Copper: Preliminary Data for 1st Half 2017

The International Copper Study Group (ICSG) released preliminary data for June 2017 world copper supply and demand in its September 2017 Copper Bulletin. The Bulletin is available for sale (single issues €100/€150, annual subscription €500/€750 for orders originating from/outside institutions based in ICSG member countries).

World mine production is estimated to have declined by around 2% in the first half of 2017, with concentrate production declining by around 1.7% and solvent extraction-electrowinning (SX-EW) declining by around 3.5%:

- The decline in world mine production was mainly due to:
  - A 9% (245,000 t Cu) decline in production in Chile, the world's biggest copper mine producing country, negatively affected by the strike at the Escondida mine and lower output from Codelco mines.
  - A decline in Canada and Mongolia concentrates production of 22% and 21%, respectively, mainly due to lower grades in planned mining sequencing.
  - A 9% decline in Indonesian concentrate production as output was constrained by a temporary ban on concentrate exports that started in January and ended in April.
  - A 10% decline in production in the United States mainly due to lower ore grades, reduced mining rates and unfavourable weather conditions at the beginning of the year.
- However these reductions in output were partially offset by a 9% and 7% rise in Mexican (concentrate and SX-EW) and Peruvian (concentrate) output, respectively, with both countries benefitting from new and expanded capacity that was not yet fully available in the same period of last year.
- Globally, mine production has improved in the 2nd quarter of 2017 as compared to 1st quarter 2017 but is still 1% below that of the 2nd quarter 2016.

World refined production is estimated to have remained essentially unchanged in the first half of 2017 with primary production (electrolytic and electrowinning) declining by 1.5% and secondary production (from scrap) increasing by 12%:

- Increased availability of scrap allowed world secondary refined production to increase, notably in China.
- The main contributor to growth in world refined production was China (increase of 7%), followed by India (9%) and Mexico (10%) where expanded SX-EW capacity contributed to refined production growth.
- However, overall growth was partially offset by a 12% decline in Chile, the second largest refined copper producer, where both primary electrolytic refined production and electrowinning production declined.
- Production also declined in the third and fourth world leading refined copper producers, namely, Japan (-4%) and the United States (-10%).
- On a regional basis, refined output is estimated to have increased in Asia (5%) and in Europe (including Russia) (3%) while declining in the Americas (10%) and in Oceania (6%) and remaining essentially unchanged in Africa.

World apparent refined usage is estimated to have declined by around 2% in the first half of 2017:

- Preliminary data indicates that world ex-China usage might have remained essentially unchanged, however China apparent usage (currently representing almost 50% of the world refined usage) declined by 4%.
- Chinese apparent usage (excluding changes in unreported stocks) declined by 4% because, although refined copper production increased by 7%, net imports of refined copper declined by 27%.
- Among other major copper using countries, usage increased in India, Japan and in the United States but declined in Germany.
- On a regional basis, usage is estimated to have declined in Africa by 3%, in Asia by 2% (when excluding China, Asia usage increased by 4%), and in Europe by 4% while increasing by 1% in the Americas.

World refined copper balance for the first half of 2017 indicates a deficit of around 75,000 t (including revisions to data previously presented):

- This is mainly due to stagnant growth in world refined copper supply.
- 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]. To facilitate global market analysis, however, an additional line item—Refined World Balance Adjusted for Chinese Bonded Stock Changes—is included in the table 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.
- In the first half of 2017, the world refined copper balance adjusted for changes in Chinese bonded stocks indicates a deficit of around 5,000 t.

Copper Prices and Stocks:

- Based on the average of stock estimates provided by independent consultants, China's bonded stocks increased by around 70,000 t in the first half of 2017 from the year-end 2016 level. Bonded stocks increased by around 130,000 t in the same period of last year.
- As of the end of August, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totalled 575,984 t, an increase of 36,911 t (7%) from stocks held at the end of December 2016. Compared with the December 2016 levels, stocks were down at the LME (-28%) and up at SHFE (27%) and COMEX (105%).
- The average LME cash price for August 2017 was US$6,478.18 per tonne, up from the July average of US$5,978.60 per tonne.
- The 2017 high and low copper prices through the end of August were US$6,797.00 (on 29th Aug) and US$5,466 per tonne (on 8th May), respectively, and the year average was US$5,872.92 per tonne (21% above 2016 annual average).

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, 2013-2017

Thousand metric tonnes, copper

	2013	2014	2015	2016	2016	2017	2017			
					Jan-Jun		Mar	Apr	May	Jun
World Mine Production	18,185	18,431	19,132	20,219	9,869	9,663	1,574	1,625	1,707	1,680
World Mine Capacity	20,767	21,561	22,468	23,477	11,567	12,067	2,063	2,004	2,078	2,019
Mine Capacity Utilization (%)	87.6	85.5	85.2	86.1	85.3	80.1	76.3	81.1	82.1	83.2
Primary Refined Production	17,257	18,565	18,924	19,440	9,652	9,512	1,633	1,579	1,620	1,612
Secondary Refined Production	3,803	3,915	3,945	3,864	1,846	2,063	363	340	343	353
World Refined Production (Secondary+Primary)	21,060	22,480	22,870	23,304	11,498	11,575	1,996	1,919	1,963	1,964
World Refinery Capacity	25,779	26,680	26,760	27,104	13,405	13,689	2,342	2,271	2,351	2,280
Refineries Capacity Utilization (%)	81.7	84.3	85.5	86.0	85.8	84.6	85.2	84.5	83.5	86.2
World Refined Usage 1/	21,396	22,880	23,041	23,461	11,903	11,650	2,017	2,005	2,013	2,034
World Refined Stocks End of Period	1,325	1,350	1,521	1,391	1,241	1,455	1,548	1,457	1,480	1,455
Period Stock Change	-52	25	171	-130	-280	64	107	-91	23	-25
Refined Balance 2/	-335	-400	-171	-157	-405	-75	-21	-86	-50	-70
Seasonally Adjusted Refined Balance 3/					-265	75	-4	33	11	-13
Refined Balance Adjusted for Chinese bonded stock change 4/	-583	-424	-274	-144	-270	-5	19	-91	-87	-102

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 the paragraph of the press release on “World refined copper balance”.