Copper: Preliminary Data for May 2020

The International Copper Study Group (ICSG) released preliminary data for May 2020 world copper supply and demand in its August 2020 Copper Bulletin. The Bulletin and ICSG online statistical database provide detailed data, on a country basis, for copper mine, smelter, refined and semis production, copper refined usage, trade, stocks and prices. The bulletin is available for sale (annual subscription €550/€850 for orders originating from/outside institutions based in ICSG member countries).

Preliminary data indicates that world copper mine production declined by 2.2% in the first five months of 2020, with concentrate production declining by 2.5% and solvent extraction-electrowinning (SX-EW) falling by 0.6%.

- World mine production is estimated to have decreased by 4.5% in April and 5.8% in May as these two months were the most affected by the COVID-19 related global lockdown that resulted in temporary mine shutdowns/reduced production levels.
- In Peru, stoppages resulting from the COVID-19 pandemic, combined with operational issues/adverse weather that affected a few major mines, led to a 23% decline in mine output over the first five months, with April and May registering declines of 33% and 41%, respectively.
- Mine production also declined in Australia, Canada, Mexico, Mongolia, and the United States, but remained essentially unchanged in China, Poland and Zambia.
- In Chile, the world's biggest copper mine producing country, output increased by 3.2%, recovering from production constraints in early 2019.
- In the Democratic Republic of Congo (DRC), mine production increased by 5.5% as output from ramp-up mines more than offset the temporary closure of the Mutanda mine in December 2019.
- In Indonesia, production grew by 8% as output levels improved following the transition of the country's major two copper mines to different ore zones in 2019.
- Although Panama's sole copper mine was temporarily shut down from early April to July due to COVID-19 restrictions, comparative year on year production was higher over the first five months of 2020 as the country only started producing copper in March 2019.

Preliminary data indicates that world refined copper production increased by 0.5% during the first five months of 2020 with primary production (electrolytic and electrowinning) up by 2% and secondary production (from scrap) down by 6%.

- Chilean electrolytic refined output increased by 46% as in the comparative period of 2019 production was negatively affected by temporary smelter shutdowns whilst undergoing upgrades to comply with new environmental regulations. Total Chilean refined copper production (including Electrowinning) increased by 12%.
- Chinese refined production growth was negatively impacted by temporary shutdowns related to COVID-19 restrictions, tight scrap supply and constraints associated with concentrate imports and oversupply in the sulphuric acid market.
- In Africa, refined production in the DRC was up 4.5% but production in Zambia fell by 17% due to operational issues and temporary shutdowns.
- Indian refined output decreased by 28% primarily as a consequence of the suspension of Birla Copper's operations at the end of March following a national lockdown due to COVID-19.
- Japanese refined production rose by 4% mainly due to the fact that they were a number of maintenance shutdowns during the same period of 2019.
- Globally, constrained scrap supply due to the COVID-19 lockdown and lower copper prices have negatively impacted secondary refined production.

Preliminary data indicates that world <u>apparent</u> refined copper usage declined by about 2% in the first five months of 2020:

- The COVID-19 related global lockdown has had a significant impact on the world economy and subsequently on key copper end-use sectors.
- Chinese <u>apparent</u> usage increased by 3.5% mainly due to an increase of 12% in net refined copper imports. <u>Real</u> Chinese industrial usage was negatively impacted by COVID-19 related production suspensions at semis fabricators early in the year and weaker external demand.
- World ex-China refined copper usage is estimated to have declined by about 8%: apparent refined usage declined by 9% in Japan and in the EU and by about 8% in the Americas and 7.5% in Asia (Ex-China).

Preliminary world refined copper balance in the first five months of 2020 indicates a balanced market:

- In developing its global market balance, ICSG uses an apparent demand calculation for China that does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer, merchant/trader, bonded]. To facilitate global market analysis, however, an additional line item—Refined World Balance Adjusted for Chinese Bonded Stock Changes—is included in the attached table 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.
- In the first five months of 2020, the world refined copper balance, based on apparent Chinese usage (excluding unreported/bonded stocks), indicated a balanced market. The world refined copper balance adjusted for changes in Chinese bonded stocks indicated a market deficit of about 30,000 t.

Copper Prices and Stocks:

- Based on the average of estimates provided by independent consultants, China's bonded stocks are thought to have declined by about 30,000 t over the first five months of 2020 compared to the year-end 2019 level. Bonded stocks increased by 95,000t over the same period of 2019.
- As of the end of July, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 367,185 t, an increase of 64,798 t (21%) from stocks held at the end of December 2019. Stocks were up at SHFE (+29%) and COMEX (+138%) and down at the LME (-12%)
- The average LME cash price for July 2020 was US$ 6,353.76 /t, up 10.7% from the June average of US$ 5,742.39 /t. The 2020 high and low copper prices through the end of July were US$ 6,545 /t (on 13th Jul) and US$ 4,617.50 /t (on 23rd Mar), respectively, and the year average was US$ 5,632.56 /t (6% below the 2019 annual average).

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

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

World Refined Copper Usage and Supply Trends

Thousand metric tonnes, copper

	2017	2018	2019	2019	2020	2020			
				Jan-May		Feb	Mar	Apr	May
World Mine Production	20,080	20,575	20,531	8,248	8,065	1,544	1,666	1,566	1,626
World Mine Capacity	23,988	24,057	24,134	10,289	10,321	1,907	2,119	2,058	2,134
Mine Capacity Utilization (%)	83.7	85.5	85.1	80.2	78.1	81.0	78.6	76.1	76.2
Primary Refined Production	19,485	20,055	19,988	8,095	8,261	1,500	1,658	1,660	1,716
Secondary Refined Production	4,053	4,043	4,051	1,697	1,589	299	307	310	336
World Refined Production (Secondary+Primary)	23,538	24,098	24,039	9,792	9,850	1,798	1,965	1,969	2,052
World Refinery Capacity	27,540	27,979	28,788	11,826	12,175	2,252	2,499	2,425	2,511
Refineries Capacity Utilization (%)	85.5	86.1	83.5	82.8	80.9	79.8	78.6	81.2	81.7
World Refined Usage 1/	23,710	24,489	24,455	10,061	9,849	1,658	1,945	2,065	2,112
World Refined Stocks End of Period	1,375	1,227	1,228	1,294	1,442	1,559	1,560	1,502	1,442
Period Stock Change	10	-148	1	67	214	260	1	-59	-59
Refined Balance 2/	-171	-391	-416	-270	1	140	20	-96	-60
Seasonally Adjusted Refined Balance 3/				-218	50	80	-19	4	-7
Refined Balance Adjusted for Chinese bonded stock change 4/	-169	-450	-594	-175	-29	155	25	-141	-135

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 the paragraph of the press release on “World refined copper balance”.