



## Copper: Preliminary Data for June 2006

The International Copper Study Group (ICSG) released preliminary data on world copper supply and demand for June and the first half of 2006 in its September 2006 Copper Bulletin.

According to the preliminary ICSG data, the refined copper market in both June and the first half of 2006 (including revisions to data previously presented) were nearly balanced, with a minimal surplus of production of 6,000 metric tonnes (t) and 13,000 t, respectively. When seasonally adjusted for traditionally lower usage in the second half of the year, however, the market surplus for June and the first 6 months of the year increased to 47,000 t and 183,000 t, respectively. These data compare with a measured and seasonally adjusted production deficit of 257,000 t and 94,000 t, respectively, for the first 6 months of 2005. Note that in its calculation of the refined copper balance, the ICSG does not take into account changes in China's SRB stocks, which are unreported and which might affect calculation of China's apparent consumption (market reports suggest, however, that there may have been significant SRB stock releases during the first part of the year).

During the first half of 2006, world refined usage increased by about 2.6% compared with usage in the first half of 2005. The EU-15 was the leading contributor to the increase (+15%), followed by Japan (+7%). Growth in usage in the rest of Europe (excluding the EU-15 countries) was flat (0.1%); usage in the rest of Asia (excluding Japan) was down by 3.4% mainly due to a decrease of 8% in Chinese apparent usage; and usage in North America grew by about 1.4%.

On the supply side, mine output in the first half of 2006 remained essentially unchanged compared with that of the same period of 2005. Based on reduced output at some mines in 2005 and an almost 300,000 t increase in capacity foreseen for 2006, world mine production in the first half of 2006 fell short of expectations held at the beginning of the year owing to production disruptions from operational failures and labour unrest. Concentrate production was down by 0.6% and SX-EW production was up by 3.1%. On a regional basis for the same comparative periods, Africa's mine production increased by 15% due to the expansions and new projects in Zambia and Democratic Republic of Congo; North America's production was down by 5.5% mainly due to strikes in Mexico; South America's production was up by 3.5%; Asia's production decreased by 6.4% due to operational problems in Indonesia; and Oceania's production decreased by 1%. Global mine capacity utilization consequently decreased to an average of 86% from an average of 88% in the same period of 2005.

Total world refined production increased by 6% in the first half of 2006 compared with that of the same period of 2005: Primary production was up by 5% and secondary production (from scrap) was up by 10%. Refined capacity utilization averaged 83%, up from 80.5% in the same period of 2005. On a regional basis, and for the same comparative periods, refined production increased in Africa by 14%, in Asia by 15%, and in Europe by 3%, and decreased in Oceania by 4% and in South America and North America by 1.5% and 1% respectively.

As of end of August 2006, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 184,278 t, an increase of about 28,000 t from stocks at the end of July and from those held at the end of December 2005. Stocks were down at SHFE and up at LME and Comex. The average LME cash price for August 2006 was US\$7,695.66 per tonne, as compared with the July average of US\$7,712.10 per tonne. The 2006 LME average cash price through August was US\$6,488.0 per tonne. 2006 high and low copper prices through end of July were US\$8,788.0 and US\$4,537.0 per tonne, respectively.

### World Refined Copper Usage and Supply Trends, 2000-2006

Thousand metric tonnes, copper

|  | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2005  |        | 2006    |       |       |       |
|--|--------|--------|--------|--------|--------|--------|-------|--------|---------|-------|-------|-------|
|  |        |        |        |        |        |        | 2005  | 2006   | Jan-Jun | Mar   | Apr   | May   |
| World Mine Production                  | 13,211 | 13,637 | 13,581 | 13,678 | 14,507 | 14,878 | 7,167 | 7,175  | 1,226   | 1,196 | 1,253 | 1,227 |
| World Mine Capacity                    | 14,213 | 14,458 | 15,091 | 15,228 | 15,732 | 16,601 | 8,143 | 8,343  | 1,428   | 1,384 | 1,432 | 1,388 |
| Mine Capacity Utilization (%)          | 92.9   | 94.3   | 90.0   | 89.8   | 92.2   | 89.6   | 88.0  | 86.0   | 85.9    | 86.4  | 87.5  | 88.4  |
| Primary Refined Production             | 12,633 | 13,721 | 13,422 | 13,459 | 13,805 | 14,342 | 6,981 | 7,362  | 1,256   | 1,217 | 1,245 | 1,247 |
| Secondary Refined Production           | 2,125  | 1,862  | 1,847  | 1,775  | 2,018  | 2,103  | 1,025 | 1,132  | 192     | 195   | 196   | 195   |
| Refined Production (Secondary+Primary) | 14,758 | 15,583 | 15,269 | 15,234 | 15,823 | 16,445 | 8,006 | 8,494  | 1,448   | 1,412 | 1,441 | 1,442 |
| World Refinery Capacity                | 17,051 | 17,689 | 18,275 | 18,792 | 19,273 | 20,268 | 9,948 | 10,225 | 1,750   | 1,696 | 1,756 | 1,702 |
| Refineries Capacity Utilization (%)    | 86.6   | 88.1   | 83.6   | 81.1   | 82.1   | 81.1   | 80.5  | 83.1   | 82.7    | 83.3  | 82.0  | 84.7  |
| World Refined Usage 1/                 | 15,132 | 14,902 | 15,166 | 15,662 | 16,730 | 16,517 | 8,263 | 8,481  | 1,439   | 1,419 | 1,466 | 1,436 |
| Four Weeks of World Refined Usage      | 1,164  | 1,146  | 1,167  | 1,205  | 1,287  | 1,271  | 1,265 | 1,296  | 1,283   | 1,294 | 1,330 | 1,330 |
| Refined Stocks End of Period           | 1,291  | 1,992  | 2,048  | 1,780  | 919    | 851    | 790   | 765    | 822     | 821   | 820   | 765   |
| Period Stock Change                    | -344   | 702    | 55     | -267   | -861   | -69    | -129  | -85    | -115    | -2    | -1    | -54   |
| Refined Balance 2/                     | -373   | 682    | 104    | -428   | -908   | -72    | -257  | 13     | 8       | -7    | -25   | 6     |
| Refined Balance Seasonally adjusted 2/ | -373   | 682    | 104    | -428   | -908   | -72    | -94   | 183    | 50      | 26    | -8    | 47    |

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.