



**COCHILCO**

Comisión Chilena del Cobre

# **Cochilco's Forecast Methodology**

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**23 April 2008**



## DECREE LAW N° 1.349/76 **THE CHILEAN COPPER COMMISSION**

**Article 1°** ... *Its objective is to serve as a specialized technical advisor to the Government in subjects related with copper and its by-products, and with all metallic and non metallic minerals with the exception of coal, oil and gas...*

### **Article 2° Its functions will be the following:**

*a) To advise the Government, through the Ministry of Mining , on general policies related to development and exploitation of copper deposits, its processing and its by-products...*

*b) To collect, study and prepare the necessary information for an appropriate and effective participation of the Chilean State in international meetings...*

*r) It is also its duty to advise and inform the Government – through the Ministry of Mining –...about all metallic and non metallic substances and its by-products, with the exception of coal oil and gas.*

*In order to proceed with the instruction in this article, **producer companies will be forced to give promptly all the background and information required by the Commission.** The non-compliance or unjustified delay will be sanctioned with the penalty established in article 14 of this decree law. Such background and **information will be confidential** and the Commission's personnel will be forced to keep them in strict reserve.*



# Importance of Mining for Chilean Economy

For the Chilean economy, the mining sector has been historically important because:

1. Codelco, the main world copper producer, is a state owned company.
2. As a whole, the mining sector during 2007 explained 65% of exports and more than 20% of GDP at nominal prices.



# Importance of Copper Price Forecast

Copper price plays an important role for Chilean economy. The government, through Cochilco, is required to perform price forecasts for different horizons and purposes :

- A short term price forecast (1-2 years) is needed, to assess its influence over year to year fiscal policy, terms of trade and the peso/dollar parity.
- A medium term price forecast (10 years), is used as a parameter for the “structural fiscal budget” rule.
- Also, a long term price (20+ years) is required for assessing mining projects of state-owned mining companies.



## Forecasted series

Prior to the short-term price forecast, Cochilco prepares a refined copper market balance. In doing so, we use different information sources for the world supply and demand, such as ICSG, Brook Hunt, CRU, WBMS, companies data, among others.

In the case of Chilean data, we have primary information of forecasted internal demand and national copper production, by both the companies and manufacturers.



## Forecasted series

**Demand:** At September of each year, every copper producer informs of its reserve for internal customers for the next year. This is made in order to meet the needs of the *Reserve Law*, which mandates the producers to reserve part of their production for national manufacturers. Since some years ago, manufacturer's real usage of copper has been lower than the reserve. We adjust figures accordingly.

**Supply:** After their budgeting process of companies, we ask each of them their production forecasts for the following 8 years. We aggregate this information to get the total production forecast for Chile. Periodically, with every Quarterly Market Report, we re-assess production forecasts, asking companies to explain any changes or divergences.



## Periodic market reports

- Ring
- Weekly report
- Monthly report
- Copper market quaterly report
- Yearbook: copper and other mineral statistics
- Reports: molybdenum, gold, silver, sulphuric acid, iron and steel, industrial minerals





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