



Copper: Preliminary Data for December 2014

The International Copper Study Group (ICSG) released preliminary data for December 2014 world copper supply and demand in its March 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, the refined copper market balance for December 2014 showed an apparent production surplus of 104,000 metric tonnes (t) as, despite strong Chinese apparent demand, refined usage was weak in major consuming regions during the yearend holiday period. When making seasonal adjustments for world refined production and usage, December showed production and usage essentially balanced. The refined copper balance for the full-year 2014, including revisions to data previously presented (see paragraph below), indicates a production deficit of 475,000 t (a seasonally adjusted deficit of 472,000 t). This compares with a production deficit of 270,000 t (a seasonally adjusted deficit of 231,000 t) in 2013.

In 2014 world apparent usage is estimated to have increased by 8% [1.7 Million tons (Mt)] to 23 Mt compared with that in 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. It should be noted that as compared to the data presented in the February 2015 press release two significant revisions have been made: Chinese apparent usage was revised downwards based on revised official refined production data for 2014 and EU apparent usage was revised downwards due to previously under-reported exports data. Chinese apparent demand increased by 13.5% (+1.3 Mt) based on a 14% increase in net imports of refined copper. Excluding China, world usage increased by 3%, supported mainly by apparent usage growth of 6% in the European Union and 7.5% in Japan, as well as by growth of 5.5% in other Asian countries (excluding China and Japan) and 8% in the Middle East/North Africa region. Usage in the United States declined by 1.5%.

World mine production is estimated to have increased by around 1.3% (233,000 t) to 18.3 Mt in 2014 compared with that in 2013. Concentrate production increased by 1% (125,000 t) while solvent extraction-electrowinning increased by 2.8% (108,000 t). In 2014 production remained essentially unchanged in Chile and in Peru - the 1st and 3rd world biggest copper mine producers - and it declined by 26% in Indonesia, where production through August remained constrained by the ban on concentrates exports; by 7% in Zambia owing to an operational failure at the Lumwana mine and lower production at other mines; by 3% in Australia owing to the temporary closure of two mines; and by 28% in Papua New Guinea, where output at Ok Tedi mine was constrained by a landslide and heavy rains. However, production increased by 8% in the United States, 8% in the Democratic Republic of Congo (DRC), 7% in Mexico, 10% in Canada, 8% in Brazil and 34% in Mongolia. The average world mine capacity utilization rate for 2014 declined to around 84% from around 87% in 2013 as the growth in capacity outstripped the increase in production.

World refined production is estimated to have increased by around 7% (1.5Mt) to 22.6 Mt in 2014 compared with refined production in 2013: primary production was up by around 8% and secondary production (from scrap) increased by 1%. The main contributor to growth was China (14.5%, 970,000t), followed by India, the DRC, Japan and the United States, where aggregated production increased by 11% (430,000 t). Output in Chile, the second leading refined copper producer, remained basically unchanged as growth in electrolytic production was offset by a decline in electrowon production. On a regional basis, refined production is estimated to have increased in Africa (7%), North America (6%), Asia (15%), Europe (3.5%), and Oceania (6%) and to have declined in South America (-1%). The average world refinery capacity utilization rate for 2014 increased to around 83% from about 80% in 2013.

Based on the average of stock estimates provided by independent consultants Chinese bonded stocks declined by around 25,000 t in 2014 from the yearend 2013 level. Stocks declined by around 250,000 t in the same period of 2013. In 2014, the world refined copper balance adjusted for the decrease in Chinese bonded stocks indicates a production deficit of around 500,000 t compared with a deficit of around 520,000 t in 2013.

The average LME cash price for February was US\$5,702.08 per tonne, down from the January average of US\$5,815.83 per tonne. The 2015 high and low copper prices through the end of February were US\$6,309.00 (on 2nd Jan) and US\$5,390.50 per tonne (on 29th Jan), respectively, and the year-to-date average was US\$5760.34 per tonne (16% below 2014 annual average). As of the end of February, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 518,706 t, an increase of 212,269 t from stocks held at the end of December 2014. Compared with the January 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-Dec	Sep	Oct	Nov	Dec	
World Mine Production	16,044	16,053	16,688	18,111	18,111	18,344	1,518	1,576	1,525	1,625
World Mine Capacity	19,281	19,480	19,976	20,799	20,850	21,820	1,811	1,879	1,825	1,894
Mine Capacity Utilization (%)	83.2	82.4	83.5	87.1	86.9	84.1	83.9	83.9	83.5	85.8
Primary Refined Production	15,750	16,132	16,605	17,263	17,263	18,699	1,595	1,635	1,584	1,651
Secondary Refined Production	3,236	3,468	3,596	3,821	3,821	3,862	336	340	339	338
World Refined Production (Secondary+Primary)	18,987	19,600	20,202	21,084	21,084	22,561	1,931	1,975	1,923	1,990
World Refinery Capacity	23,528	24,030	25,077	26,425	26,409	27,320	2,262	2,342	2,271	2,352
Refineries Capacity Utilization (%)	80.7	81.6	80.6	79.8	79.8	82.6	85.4	84.3	84.7	84.6
World Refined Usage 1/	19,137	19,705	20,457	21,354	21,354	23,036	1,910	2,013	1,969	1,885
World Refined Stocks End of Period	1,198	1,205	1,376	1,325	1,325	1,340	1,217	1,244	1,238	1,340
Period Stock Change	-178	7	171	-51	-51	15	25	27	-6	102
Refined Balance 2/	-150	-105	-255	-270	-270	-475	21	-38	-46	104
Seasonally Adjusted Refined Balance 3/					-231	-472	62	-61	-1	0
Refined Balance Adjusted for Chinese bonded stock change 4/	27	-166	312	-517	-517	-498	-53	-71	-6	113

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.