



Copper: Preliminary Data for August 2014

The International Copper Study Group (ICSG) released preliminary data for August 2014 world copper supply and demand in its November 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 have reportedly been significant during recent periods of stocking or de-stocking and which could significantly alter supply-demand balances.

Therefore, beginning with the January 2014 data release, ICSG has included an additional line item - Refined World Balance Adjusted for Chinese Bonded Stock Changes. As there is no officially reported data, 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 August 2014 (excluding the adjustment for changes in China's bonded stocks) showed an apparent production surplus of 83,000 metric tonnes (t). When making seasonal adjustments for world refined production and usage, August showed a production surplus of 64,000 t. The refined copper balance for the first eight months of 2014, including revisions to data previously presented, indicates a production deficit of 544,000 t (a seasonally adjusted deficit of 485,000 t). This compares with a production surplus of 42,000 t (a seasonally adjusted surplus of 116,000 t) in the same period of 2013.

In the first eight months of 2014, world usage is estimated to have increased by around 12% compared with that in the same period of 2013, supported by strong apparent demand in China and a shortage of high-grade scrap that led to the use of more cathode by semi-manufacturers. Chinese apparent demand increased by 21% based on a 27% increase in net imports of refined copper. Excluding China, world usage increased by 5.5%, supported mainly by apparent usage growth of 11% in the EU and 10% in Japan, as well as by growth of 8% in other Asian countries (excluding China and Japan) and 9% in the Middle East/North African region. Usage in the United States remained flat.

World mine production is estimated to have increased by around 3% in the first eight months of 2014 compared with mine production in the same period of 2013. Concentrate production increased by 3.5% while solvent extraction-electrowinning (SX-EW) increased by 1.7%. With the exception of Indonesia (-20%) (where production remained constrained by the ban on concentrates exports), Zambia (-10%) (where output was impacted by an operational failure at the Lumwana mine and lower production levels at other producers), and Australia (-4%) (where two mines closed temporarily), all of the other major copper-mine producing countries had greater output. Production increased by 1% in Chile, 5% in Peru, 11% in the United States (where production in the first half 2013 was impacted by the landslide at the Bingham Canyon Mine), 13% in the DRC, 8% in Mexico and 60% in Mongolia. The average world mine capacity utilization rate for the first eight months of 2014 fell to 83% from 84% in the same period of 2013.

World refined production is estimated to have increased by around 8% in the first eight months of 2014 compared with refined production in the same period of 2013: primary production was up by 7% (including 9% growth in production from concentrates and 1.7% from SX-EW) and secondary production (from scrap) was up by 10%. The main contributor to growth was China (19%, 787,000 t), followed by India, the Democratic Republic of Congo, the United States and Japan, where aggregated production increased by 16% (389,000 t). Output in Chile, the second leading world refined copper producer, declined by 2% owing to a 6% decline in electrowon production. On a regional basis, refined production is estimated to have increased in Africa (8%), North America (11%), Asia (13%), Europe (1.5%), and Oceania (12%) and to have declined in South America (-2%). The average world refinery capacity utilization rate for the first eight months 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 35,000 t in the first eight months of 2014 from the yearend 2013 level. Stocks declined by around 380,000 t in the same period of 2013. In the first eight months of 2014, the world refined copper balance adjusted for Chinese bonded stock changes indicates a deficit of around 510,000 t compared to a deficit of around 340,000 t in the same period of 2013.

The average LME cash price for October 2014 was US\$6,739.20 per tonne, down from the September 2014 average of US\$6,872.23 per tonne. The 2014 high and low copper prices through the end of September were US\$7,439.50 (on 2nd Jan) and US\$6,434.50 per tonne (on 20th Mar), respectively, and the year-to-date average was US\$6,920.67 per tonne. As of the end of October, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 285,851 t, a decline of 220,653 from stocks held at the end of December 2013. Compared with the September 2014 levels, stocks were up at LME and SHFE and down at Comex.

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

(World Refined Copper Usage and Supply Trends table on next page)

World Refined Copper Usage and Supply Trends, 2010-2014

Thousand metric tonnes, copper

	2010	2011	2012	2013	2013	2014	2014			
							Jan-Aug	May	Jun	Jul
World Mine Production	16,038	16,052	16,688	18,106	11,754	12,109	1,529	1,522	1,530	1,563
World Mine Capacity	19,368	19,581	20,167	21,064	13,946	14,602	1,865	1,812	1,882	1,891
Mine Capacity Utilization (%)	82.8	82.0	82.7	86.0	84.3	82.9	82.0	84.0	81.3	82.6
Primary Refined Production	15,749	16,131	16,573	17,243	11,301	12,126	1,524	1,507	1,562	1,602
Secondary Refined Production	3,236	3,465	3,575	3,815	2,469	2,735	344	350	365	369
World Refined Production (Secondary+Primary)	18,985	19,597	20,147	21,058	13,770	14,861	1,868	1,857	1,927	1,972
World Refinery Capacity	23,688	24,280	25,310	26,689	17,650	18,434	2,356	2,288	2,371	2,377
Refineries Capacity Utilization (%)	80.1	80.7	79.6	78.9	78.0	80.6	79.3	81.2	81.3	82.9
World Refined Usage 1/	19,138	19,705	20,403	21,327	13,728	15,405	1,992	1,921	1,887	1,888
World Refined Stocks End of Period	1,198	1,205	1,376	1,325	1,592	1,189	1,145	1,108	1,147	1,189
Period Stock Change	-178	7	171	-51	216	-135	-70	-37	39	42
Refined Balance 2/	-153	-109	-256	-268	42	-544	-125	-64	40	83
Seasonally Adjusted Refined Balance 3/					116	-485	-88	-17	35	64
Refined Balance Adjusted for Chinese bonded stock change 4/	24	-170	312	-515	-338	-509	-127	-101	-25	15

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.