



## Copper Market Forecast 2019/2020

The International Copper Study Group (ICSG) met in Lisbon, Portugal on 22-23 October 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 an increase of 2.5% in 2018, world mine production, adjusted for historical disruption factors, is expected to decline by about 0.5% in 2019 and then to grow by around 2% in 2020:**

- World mine production increased by 2.5% in 2018 mainly due an unusually low rate of overall supply disruptions.
- However, this year production has been significantly constrained by unforeseen disruptions in Africa and an anticipated sharp decline in output in Indonesia as the transition of the country's major two mines to different ore zones has resulted in temporarily reduced output levels.
- The Group's forecast for African mine and refined production is significantly lower than its April forecast as a consequence of recent announcements regarding suspensions at SX-EW mines, reductions in planned production and temporary smelter shutdowns.
- In addition, production growth in some major producing countries including Chile, the United States and Peru has been limited by declining ore grades and other disruptions.
- Increased production from new mine projects including Cobre de Panama in Panama, the Toquepala expansion in Peru as well as rises resulting from a recovery from constrained output in 2018 will only partially offset the aforementioned declines.
- In 2020, additional supply, mainly resulting from the ramp-up of recently commissioned mines together with a recovery in Indonesian output and improved production in Africa should support growth of about 2% (adjusted for possible supply disruptions)
- In 2021, growth may be above 2% but will depend on currently committed projects starting on schedule.

**World refined production is expected to increase by about 0.5% in 2019 and around 4% in 2020 respectively:**

- In 2019, global refined copper production growth has been significantly constrained by an unusually high number of smelter disruptions and temporary shutdowns for technical upgrades/modernizations. This has resulted in significant declines in planned output in Chile, the DRC and Zambia as well as reductions in the EU, Japan, India and the United States. The reductions in the DRC have been at SX-EW mines and therefore have had a direct negative impact on refined production (electrowinning).
- Continued expanded refinery capacity in China, and to a lesser extent the recovery from 2018 operational issues/maintenance at smelters in Australia, Brazil, Indonesia, Poland will more than offset declines in other countries, with world refined production expected to grow by a modest 0.5% in 2019. On an ex-China's basis, world refined production is expected to decline by 2.5%.
- A rise of around 4% is expected in world refined production in 2020 based on capacity expansion in China, improvements in Africa and a return to full capacity of numerous smelters/refineries affected by operational issues this year.
- The 4% growth expected for 2020 is higher than that put forward by the Group in April. This is mainly due to the fact that planned electrolytic refined production is not expected to be limited by tightness in the availability of concentrates as much as previously anticipated.
- After a small decline in 2018, world secondary production from scrap is expected to rise by a small amount in both 2019 and 2020.

**World apparent refined usage is expected to increase by around 0.3% in 2019 and about 1.7% 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.
- In 2019, world refined usage has been impacted by lower than expected growth in Chinese demand and by a significant decline in EU usage.
- Although underlying "real" demand growth in China is estimated by some analysts to be around 1.5% in 2019, Chinese apparent demand is predicted to rise by only 1% as it has been impacted by a decline in net refined copper imports. In 2020, growth of around 1% is forecast for both apparent and real usage.
- EU usage is significantly lower than previously anticipated due to a weaker economic environment negatively affecting different end-use sectors combined with the dampening effect on cathode demand of good scrap availability. Recovery of 1.5% is expected in 2020.
- The outlook for Japan remains sluggish and demand in the United States continues to rise this year but levelling off in 2020.

**World refined copper balance projections indicate a deficit of about 320,000 t in 2019 and a surplus of about 280,000t for 2020:**

- 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.
- Market developments since ICSG April forecast have led to revisions in predictions for supply and demand and therefore in the market balance. Current ICSG projections are for a deficit of about 320,000 metric tonnes (t) in 2019, compared to a deficit of 190,000 t foreseen at its April 2019 meeting. For 2020, the Group now forecasts a surplus of 280,000 t compared to the deficit of 250,000 t put forward at its April meeting.

### Next Meetings of ICSG

The next Meetings of the International Copper Study Group will be held in Lisbon, Portugal in the period 23-24 April 2020 (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	MINE PRODUCTION			REFINED PRODUCTION			REFINED USAGE		
('000 t Cu)	2018	2019	2020	2018	2019	2020	2018	2019	2020
Africa	2,223	2,187	2,322	1,436	1,376	1,429	203	189	204
N.America	2,542	2,603	2,650	1,816	1,768	1,865	2,355	2,401	2,416
Latin America	8,694	8,848	9,418	2,975	2,737	3,065	448	452	471
Asean-10 / Oceania	2,047	1,812	1,974	1,068	1,179	1,201	1,192	1,211	1,245
Asia ex Asean/CIS	2,379	2,397	2,474	12,390	12,803	13,507	16,033	16,241	16,487
Asia-CIS	875	869	900	459	453	460	106	106	106
EU	911	867	879	2,699	2,682	2,783	3,279	3,116	3,159
Europe Others	904	920	956	1,255	1,256	1,269	885	855	911
<b>TOTAL</b>	20,575	20,504	21,572	24,098	24,254	25,578	24,502	24,570	25,000
<b>World adjusted 1/ 2/</b>	20,575	20,483	20,921	24,098	24,250	25,281	24,502	24,570	25,000
% change	2.5%	-0.4%	2.1%	2.4%	0.6%	4.2%	3.3%	0.3%	1.7%
<b>World Refined Balance (China apparant usage basis)</b>							<b>-404</b>	<b>-320</b>	<b>281</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.