



Copper: Preliminary Data for May 2016

The International Copper Study Group (ICSG) released preliminary data for May 2016 world copper supply and demand in its August 2016 Copper Bulletin. The Bulletin is available for sale upon request.

In developing its global market balance, the ICSG uses an apparent demand calculation for China—the leading global consumer of copper accounting for about 45% of world demand—that does not take into account changes in unreported stocks [State Reserve Bureau (SRB), producer, consumer and merchant/trader]. To facilitate global market analysis, however, an additional line item—Refined World Balance Adjusted for Chinese Bonded Stock

Changes—is included below that adjusts the world refined copper balance based on an average estimate of changes in unreported inventories provided by three consultants with expertise in China's copper market. The resulting adjustments to world refined copper balance are discussed separately in italics below.

According to preliminary ICSG data, the refined copper market for May 2016 (excluding the adjustment for changes in China's bonded stocks) showed an apparent production deficit of around 65,000 metric tonnes (t) mainly due to strong Chinese apparent refined copper demand. When making seasonal adjustments for world refined production and usage, May showed a production deficit of about 24,000 t. The refined copper balance for the first five months of 2016, including revisions to data previously presented, indicates a production deficit of around 222,000 t (and a seasonally adjusted deficit of about 181,000 t). This compares with a production deficit of around 39,000 t (a seasonally adjusted surplus of about 10,000 t) for the same period of 2015.

In the first five months of 2016, world apparent refined usage is estimated to have increased by around 5% (510,000 t) compared with that in the same period of 2015 mainly due to strong Chinese apparent demand. Chinese apparent demand increased by around 12% based on a 22% increase in net imports of refined copper from the lower net import level in early 2015 and consequently lower apparent demand. Excluding China, world usage remained essentially unchanged. On a regional basis, usage is estimated to have increased by 6% in Europe and 8% in Asia (when excluding China, Asia usage declined by 2.5%), while declining by 20% and 4% in Africa and in the Americas respectively and remaining essentially unchanged in Oceania.

World mine production is estimated to have increased by around 4% (345,000 t) in the first five months of 2016 compared with production in the same period of 2015. Concentrate production increased by 5.5% while solvent extraction-electrowinning (SX-EW) remained essentially unchanged. The increase in world mine production was mainly due to a 52% rise in Peruvian output that is benefitting from new and expanded capacity brought on stream in the last two years. A recovery in production levels in Canada and the United States, expanded capacity in Mexico and a ramp-up in production in Mongolia also contributed to world growth. However overall growth was partially offset by a 5% decline in production in Chile, the world's biggest copper mine producer and a 11% decline in DRC where output is constrained by temporary production cuts. On a regional basis, production rose by 7% in the Americas and 5% in Asia but declined by 4% in Africa while remaining essentially unchanged in Europe and Oceania. The average world mine capacity utilization rate for the first five months of 2016 remains practically unchanged from that in the same period of 2015.

World refined production is estimated to have increased by about 3.5% (330,000 t) in the first five months of 2016 compared with refined production in the same period of 2015: primary production was up by 3% and secondary production (from scrap) was up by 5%. The main contributor to growth was China (+7%), followed by the United States where production increased by 18%. Output in Chile and Japan, the second and third leading refined copper producers, increased by around 3.5% respectively. Refined production in the DRC and Zambia declined due to the impact of temporary production cuts. On a regional basis, refined output is estimated to have increased in the Americas (8%), Asia (6%) and Oceania (17%) while declining in Africa (-15.5%) and in Europe (-3.5%). The average world refinery capacity utilization rate for the first five months of 2016 increased to 83.5% from 82.2% in the same period of 2015.

Based on the average of stock estimates provided by independent consultants, China's bonded stocks increased by around 140,000 t in the first five months of 2016 from the year-end 2015 level. Stocks increased by around 50,000 t in the same period of 2015. In the first five months of 2016, the world refined copper balance adjusted for the change in Chinese bonded stocks indicates a production deficit of around 84,000 t compared to a surplus of about 11,000 t in the same period of 2015.

The average LME cash price for July was US\$4,855.79 per tonne, up from the June average of US\$4,630.64 per tonne. The 2016 high and low copper prices through the end of July were US\$5,103.00 (on 18th Mar) and US\$4,310.50 per tonne (on 15th Jan), respectively, and the year-to-date average was US\$4,722.91 per tonne (14% below 2015 annual average). As of the end of July, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 434,972 t, a decline of 46,896 t (-10%) from stocks held at the end of December 2015. Compared with the December 2015 levels, stocks were down at the three exchanges.

Please visit the ICSG website www.icsg.org for further copper market related information.

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

World Refined Copper Usage and Supply Trends, 2012-2016

Thousand metric tonnes, copper

	2012	2013	2014	2015	2015	2016	2016			
					Jan-May	Feb	Mar	Apr	May	
World Mine Production	16,766	18,246	18,492	19,135	7,767	8,111	1,518	1,684	1,616	1,713
World Mine Capacity	19,923	20,698	21,508	22,571	9,234	9,674	1,787	1,986	1,929	2,001
Mine Capacity Utilization (%)	84.2	88.2	86.0	84.8	84.1	83.8	85.0	84.8	83.8	85.6
Primary Refined Production	16,604	17,255	18,559	18,898	7,708	7,953	1,515	1,648	1,574	1,598
Secondary Refined Production	3,596	3,803	3,915	3,951	1,557	1,639	307	340	334	331
World Refined Production (Secondary+Primary)	20,201	21,059	22,474	22,849	9,265	9,592	1,822	1,988	1,908	1,929
World Refinery Capacity	24,784	26,104	27,045	27,291	11,265	11,486	2,126	2,358	2,286	2,367
Refineries Capacity Utilization (%)	81.5	80.7	83.1	83.7	82.2	83.5	85.7	84.3	83.4	81.5
World Refined Usage 1/	20,479	21,402	22,892	22,993	9,304	9,814	1,829	2,049	2,052	1,994
World Refined Stocks End of Period	1,376	1,325	1,343	1,541	1,529	1,378	1,619	1,620	1,518	1,378
Period Stock Change	171	-52	18	198	186	-163	12	1	-102	-140
Refined Balance 2/	-278	-343	-418	-144	-39	-222	-7	-61	-144	-65
Seasonally Adjusted Refined Balance 3/					10	-181	-59	-64	-49	-24
Refined Balance Adjusted for Chinese bonded stock change 4/	289	-590	-441	-247	11	-84	58	-16	-126	-68

Due to the nature of statistical reporting, the published data should be considered as preliminary as some figures are currently based on estimates and could change
1/ Based on EU apparent usage. 2/ Surplus/deficit is calculated using refined production minus refined usage. 3/ Surplus/deficit is calculated using seasonally adjusted refined production minus seasonally adjusted refined usage. 4/ For details of this adjustment see paragraph 2 of the press release.