



International Copper Study Group

Copper Market Forecast 2017/2018

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 23-24 October 2017. 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 the meeting of the Statistical Committee, the ICSG view of the world balance of refined copper production and use was developed.

After growth of almost 6% in 2016, world mine production after adjusting for historical disruption factors is expected to decline by around 3% in 2017 and grow by 2.5% in 2018:

- World mine production increased strongly in 2016 benefitting from new and expanded capacity brought on stream mainly in Mexico and Peru and the low frequency of supply disruptions due to strikes, accidents or adverse weather conditions.
- On the contrary, world mine production in 2017 is being impacted by significant supply disruptions, namely in Indonesia and Chile, reducing output in major mining production countries. In addition, overall lack of major new projects or expansions and lower grades in planned mining sequencing in some countries negatively impacted world growth.
- Therefore, world mine production is expected to decline by around 3% this year, with concentrate output declining by around 2.5% and SX-EW output by around 3.5%.
- In 2018, the expected recovery from 2017 constrained output, the re-starting of temporary closed/reduced capacity in the DRC and Zambia, and to a lesser extent additional output from new projects/expansions coming on stream, could lead to a growth in world mine production of around 2.5%.
- Although 2018 world mine production is expected to reach 20.3 million tonnes (Mt) copper it will be about the same level as in 2016. Chile the DRC, Peru and Zambia are expected to be the biggest contributors to mine production growth in 2018.

World refined production is expected to increase by only 1% in 2017 with growth of 2.5% expected for 2018:

- In 2017, planned/unplanned shutdowns at major smelters and lower output at SX-EW plants are significantly reducing refined production in major producing countries such as Chile, Japan and the United States. This is partially offsetting continued capacity increases in China and the production recovery seen in other countries from lower 2016 levels.
- Primary refined production (from concentrates and SX-EW) is expected to grow by only 0.5%, mainly impacted by a 3% decline in SX-EW output.
- After a decline in 2016, secondary refined production is expected to grow by 4% in 2017 with improved availability of scrap.
- In 2018, an anticipated recovery from the constrained level of output in 2017, the re-start of electrolytic/SX-EW operations that had been temporarily closed and continued capacity expansion in China, is supporting higher growth in world refined production.
- China will remain the biggest contributor to world refined production growth in 2017 and 2018.

World apparent refined usage is expected to increase by around 1% in 2017 and 2% in 2018:

- Sustained growth in copper demand is expected to continue because copper is essential to economic activity and even more so to the modern technological society. Infrastructural development in major countries such as China and India will continue to sustain growth in copper demand. Improvement is anticipated for the world economy for 2017 and 2018 which, although modest, should support copper demand growth.
- However, improved scrap supply is constraining world refined copper usage growth globally.
- Although in April we were forecasting a world apparent refined usage growth of about 2% for 2017 and 2018, we have revised down the expected growth for 2017 based on weaker than anticipated usage mainly in the EU and Brazil and lower than anticipated Chinese apparent usage.
- Although underlying "real" demand growth in China is estimated by others at around 4% in 2017, Chinese apparent demand is expected to grow by only 1% impacted by lower net imports of refined copper. Chinese copper demand growth is expected to be at around 3% in 2018 for both apparent and real usage.
- World ex-China usage growth in 2017 is expected to be at around 1% and might improve in 2018 to 1.5%.

World refined copper balance projections indicate a deficit of about 150,000 t for 2017 and 105,000 t for 2018:

- ICSG recognizes that global market balances can vary from those projected owing to numerous factors that could alter projections for both production and usage. In this context it can be noted that actual market balance outcomes have on recent occasions deviated significantly from ICSG market balance forecasts due to unforeseen developments.
- In developing its global market balance, ICSG uses an apparent demand calculation for China that does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer, merchant/trader, bonded]. Apparent copper demand for China is based only on reported data (production + net trade +/- SHFE stock changes) and does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer and merchant/trader], which can be significant during periods of stocking or de-stocking and which can markedly alter global supply-demand balances.
- We are still forecasting market deficits for 2017 and 2018 although at a slightly lower level than expected at our April 2017 meeting. Current ICSG projections are for a deficit of about 150,000 metric tonnes (t) in 2017, and about 105,000 t in 2018. This compares to a similar deficit in 2017 and a deficit of 170,000 t in 2018, respectively, forecast at our April meeting.

Next Meetings of ICSG

The next Meetings of the Study Group will be held in Lisbon, Portugal in the period 26-27 April 2018.

(World Refined Copper Usage and Supply Forecast table on next page)

World Refined Copper Usage and Supply Forecast

Thousand metric tonnes, copper

FORECAST TO 2018									
REGIONS (^{'000 t})	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Africa	1,909	1,875	2,116	1,249	1,209	1,369	214	208	210
N.America	2,936	2,725	2,825	2,015	1,940	1,997	2,334	2,333	2,359
Latin America	8,350	8,144	8,708	3,199	3,004	3,114	463	430	448
Asean-10 / Oceania	2,100	2,010	2,139	1,082	1,067	1,138	1,063	1,132	1,176
Asia ex Asean/CIS	2,629	2,542	2,611	11,651	12,103	12,657	15,250	15,424	15,848
Asia-CIS	684	825	856	429	438	438	103	103	103
EU	916	945	939	2,674	2,733	2,781	3,237	3,184	3,196
Europe Others	835	842	855	1,040	1,109	1,135	827	920	943
TOTAL	20,358	19,909	21,048	23,339	23,602	24,629	23,491	23,733	24,283
World adjusted 1/ 2/	20,358	19,807	20,311	23,339	23,583	24,179	23,491	23,733	24,283
% change	6.3%	-2.7%	2.5%	2.0%	1.0%	2.5%	2.0%	1.0%	2.3%
World Refined Balance (China apparant usage basis)							-152	-151	-104

1/ Based on a formula for the difference between the projected copper availability in concentrates and the projected use in primary electrolytic refined production.

2/ Allowance for supply disruptions based on average ICSG forecast deviations for previous 5 years.