
Seasonally Adjusted Refined Balance 3/					227	-470	-85	-164	-66	-1
Refined Balance Adjusted for Chinese bonded stock change 4/	34	-163	317	-547	-213	-389	-45	-180	-90	-70

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.