Copper: Preliminary Data for July 2016

The International Copper Study Group (ICSG) released preliminary data for July 2016 world copper supply and demand in its October 2016 Copper Bulletin. The Bulletin is available for sale upon request.

In developing its global market balance, the ICSG uses an apparent demand calculation for China—the leading global consumer of copper accounting for about 45% of world demand—that does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer and merchant/trader]. To facilitate global market analysis, however, an additional line item—Refined World Balance Adjusted for Chinese Bonded Stock Changes—is included below that adjusts the world refined copper balance based on an average estimate of changes in unreported inventories provided by three consultants with expertise in China's copper market. The resulting adjustments to world refined copper balance are discussed separately in italics below.

According to preliminary ICSG data, the refined copper market for July 2016 (excluding the adjustment for changes in China's bonded stocks) showed an apparent production surplus of around 133,000 metric tonnes (t) mainly due to weaker Chinese apparent refined copper demand. When making seasonal adjustments for world refined production and usage, July showed a production surplus of about 105,000 t. The refined copper balance for the first seven month of 2016, including revisions to data previously presented, indicates a production deficit of around 264,000 t (and a seasonally adjusted deficit of about 191,000 t). This compares with a production deficit of around 70,000 t (a seasonally adjusted surplus of about 32,000 t) for the same period of 2015.

In the first seven months of 2016, world apparent refined usage is estimated to have increased by around 4% (565,000 t) compared with that in the same period of 2015 mainly due to strong Chinese apparent demand. Chinese apparent demand increased by around 9% based on a 14% increase in net imports of refined copper. However July net refined copper imports at 176,000 t were the lowest since April 2013 and compares to a net monthly imports average of 312,000 t in the first half of 2016. Based on Chinese data already available for August, net imports of refined copper were at the same low level as July. Excluding China, world usage increased by 0.5% in the first seven months of 2016. On a regional basis, usage is estimated to have increased by 3.5% in Europe and 6.5% in Asia (when excluding China, Asia usage increased by 1%), while declining by 11% and 4.5% in Africa and in the Americas respectively and remaining essentially unchanged in Oceania.

World mine production is estimated to have increased by around 5% (560,000 t) in the first seven months of 2016 compared with production in the same period of 2015. Concentrate production increased by 6.5% while solvent extraction-electrowinning (SX-EW) declined by 1%. The increase in world mine production was mainly due to a 47% rise in Peruvian output that is benefitting from new and expanded capacity brought on stream in the last two years. A recovery in production levels in Canada and the United States, expanded capacity in Mexico and a ramp-up in production in Mongolia, also contributed to world growth. However overall growth was partially offset by a 5% decline in production in Chile, the world's biggest copper mine producer and a 9% decline in DRC where output is constrained by temporary production cuts. On a regional basis, production rose by 7% in the Americas and 8% in Asia but declined by 4.5% in Africa while remaining essentially unchanged in Europe and Oceania. The average world mine capacity utilization rate for the first seven months of 2016 remains practically unchanged from that in the same period of 2015 at around 84.5%.

World refined production is estimated to have increased by about 2.8% (370,000 t) in the first seven months of 2016 compared with refined production in the same period of 2015: primary production was up by 2.5% and secondary production (from scrap) was up by 5%. The main contributor to growth was China (+6%), followed by the United States where production increased by 15% and Mexico (+19%) where expanded SX-EW capacity is contributing to refined production growth. Output in Chile and Japan, the second and third leading refined copper producers, increased by around 2% and 3% respectively. Refined production in the DRC and Zambia declined due to the impact of temporary production cuts. On a regional basis, refined output is estimated to have increased in the Americas (6%), Asia (5%) and Oceania (8%) while declining in Africa (-14%) and in Europe (-3%). The average world refinery capacity utilization rate for the first seven months of 2016 remains practically unchanged from that in the same period of 2015 at around 83%.

Based on the average of stock estimates provided by independent consultants, China's bonded stocks increased by around 125,000 t in the first seven months of 2016 from the year-end 2015 level. Stocks increased by around 50,000 t in the same period of 2015. In the first seven months of 2016, the world refined copper balance adjusted for the change in Chinese bonded stocks indicates a production deficit of around 139,000 t compared to a deficit of about 20,000 t in the same period of 2015.

The average LME cash price for September was US$4,707.18 per tonne, down from the August average of US$4,758.20 per tonne. The 2016 high and low copper prices through the end of August were US$5,103.00 (on 18th Mar) and US$4,310.50 per tonne (on 15th Jan), respectively, and the year-to-date average was US$4,725.17 per tonne (14% below 2015 annual average). As of the end of September, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 542,858 t, an increase of 60,990 t (+13%) from stocks held at the end of December 2015. Compared with the December 2015 levels, stocks were down at SHFE and up at the LME and 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, 2012-2016

Thousand metric tonnes, copper

	2012	2013	2014	2015	2015	2016	2016			
					Jan-Jul		Apr	May	Jun	Jul
World Mine Production	16,687	18,171	18,435	19,128	10,988	11,546	1,631	1,721	1,695	1,687
World Mine Capacity	19,923	20,698	21,508	22,563	13,015	13,620	1,929	2,001	1,944	2,004
Mine Capacity Utilization (%)	83.8	87.8	85.7	84.8	84.4	84.8	84.6	86.0	87.2	84.2
Primary Refined Production	16,606	17,256	18,568	18,938	10,895	11,155	1,584	1,582	1,584	1,623
Secondary Refined Production	3,596	3,803	3,915	3,945	2,211	2,322	331	332	330	356
World Refined Production (Secondary+Primary)	20,203	21,060	22,483	22,883	13,106	13,477	1,914	1,914	1,914	1,979
World Refinery Capacity	24,784	26,104	27,045	27,341	15,835	16,190	2,290	2,371	2,299	2,384
Refineries Capacity Utilization (%)	81.5	80.7	83.1	83.7	82.8	83.2	83.6	80.7	83.3	83.0
World Refined Usage 1/	20,473	21,396	22,880	23,035	13,175	13,741	2,078	2,026	2,020	1,847
World Refined Stocks End of Period	1,376	1,325	1,350	1,521	1,503	1,347	1,448	1,295	1,245	1,347
Period Stock Change	171	-52	25	171	153	-174	-122	-153	-50	102
Refined Balance 2/	-270	-336	-397	-153	-70	-264	-163	-112	-106	133
Seasonally Adjusted Refined Balance 3/					32	-191	-65	-64	-60	105
Refined Balance Adjusted for Chinese bonded stock change 4/	298	-583	-421	-256	-20	-139	-146	-115	-109	123

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 2 of the press release.