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Copper: Preliminary Data for October 2006

The International Copper Study Group (ICSG) released preliminary data for October 2006 for world copper supply and demand in its January 2007 Copper Bulletin.

According to the preliminary ICSG data, the refined copper market had an apparent production surplus in October of about 51,000 metric tonnes (t), increasing to about 73,000 t after making seasonal adjustments for world usage. The apparent refined copper balance for the first 10 months of 2006, including revisions to data previously presented, indicates a production surplus of about 128,000 t and, when seasonally adjusted, a surplus of 213,000 t. This compares with a production deficit of 298,000 t (seasonally adjusted 201,000 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.

In October, with the exception of North America, where usage fell 9.3%, copper usage by region remained relatively unchanged compared with usage in September. In North America, U.S. usage fell by 14%, in part owing to a shortage of cathode. Maintenance shutdowns at 2 out of 3 primary U.S. smelters resulted in U.S. refined copper production falling by 12%. While U.S. wire-rod production fell by 16%, following a build-up of inventories in September, shipments of wire rod in October declined by only about 7%. ICSG data for the first 10 months of 2006 indicate that world refined usage increased by about 2.5% compared with usage in the same period of 2005. On a regional basis, Europe continued to be the only region showing growth: Total European usage increased by 11.3%, while apparent usage in the European Union-15 countries increased by 13.9% compared with usage in 2005. In Asia, usage was unchanged (a decrease of 4.6% in Chinese apparent usage offset a growth of 5.4% in Japan and 6% in India); in the Americas, usage was down by 2.8% (a growth of 2.6% in South America was more than offset by a 3.8% decline in North America; and in Oceania and Africa usage declined by 3% and 6%, respectively.

Having overcome most of the previous months' labour and operational problems that restricted mine production, global mine output in October rose by 14% compared with that in September to the highest monthly level of the year. Chile, Indonesia and Peru were the main contributors to the increase. For the first 10 months of 2006, world mine production increased by 0.5% compared with production in the same period of 2005: Concentrate production was down by 0.8%, while SX-EW production was up by 6%. On a regional basis, African mine production increased by 16% owing to the startup of new projects and expansions in the Congo and Zambia; North American mine production declined by 2% due to strikes in Mexico; South American mine production was up by 1.7%; and Asian mine production decreased by 3.75% owing to earlier production problems in Indonesia. Global mine capacity utilization decreased to an average of 86.4% from an average of 88.1% in the same period of 2005.

Total world refined production increased by 5.7% in the first 10 months of 2006 compared with that of the same period of 2005: Primary production was up by 4.6% and secondary production (from scrap) was up by 13.5%. Refined capacity utilization averaged 83.2%, up from 80.7% in the same period of 2005. With the exception of Chile (-0.6%), all major producing countries increased their production; China (19%), Japan (10%), the United States (2%), Russia (2%) and India (28%).

As of end December 2006, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 252,790 t, an increase of 44,692 t from stocks held at the end of November and 96,539 t from those held at the end of December 2005. Stocks were up at LME, SHFE and Comex warehouses. The average LME cash price for December 2006 declined to US$6,675.11 per tonne from the November average of US$7,029.18 per tonne. The 2006 high and low copper prices were US$8,788.00 and US$4,537.00 per tonne respectively, and the annual average for 2006 was US$6,727.17 per tonne, an increase of around 80% from 2005 annual average of US$3.683.64 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-Oct		Jul	Aug	Sep	Oct
World Mine Production	13,213	13,637	13,582	13,675	14,643	14,877	12,148	12,206	1,243	1,212	1,185	1,355
World Mine Capacity	14,213	14,458	15,110	15,249	15,759	16,639	13,789	14,131	1,444	1,450	1,408	1,461
Mine Capacity Utilization (%)	93.0	94.3	89.9	89.7	92.9	89.4	88.1	86.4	86.1	83.6	84.2	92.7
Primary Refined Production	12,635	13,721	13,422	13,453	13,847	14,400	11,856	12,397	1,245	1,234	1,242	1,275
Secondary Refined Production	2,125	1,862	1,847	1,772	2,018	2,124	1,735	1,971	209	204	202	212
Refined Production (Secondary+Primary)	14,760	15,583	15,269	15,225	15,865	16,524	13,591	14,368	1,454	1,438	1,444	1,487
World Refinery Capacity	17,051	17,689	18,275	18,794	19,300	20,305	16,836	17,275	1,766	1,773	1,723	1,787
Refineries Capacity Utilization (%)	86.6	88.1	83.6	81.0	82.2	81.4	80.7	83.2	82.3	81.1	83.8	83.2
World Refined Usage 1/	15,133	14,903	15,157	15,664	16,770	16,627	13,889	14,240	1,439	1,348	1,460	1,436
Four Weeks of World Refined Usage	1,164	1,146	1,166	1,205	1,290	1,279	1,284	1,316	1,343	1,325	1,351	1,298
Refined Stocks End of Period	1,291	1,992	2,048	1,780	919	851	777	889	807	865	833	889
Period Stock Change	-344	702	55	-267	-861	-69	-143	39	29	58	-32	56
Refined Balance 2/	-372	680	112	-439	-905	-103	-298	128	15	91	-16	51
Refined Balance Seasonally adjusted 2/	-372	680	112	-439	-905	-103	-201	213	-9	-5	-3	73

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.