

Copper: 2024's "Bad Year" Disappears

Bottom Line:

It is strange to think that only two months have passed since LME Week, where expectations for 2024's copper market were decidedly downbeat. Since then, we have had the return of supply disruption plus maiden guidance from a number of producers coming in lower than our previous expectations. Meanwhile, China's 2024 copper demand is looking more robust, with grid and energy transition related areas continuing to see strong investment. We have taken the opportunity to refresh our copper supply-demand balance, which shows the expected 2024 inventory build has now disappeared.

Key Points

2024 was meant to be challenging for copper. It was the year when the triumvirate of large mine ramp-ups—Kamoa-Kakula, Quellaveco and QB2—were at full capacity, and would be joined by new supply from Russia and the DRC as the year progressed. Meanwhile, China's property completions are set to slow. It is fair to say these fundamental factors are still in place, but the [anticipated large surplus](#) they were expected to drive (BMO expected 2024 surplus in October ~170kt, industry consultants 300-400kt) no longer holds.

Existing mines the problem again. We have added up the reductions in 2024 copper guidance relative to our expectations over the past few weeks, and we are now north of 750kt, or 3% of global copper supply. Partly this has been from guidance downgrades, with as an example [Anglo American](#) last Friday dropping estimates by ~195kt for next year owing to geotechnical faults and ore hardness. The other element has been the effective removal of Cobre Panama from the model for 2024, though currently we have this returning in 2025.

Dealing with disruption. Modelling copper involves a large number of factors, many of which are inherently linked. We had been running a higher than normal disruption allowance for 2024 to deal with likely Cobre Panama problems, and have naturally reduced the excess with the mine now out of the model. At >1Mt, the disruption allowance for 2024 is high relative to any expected balance, as is always the case at this time of year.

Concentrate deficit now expected. The biggest shift in balance has been for the concentrate market, which we now see in a 75kt (copper contained) deficit for 2024, from a ~200kt surplus previously. This could see further falls in spot TCRCs into early 2024, and increased pressure on smelter profitability.

China up, ex-China down for demand. We are slightly more confident in China's potential grid spending next year, and have thus upped our expected refined 2024 demand growth from 1.9% to 2.2%. We have also removed 100kt of modelled SRB purchases. However, we now model y/y declines for the U.S. and Europe. Global copper demand is expected to grow 1.8%, slightly better than the current year but still sub-trend.

A balanced market in a 'bad year'. We now model the refined market as essentially balanced in 2024 (18kt deficit) with <100kt surpluses in 2025 and 2026. This leaves inventory cover extremely low, which should keep copper at a premium to the cost curve. Further out, we have to [constrain potential demand](#) growth via thriftiness and substitution due to a lack of available supply.

Page 2 of this report shows our new summary copper supply-demand table.

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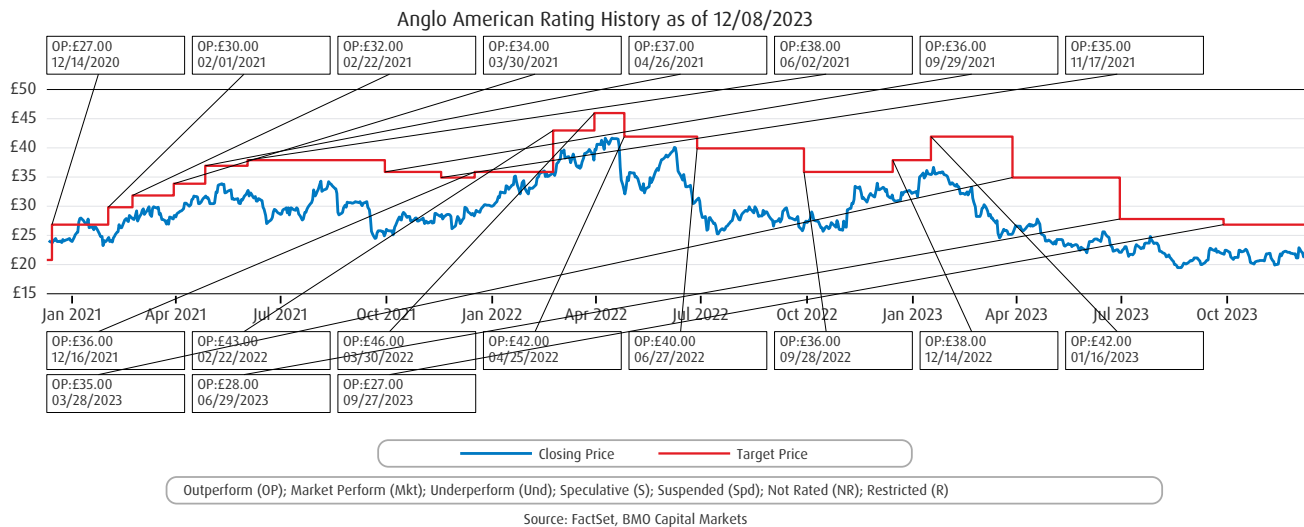


