Copper: Preliminary Data for August 2006

The International Copper Study Group (ICSG) released preliminary data for August 2006 for world copper supply and demand in its November 2006 Copper Bulletin.

According to the preliminary ICSG data, the refined copper market had an apparent production surplus in August of about 88,000 metric tonnes (t), decreasing to about 3,000 t after making seasonal adjustments for world usage. This high monthly surplus was principally attributed to weaker copper usage during the traditional summer holiday period. The apparent refined copper balance for the first 8 months of 2006, including revisions to data previously presented, indicates a production surplus of about 84,000 t and, when seasonally adjusted, a surplus of 134,000 t. This compares with a production deficit of 233,000 t (seasonally adjusted 174,000 t) for the same period in 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.

Although the apparent usage of refined copper in China showed signs of recovery in August, world usage was affected by seasonal factors that led to weak demand in Japan and the European Union-15 (EU-15), both dropping to the lowest level of the year, and a depressed market in the United States. Despite weaker demand in August, ICSG data for the first 8 months of 2006 indicate that world refined usage increased by about 3% compared with usage in the first 8 months of 2005. On a regional basis, total European usage increased by 12% in January-August 2006 compared with that in January-August 2005, with the EU-15 being the main driver with an apparent usage increase of 16%. Usage in Asia was down by 1.4%, with growth in Japan (5.8%) and India (3.7%) being more than offset by a decrease of 6.9% in China. Usage in the United States was flat.

On the supply side, world mine production in August was reduced by a strike at the Escondida Mine in Chile, the largest copper mine in the world. Owing to this and previous disruptions to production, world mine production for the first 8 months of the year was essentially unchanged from that in the same period of 2005 (up by 0.3%): Concentrate production was down by 0.7%, and SX-EW production was up by 4.7%. On a regional basis, African mine production increased by 15% in the first 8 months of 2006 compared with the same period of 2005; North American mine production was down by 3.7% owing to worker strikes in Mexico; South American mine production was up by 2.4%; and Asian mine production decreased by 5% due to production problems in Indonesia. Global mine capacity utilization decreased to an average of 85.8% from an average of 87.6% in the same period of 2005.

Total world refined production increased by 5.9% in the first 8 months of 2006 compared with that of the same period of 2005: Primary production was up by 4.9% and secondary production (from scrap) was up by 13%. Refined capacity utilization averaged 83.2%, up from 80.4% in the same period of 2005. With the exception of Chile (-1.6%), all major producing countries increased their production [China (21%), Japan (11%), United States (5.5%), Russia (1.8%) and India (30%)].

As of end October 2006, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 191,058 t, an increase of 22,164 t from stocks held at the end of September and 34,807 t from those held at the end of December 2005. Stocks were up at all three Exchanges (SHFE, LME and Comex warehouses). The average LME cash price for October 2006 declined slightly to US$7,500.39 per tonne from the September average of US$7,602.98 per tonne. The 2006 high and low copper prices through end of October were US$8,788.00 and US$4,537.00 per tonne, respectively and the average was US$6,700.25 per tonne.

World Refined Copper Usage and Supply Trends, 2000-2006

Thousand metric tonnes, copper

	2000	2001	2002	2003	2004	2005	2005	2006	2006			
							Jan-Aug		May	Jun	Jul	Aug
World Mine Production	13,211	13,637	13,582	13,675	14,643	14,877	9,632	9,658	1,257	1,237	1,239	1,212
World Mine Capacity	14,213	14,458	15,110	15,249	15,759	16,639	10,993	11,262	1,436	1,392	1,444	1,450
Mine Capacity Utilization (%)	92.9	94.3	89.9	89.7	92.9	89.4	87.6	85.8	87.5	88.8	85.8	83.6
Primary Refined Production	12,633	13,721	13,422	13,453	13,847	14,398	9,424	9,884	1,253	1,245	1,243	1,236
Secondary Refined Production	2,125	1,862	1,847	1,772	2,018	2,124	1,372	1,549	199	199	209	204
Refined Production (Secondary+Primary)	14,758	15,583	15,269	15,225	15,865	16,522	10,796	11,433	1,452	1,444	1,452	1,440
World Refinery Capacity	17,051	17,689	18,275	18,794	19,300	20,305	13,423	13,765	1,756	1,702	1,766	1,773
Refineries Capacity Utilization (%)	86.6	88.1	83.6	81.0	82.2	81.4	80.4	83.1	82.7	84.9	82.2	81.2
World Refined Usage 1/	15,132	14,902	15,156	15,663	16,769	16,626	11,029	11,349	1,492	1,438	1,439	1,352
Four Weeks of World Refined Usage	1,164	1,146	1,166	1,205	1,290	1,279	1,279	1,315	1,354	1,303	1,343	1,328
Refined Stocks End of Period	1,291	1,992	2,048	1,780	919	851	791	863	820	778	807	863
Period Stock Change	-344	702	55	-267	-861	-69	-128	12	-1	-42	29	56
Refined Balance 2/	-373	682	114	-438	-903	-103	-233	84	-40	7	13	88
Refined Balance Seasonally adjusted 2/	-373	682	114	-438	-903	-103	-174	134	-23	49	-11	3

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.