The Chinese copper market: main factors impacting 2013 production and usage and its implications for 2014

Yusheng Li
International Cooperation Department
China Nonferrous Metals Industry Association

Lisbon Portugal, 1st October 2013
Outline of the presentation

• Refined copper production seeing rapid growth
• Refined copper import declining in the first 7 months
• Copper inventory decreasing in Shanghai Bonded warehouse
• Copper usage increasing at a moderate pace
• Chinese copper market outlook for 2014
Refined copper production

• In the first 7 months, China’s refined copper output reached 3.764 million tonnes, seeing an increase of 12.4% y-o-y, with a monthly average output of 537 kt.

• During the same period, refined copper production, from copper concentrate, was 2.47 million tonnes, up by 14.6% y-o-y.
Refined copper production

Main influencing factors:

• Strong demand, on real consumption growth slowing down

• Raw materials supply (TC/RC, copper scrap)

• Capacity expansion (smelting, refining)

• Copper price
Refined copper import

Data source: China Customs
Refined copper export

Data source: China Customs
Shanghai/LME price ratio mostly negative for copper import

Data source: LME, SHFE
Refined copper import falling down in H1, 2013

• In the first 7 months of 2013, refined copper import declined, returning to normal level.
• In 2012, both refined copper import and export hit record highs, reaching 3.42 million tonnes and 274.0 kt, respectively.
• Net import of refined copper was 3.13 million tonnes in 2012, with an increase of 16.8% y-o-y; and refined copper production also swell, thus the refined copper supply (or apparent consumption) witnessed a 13.6% growth y-o-y to 8.95 million tonnes.
Refined copper import by trade code

Data source: China Customs
## Refined copper import in Jan-July 2013

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>General trade</td>
<td>811.14</td>
<td>75.9%</td>
<td>777.11</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Processing trade</td>
<td>226.00</td>
<td>-7.3%</td>
<td>192.41</td>
<td>-14.9%</td>
</tr>
<tr>
<td>Bonded warehouse trade</td>
<td>1098.85</td>
<td>91.9%</td>
<td>690.29</td>
<td>-37.2%</td>
</tr>
<tr>
<td>Others</td>
<td>0.33</td>
<td>-35.6%</td>
<td>1.86</td>
<td>464.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2136.32</strong></td>
<td><strong>67.1%</strong></td>
<td><strong>1661.66</strong></td>
<td><strong>-22.2%</strong></td>
</tr>
</tbody>
</table>

Data source: China Customs
# Refined copper export in Jan-July 2013

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>General trade</td>
<td>11</td>
<td>—</td>
<td>102</td>
<td>—</td>
</tr>
<tr>
<td>Processing trade</td>
<td>17897</td>
<td>5.0%</td>
<td>62481</td>
<td>249.1%</td>
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<tr>
<td>Bonded warehouse trade</td>
<td>187158</td>
<td>40.1%</td>
<td>144904</td>
<td>-22.6%</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>—</td>
<td>2.2</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>205066</strong></td>
<td><strong>36.0%</strong></td>
<td><strong>207489</strong></td>
<td><strong>1.2%</strong></td>
</tr>
</tbody>
</table>

Data source: China Customs
Copper in the bonded warehouse

• Refined copper import fell against slight increase of export, leading to a big drop in net import. Bonded warehouse import saw biggest declines.

• Copper stocks stays at about 400kt at Shanghai bonded warehouse, 500kt less than that at the beginning of the year.

• Factors behind of the relatively high copper stocks in Shanghai bonded warehouse: negative Shanghai/LME price ratio, and copper financing.
Copper supply and consumption in China in Jan.-July

• In the first 7 months of 2013, China copper supply was 5.22 million tonnes, up by 1.2% y-o-y.

• Refined copper production remains to increase on decreasing import of copper scraps, higher TC/RC for copper concentrate and growing output of copper concentrate within the country.

• Real consumption of refine copper rose by 4.6% on a yearly basis to 4.66 million tonnes.
Refined copper consumption

Data source: CNIA
Refined copper consumption by sectors

Data source: CNIA
Major industrial products output in Jan.-July 2013

Data source: NBS
Copper supply and demand in 2013

<table>
<thead>
<tr>
<th>kt</th>
<th>2012</th>
<th>2013 F</th>
<th>Y-o-y</th>
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<tbody>
<tr>
<td>Refined copper output</td>
<td>5824</td>
<td>6300</td>
<td>8.2%</td>
</tr>
<tr>
<td>Net refined copper import</td>
<td>3128</td>
<td>2650</td>
<td>-15.3%</td>
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<tr>
<td>Demand</td>
<td>7900</td>
<td>8300</td>
<td>5.1%</td>
</tr>
<tr>
<td>Balance</td>
<td>1052</td>
<td>650</td>
<td>--</td>
</tr>
</tbody>
</table>

Data source: CNIA
Chinese copper market forecast for 2014

• Production:
  Copper concentrate: 1.80 mln
  Refined copper:  6.95 mln

• Consumption:
  Refined copper:  8.70 mln
Thank you for your attention!
Contact:

Yusheng Li
International Cooperation Department
China Nonferrous Metals Industry Association (CNIA)
12 B Fuxing Road
Haidian District, Beijing 100814
CHINA
Tel: +86 10 6397 1798
Fax: +86 10 6396 4409
Email: liyusheng@chinania.org.cn