



Copper: Preliminary Data for October 2014

The International Copper Study Group (ICSG) released preliminary data for October 2014 world copper supply and demand in its January 2015 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, in October, the market returned to a production deficit of around 40,000 metric tonnes (t), mainly due to strong Chinese apparent usage. When making seasonal adjustments for world refined production and usage, October showed a production deficit of around 60,000 t. The refined copper balance for the first ten months of 2014, including revisions to data previously presented, indicates a production deficit of 616,000 t (a seasonally adjusted deficit of 532,000 t). This compares with a production deficit of 159,000 t (a seasonally adjusted deficit of 56,000 t) for the same period of 2013.

In the first ten months of 2014, world usage is estimated to have increased by around 11% ([1.9 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 18% (+1.4 Mt) based on an 18% increase in net imports of refined copper. Excluding China, world usage increased by 5%, supported mainly by apparent usage growth of 11% in the European Union and 10% in Japan, as well as by growth of 6.5% in other Asian countries (excluding China and Japan) and 10% 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% (295 Mt) in the first ten months of 2014 compared with mine production in the same period of 2013. Concentrate production increased by 2% (205,000 t) while solvent extraction-electrowinning increased by 3% (90,000 t). Most of the major copper-mine producing countries had greater output, with the exception of Chile, where production remained essentially unchanged; Indonesia (-23%), where production remained constrained by the ban on concentrates exports until August; Zambia (-6%), where output was reduced 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 2% in Peru, 9% in the United States (where production in the first half 2013 had been impacted by the landslide at the Bingham Canyon Mine), 12% in the Democratic Republic of Congo (DRC), 7% in Mexico, 12% in Canada and 36% in Mongolia. The average world mine capacity utilization rate for the first ten months of 2014 fell to 84% from 86% 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% (1.5 Mt) in the first ten months of 2014 compared with refined production in the same period of 2013: primary production increased by 8% (including 9% growth in production from concentrates), and secondary production (from scrap) increased by 11%. The main contributor to growth was China (19%, 1 Mt), followed by India, the DRC, the United States and Japan, where aggregated production increased by 14% (430,000 t). Output in Chile, the second leading world refined copper producer, declined by 1% owing to a 5% decline in electrowon production. On a regional basis, refined production is estimated to have increased in Africa (8%), North America (9%), Asia (13%), Europe (3%), and Oceania (12%) and to have declined in South America (-1%). The average world refinery capacity utilization rate for the first ten months of 2014 increased to 83% from 79% in the same period of 2013.

Based on the average of stock estimates provided by independent consultants Chinese bonded stocks declined by around 60,000 t in the first ten months of 2014 from the yearend 2013 level. Stocks declined by around 325,000 t in the same period of 2013. In the first ten months of 2014, the world refined copper balance adjusted for the decrease in Chinese bonded stocks indicates a production deficit of around 675,000 t compared with a deficit of around 485,000 t in the same period of 2013.

The average LME cash price for December 2014 was US\$6,422.95 per tonne, down from the November 2014 average of US\$6,701.13 per tonne. The 2014 high and low copper prices were US\$7,439.50 (on 2nd Jan) and US\$6,306.00 per tonne (on 17th Dec), respectively, and the annual average was US\$6,862.00 per tonne, the lowest annual average since 2009. As of the end of December, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 306,437 t, a decline of 200,067 from stocks held at the end of December 2013. Compared with the November 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-Oct	Jul	Aug	Sep	Oct	
World Mine Production	16,038	16,052	16,688	18,106	14,900	15,194	1,515	1,547	1,527	1,590
World Mine Capacity	19,276	19,475	19,991	20,799	17,307	18,101	1,856	1,863	1,811	1,879
Mine Capacity Utilization (%)	83.2	82.4	83.5	87.1	86.1	83.9	81.6	83.0	84.3	84.6
Primary Refined Production	15,748	16,131	16,575	17,246	14,242	15,338	1,553	1,593	1,591	1,637
Secondary Refined Production	3,236	3,465	3,572	3,814	3,121	3,481	368	369	368	373
World Refined Production (Secondary+Primary)	18,985	19,597	20,147	21,059	17,363	18,820	1,921	1,963	1,958	2,010
World Refinery Capacity	23,598	24,100	25,147	26,495	21,987	22,725	2,326	2,331	2,260	2,340
Refineries Capacity Utilization (%)	80.5	81.3	80.1	79.5	79.0	82.8	82.6	84.2	86.6	85.9
World Refined Usage 1/	19,138	19,705	20,403	21,327	17,522	19,436	1,902	1,886	1,956	2,051
World Refined Stocks End of Period	1,198	1,205	1,376	1,325	1,451	1,242	1,147	1,189	1,213	1,242
Period Stock Change	-178	7	171	-51	75	-83	39	42	24	28
Refined Balance 2/	-153	-109	-256	-267	-159	-616	19	76	3	-41
Seasonally Adjusted Refined Balance 3/					-56	-532	21	46	58	-59
Refined Balance Adjusted for Chinese bonded stock change 4/	24	-170	312	-514	-484	-674	-18	11	-66	-66

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.