Glossary

BMO Copper Supply-Demand Balance

Supply			2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
	Chile	kt Cu	5660	5376	5309	5475	5728	5724	5643	5387
	Peru	kt Cu	2282	2415	2640	2641	2592	2427	2295	2338
	United States	kt Cu	1264	1261	1238	1287	1294	1308	1255	1206
	China	kt Cu	1792	1930	2062	2005	1980	1995	1971	1932
	Australia	kt Cu	805	831	812	791	747	739	643	641
	Indonesia	kt Cu	753	967	949	915	857	817	858	891
	DRC	kt Cu	2014	2438	2679	2819	3004	3101	3112	3122
	Zambia	kt Cu	828	794	811	790	841	968	973	956
	Russia	kt Cu	862	942	960	918	1026	1005	986	984
	RoW	kt Cu	5129	5142	5435	5404	5814	5974	5660	5710
Disruption Allowance	Global	kt		0	0	-1253	-1592	-1678	-1562	-1397
Project Allowance	Global	kt	0	0		12	119	429	837	1358
Total Mine Supply	Global	kt Cu	21390	22095	22895	23058	24000	24486	24231	24524
	y/y change	%	2.3%	3.3%	3.6%	0.7%	4.1%	2.0%	-1.0%	1.2%
Supply	China	kt Cu	9342	9710	10570	10791	11285	11821	12040	12040
Supply	RoW	kt Cu	11521	11683	11578	11693	12128	12226	12242	12476
Total Smelter Supply	Global	kt Cu	20863	21393	22149	22484	23413	24047	24282	24516
	y/y change	%	2.9%	2.5%	3.5%	1.5%	4.1%	2.7%	1.0%	1.0%
Concentrate Requirement	Global	kt Cu	18064	18543	19213	19558	20465	21018	21160	21301
Available Concentrate	Global	kt Cu	17943	18435	19238	19483	20460	20983	20886	21321
Concentrate Balance	Global	kt Cu	-122	-108	24	-75	-5	-36	-274	20
Total Refined Supply	Global	kt	24760	25305	25850	26125	27018	27681	27883	28050
	y/y change	%	1.6%	2.2%	2.2%	1.1%	3.4%	2.5%	0.7%	0.6%
Refined Demand	China	kt	13933	14323	14824	15150	15605	15917	16076	15996
Refined Demand	Japan	kt	918	907	862	888	906	924	933	942
Refined Demand	India	kt	533	645	706	766	824	886	952	1014
Refined Demand	Other Asia	kt	2318	2341	2306	2369	2440	2537	2639	2723
Refined Demand	United States	kt	1773	1791	1782	1773	1826	1872	1900	1928
Refined Demand	Europe	kt	3601	3457	3319	3269	3335	3385	3435	3487
Refined Demand	RoW	kt	2072	1951	1871	1927	1985	2062	2137	2205
Total Refined Demand	Global	kt	25149	25416	25671	26143	26920	27582	28072	28295
Strategic Stock Change	SRB	kt	-120		120	0	0	0	-100	-100
Surplus (Deficit)	Global	kt	-269	-111	59	-18	98	99	-89	-145
Global Inventory	Global	kt	1141	1031	1090	1072	1171	1269	1180	1035
Reported Stocks	Global	Days	17	15	15	15	16	17	15	13

Source: ICSG, BMO Capital Markets



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