



Copper: Preliminary Data for September 2014

The International Copper Study Group (ICSG) released preliminary data for September 2014 world copper supply and demand in its December 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, and excluding the adjustment for changes in China's bonded stocks, after two months of an apparent production surplus, mainly due to weaker usage during the summer holiday period in Europe, production and usage were essentially balanced in September. When making seasonal adjustments for world refined production and usage, however, September showed a production surplus of 61,000 t. The refined copper balance for the first nine months of 2014, including revisions to data previously presented, indicates a production deficit of 578,000 t (a seasonally adjusted deficit of 459,000 t). This compares with a production deficit of 133,000 t (a seasonally adjusted deficit of 4,000 t) in the same period of 2013.

In the first nine months of 2014, world usage is estimated to have increased by around 11% (1.7 Million tons (Mt)) compared with that in the same period of 2013, supported by strong 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 19% (+1.3 Mt) based on a 20% increase in net imports of refined copper. Excluding China, world usage increased by 5%, supported mainly by apparent usage growth of 8% in the European Union and 10% in Japan, as well as by growth of 7% in other Asian countries (excluding China and Japan) and 9% in the Middle East/North Africa region. Usage in the United States remained flat.

World mine production is estimated to have increased by around 2.5% (335 Mt) in the first nine months of 2014 compared with mine production in the same period of 2013. Concentrate production increased by 3.5% (268,000 t) while solvent extraction-electrowinning increased by 1.7% (67,000 t). Most of the major copper-mine producing countries had greater output, with the exception of Chile, where production remained essentially unchanged, Indonesia (-22%) where production remained constrained by the ban on concentrates exports until August, Zambia (-7%) where output was impacted by an operational failure at the Lumwana mine and lower production levels at other producers, and Australia (-3%) where two mines closed temporarily. Production increased by 3% 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 Democratic Republic of Congo (DRC), 8% in Mexico, 14% in Canada and 57% in Mongolia. The average world mine capacity utilization rate for the first nine months of 2014 fell to 83% from 84.7% in the same period of 2013 as the growth in capacity outstripped the increase in production.

World refined production is estimated to have increased by around 8% (1.3 Mt) in the first nine months of 2014 compared with refined production in the same period of 2013: primary production increased by 7.5% (including 9% growth in production from concentrates) and secondary production (from scrap) increased by 12%. The main contributor to growth was China (19%, 910,000 t), followed by India, the DRC, the United States and Japan, where aggregated production of the four countries increased by 16% (428,000 t). Output in Chile, the second leading world refined copper producer, declined by 1.2% 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 (2%), and Oceania (13%) and to have declined in South America (-1.5%). The average world refinery capacity utilization rate for the first nine months of 2014 increased to 81% from 78% in the same period of 2013.

Based on the average of stock estimates provided by independent consultants Chinese bonded stocks declined by around 30,000 t in the first nine months of 2014 from the yearend 2013 level. Stocks declined by around 360,000 t in the same period of 2013. In the first nine months of 2014, the world refined copper balance adjusted for the decrease in Chinese bonded stocks indicates a production deficit of around 610,000 t compared with a deficit of around 495,000 t in the same period of 2013.

The average LME cash price for November 2014 was US\$6,701.13 per tonne, down from the October 2014 average of US\$6,739.20 per tonne. The 2014 high and low copper prices through the end of November 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\$6,901.74 per tonne. As of the end of November, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 278,671 t, a decline of 227,833 from stocks held at the end of December 2013. Compared with the October 2014 levels, stocks were up at LME and down at Comex and SHFE.

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-Sep	Jun	Jul	Aug	Sep	
World Mine Production	16,038	16,052	16,688	18,106	13,292	13,627	1,522	1,520	1,553	1,537
World Mine Capacity	19,281	19,480	19,971	20,809	15,698	16,442	1,812	1,882	1,891	1,840
Mine Capacity Utilization (%)	83.2	82.4	83.6	87.0	84.7	82.9	84.0	80.8	82.1	83.5
Primary Refined Production	15,748	16,131	16,575	17,246	12,738	13,702	1,506	1,552	1,592	1,594
Secondary Refined Production	3,236	3,465	3,572	3,814	2,783	3,113	350	368	369	373
World Refined Production (Secondary+Primary)	18,985	19,597	20,147	21,059	15,520	16,815	1,855	1,920	1,961	1,967
World Refinery Capacity	23,600	24,102	25,149	26,487	19,868	20,741	2,288	2,371	2,377	2,306
Refineries Capacity Utilization (%)	80.4	81.3	80.1	79.5	78.1	81.1	81.1	81.0	82.5	85.3
World Refined Usage 1/	19,138	19,705	20,403	21,327	15,653	17,394	1,920	1,901	1,884	1,970
World Refined Stocks End of Period	1,198	1,205	1,376	1,325	1,495	1,213	1,108	1,147	1,189	1,213
Period Stock Change	-178	7	171	-51	119	-111	-37	39	42	24
Refined Balance 2/	-153	-109	-256	-267	-133	-578	-65	19	77	-3
Seasonally Adjusted Refined Balance 3/					-4	-459	-19	19	55	61
Refined Balance Adjusted for Chinese bonded stock change 4/	24	-170	312	-514	-495	-611	-108	-17	12	-72

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.