



International Copper Study Group

Copper Market Forecast 2012-2013

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 9-10th October 2012. Government delegates and industry advisors from most of the world's leading copper producing and using countries met to discuss key issues affecting the global copper market. In its meeting of the Statistical Committee, the ICSG view of the world balance of refined copper production and use was developed.

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According to ICSG projections for 2012, world demand for refined copper is expected to exceed production of refined copper by about 400,000 metric tonnes (t), as supply will continue to lag behind the growth in demand. This would be the third consecutive year of production deficit. In 2013, however, increased output from new and existing mines could reverse the 3-year trend, and refined copper production could exceed demand by an amount about equal to the 2012 shortfall.

In developing its projections, the ICSG recognized that the global market balances could vary from those projected owing to numerous factors including a world economic slowdown, European Union sovereign debt issues, political transitions in the Middle East and North Africa, and production shortfalls due to labor unrest, utility and capital shortages, and technical factors.

In developing its global market balance, the ICSG uses an apparent usage calculation for China, the leading global consumer of copper, accounting for about 40% of world demand. Apparent copper usage for China is based only on reported data (production + net trade +/- SHFE stock changes +/- industry stock changes, if reported) and does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer and merchant/trader], which may be significant during periods of stocking or de-stocking and which could significantly alter projected supply-demand balances.

In the first half of 2012, operational problems, lower head grades, adverse weather conditions and labor unrest combined to constrain mine output, and production for 2012 is anticipated to grow by 2.9%, a modest amount given that mine production remained relatively stagnant during the preceding three years. Growth in mine output is expected to mainly be from restoration of production at existing operations rather than from new projects. With some expansions and project startups occurring in 2013, mine production is expected to increase by around 6.4% to 17.5 Mt (million tonnes), although deferrals and delays in projects have postponed most of the anticipated new supply to 2014 or later. Capacity utilization rates are expected to improve from 79% in 2011 to an average of 81% in 2013.

In 2012, world refined copper production is expected to remain constrained by a shortage of concentrates and maintenance shutdowns and is projected to increase by only about 1.5% to reach 20 Mt. In 2013, with the restoration of production at existing plants and start-up and expanded capacity at SX-EW plants in Africa and electrolytic plants in China, refined copper production is expected to grow by 6% to 21.2 Mt. Primary copper production and secondary refined production are expected to grow by about 6.5% and 11%, respectively.

ICSG expects world apparent refined usage in 2012 to grow by 2.6% from that in 2011 to 20.4 Mt. World usage without China is expected to decline by 1%. Chinese apparent usage growth of 8% and a growth of 1.4% in the United States will offset declines in the European Union and Japan. For 2013, global copper demand is expected to increase slightly. Although industrial demand for copper in China is expected to increase by about 5% in 2013, apparent usage in China, which exceeded industrial demand in 2012, is expected to decrease. Usage in the rest of the world is expected to increase by 3.4%.

FORECAST TO 2013									
REGIONS (1000 t)	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Africa	1,306	1,396	1,712	961	1,064	1,326	281	256	262
N.America	2,150	2,244	2,536	1,706	1,701	1,886	2,202	2,241	2,340
Latin America	6,848	6,993	7,209	3,717	3,463	3,606	600	608	641
Asean-10	765	653	909	517	398	575	734	788	819
Asia ex Asean/CIS	1,768	1,977	2,298	8,048	8,772	9,367	11,331	12,005	12,014
Asia-CIS	470	487	500	428	447	472	99	100	101
EU-27	788	804	814	2,716	2,768	2,790	3,295	3,137	3,207
Europe Others	832	853	870	1,080	1,049	1,095	1,202	1,120	1,173
Oceania	1,092	1,118	1,300	477	503	504	120	122	125
TOTAL	16,019	16,524	18,147	19,651	20,166	21,620	19,865	20,376	20,682
World adjusted 1/ 2/	16,019	16,479	17,533	19,651	19,950	21,140	19,865	20,376	20,682
% change		2.9%	6.4%		1.5%	6.0%		2.6%	1.5%
Refined Production - Usage Balance							-214	-426	458

1/ Based on a formula for the difference between the projected copper availability in concentrates and the projected use in primary refined production; 2/ Allowance for supply disruptions based on average ICSG forecast deviations for pre-recession years 2003/2007.