The International Copper Study Group (ICSG) met in Lisbon, Portugal on 25-26th April 2013. 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.

Copper Market Forecast 2013-2014

In developing its global market balance, ICSG uses an apparent demand calculation for China, the leading global consumer of copper, accounting for about 40% of world demand. 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 may be significant during periods of stocking or de-stocking and which could significantly alter supply-demand balances.

According to preliminary ICSG data, the world apparent refined copper balance in 2012 showed a production shortfall relative to demand of around 400,000 metric tonnes (t) mainly due to constrained growth in refined production and significant growth in China’s apparent demand. Anecdotal evidence and high import levels, however, suggest that unreported inventories held in bonded warehouses in China increased significantly during 2012, and that industrial use of copper in China was significantly less than apparent demand calculated using only reported inventories. Accounting for unreported inventory increases, estimated to total about 600,000 t, significantly alters the ICSG calculated market balance, which would then indicate a production surplus relative to usage of about 200,000 t.

According to ICSG projections for 2013, the copper market is expected to have a production surplus relative to demand. World production of refined copper is expected to exceed demand for refined copper by about 415,000 t, as demand will lag behind the growth in production. For 2014, although a recovery in usage is anticipated, a higher surplus is expected with increased output from new and existing mines.

In developing its projections, 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 2012, mine production levels increased gradually, recovering from constrained output in previous years. ICSG anticipates that recovery will continue and additional output will arise from significant new operations and expansions at existing facilities due to come on stream in 2013 and 2014. After adjusting for possible disruptions, world mine production for 2013 and 2014 is anticipated to grow by around 5.5% each year to 17.6 Million tonnes (Mt) and 18.5 Mt respectively. These growth rates are significantly higher than the preceding 5 years’ annual average growth rate of only 1.5%.

In 2013, world refined copper production is expected to be affected by maintenance shutdowns at smelters but with the restoration of production that was constrained in 2012, and the start-up and expanded capacity at SX-EW plants in Africa and electrolytic plants in China, refined copper production in 2013 is expected to grow by 4.3% to 20.98 Mt. Further growth of 5.1% is anticipated for 2014, with refined production reaching 22.05 Mt.

ICSG expects world apparent refined copper in 2013 to grow by only 0.3% from that in 2012 to 20.6 Mt. Although underlying industrial demand for copper in China is expected to increase by about 5% in 2013, apparent demand in China (uncorrected for unreported stock changes) is expected to decrease as a result of much lower net refined imports. Usage in the rest of the world is expected to increase by 1.9%. With better prospects for the world economy in 2014, world usage is expected to show higher growth rates.

Next Meetings of ICSG

The next Meetings of the Study Group will be held in Lisbon, Portugal in the period 30 September to 2 October 2013, with a Joint Study Groups’ Seminar on “By-products of copper, nickel, lead and zinc” to be held on Wednesday 2 October.