



## Copper Market Forecast 2019/2020

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 9-10 May 2019. Government delegates and industry advisors from most of the world's leading copper producing and using countries participated 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 a growth of 2.5% in 2018, world mine production, after adjusting for historical disruption factors, is expected to remain essentially unchanged in 2019 and to grow by 1.9% in 2020:**

- World mine production increased by 2.5% in 2018 principally due to constrained output in 2017 and to an unusually low rate of overall supply disruptions in 2018. Besides the restart of the Katanga mine in the DRC no major new copper mine capacity was brought on stream in 2018.
- In 2019, additional output from the start-up of the major Cobre de Panama mine, the expansion of Toquepala mine and the commissioning of a few small/medium mines is expected to be balanced by a significant decline in Indonesian output (due to the transition of Grasberg to an underground operation and Batu Hijau mine to phase 7) and regulatory/taxation issues which will negatively impact output in Zambia.
- In 2020, additional supply from ramp-up mines and expansions that started in 2019, together with a recovery in Indonesian output will support growth of about 1.9% (adjusted for possible supply disruptions)

**World refined production is expected to increase by around 2.8% in 2019 and 1.2% in 2020 respectively:**

- In 2018, global refined copper production was constrained by an unusually high frequency of smelter disruptions and temporary shutdowns for technical upgrades/modernizations.
- In 2019, expanded electrolytic capacity in China, the ramp-up of electrowinning output in the DRC and the recovery from 2018 operational issues/maintenances at smelters in Australia, Brazil, Indonesia, Poland, among others, will largely offset lower anticipated production at some plants in China and Europe due to planned maintenance shutdowns and lower output in Chile and Zambia due to operational issues at smelters.
- A rise of 2.8% is expected in 2019 but in 2020 planned electrolytic refined production is likely to be constrained by tightness in the availability of concentrates resulting in a limited increase of 1.2% in world refined production
- After a small decline in 2018, world secondary production from scrap is expected to recover in 2019 and 2020
- China will remain the biggest contributor to world refined production growth in both 2019 and 2020.

**World apparent refined usage is expected to increase by around 2% in 2019 and 1.5% in 2020:**

- 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. Infrastructure development in major countries such as China and India and the global trend towards cleaner energy will continue to support copper demand.
- However, a slowdown in world economic growth is expected to have an adverse impact on world refined copper usage growth in 2019 and 2020.
- China will remain the biggest contributor to world growth in copper usage. Although underlying "real" demand growth in China is estimated by some analysts to be around 2.6% in 2019, Chinese apparent demand is predicted to rise by 2%. Lower growth is expected in 2020 for both apparent and real usage.
- The outlook for the EU and Japan remains sluggish for 2019 and 2020 with demand in the United States continuing to rise this year but levelling off in 2020. World ex-China usage is expected grow by around 1.7% in 2019 and a further 2% in 2020 mainly supported by increases in the Middle East, India and some other Asian countries.

**World refined copper balance projections indicate a deficit of about 190,000 t and 250,000t for 2019 and 2020 respectively:**

- ICSG recognizes that global market balances can vary from those projected owing to numerous factors that could alter projections for both production and usage namely the current US-China trade issues, strength of the global economy especially the Chinese. In this context it can be noted that actual market balance outcomes have on recent occasions deviated 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.
- Current ICSG projections are for a deficit of about 190,000 metric tonnes (t) in 2019, bigger than the deficit of 65,000 t foreseen at its October 2018 meeting. For 2020, the Group forecasts a higher deficit of about 250,000t as growth in refined production is expected to lag behind that of usage.

### Next Meetings of ICSG

The next Meetings of the International Copper Study Group will be held in Lisbon, Portugal in the period 21-22 October 2019 (World Refined Copper Usage and Supply Forecast table on next page)

# World Refined Copper Usage and Supply Forecast

Thousand metric tonnes, copper

FORECAST TO 2020									
REGIONS ( <sup>'000 t Cu</sup> )	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Africa	2,236	2,382	2,584	1,440	1,509	1,679	203	203	213
N.America	2,528	2,595	2,715	1,829	1,842	1,845	2,359	2,390	2,405
Latin America	8,691	9,056	9,523	2,975	2,925	3,063	448	466	476
Asean-10 / Oceania	2,112	1,914	2,057	1,063	1,219	1,222	1,192	1,232	1,267
Asia ex Asean/CIS	2,345	2,438	2,559	12,391	12,926	13,831	16,028	16,426	16,666
Asia-CIS	867	864	867	452	448	448	106	106	106
EU	912	872	877	2,699	2,736	2,811	3,290	3,289	3,315
Europe Others	907	912	950	1,263	1,249	1,258	885	857	882
<b>TOTAL</b>	<b>20,598</b>	<b>21,031</b>	<b>22,130</b>	<b>24,111</b>	<b>24,854</b>	<b>26,156</b>	<b>24,510</b>	<b>24,969</b>	<b>25,330</b>
<b>World adjusted 1/ 2/</b>	<b>20,598</b>	<b>20,641</b>	<b>21,029</b>	<b>24,111</b>	<b>24,780</b>	<b>25,080</b>	<b>24,510</b>	<b>24,969</b>	<b>25,330</b>
% change	2.5%	0.2%	1.9%	2.4%	2.8%	1.2%	3.3%	1.9%	1.4%
<b>World Refined Balance (China apparant usage basis)</b>							<b>-399</b>	<b>-189</b>	<b>-250</b>

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.