

Copper outlook dim on slack demand

NOT ALL ROSES. Analysts sceptical on the metal's prospects despite prices rebounding from 6-month low

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Though copper prices have rebounded by 5.5 per cent from a six-month low of \$7,899 a tonne, copper outlook for 2023 is tinged with skepticism. Two weeks ago, Goldman Sachs cut its copper price forecast to \$8,698 from \$9,750 amid slowdown in manufacturing in western nations. The metal's prices "reflect the global recession," it said.

Goldman's views came just ahead of the red metal's decline to its lowest in six months. Citibank sees copper prices dropping to \$8,000 in three months.

Copper dropped to a six-month low on May 24 before climbing its way up to \$8,335 on the London Metal Exchange (LME) on Monday.

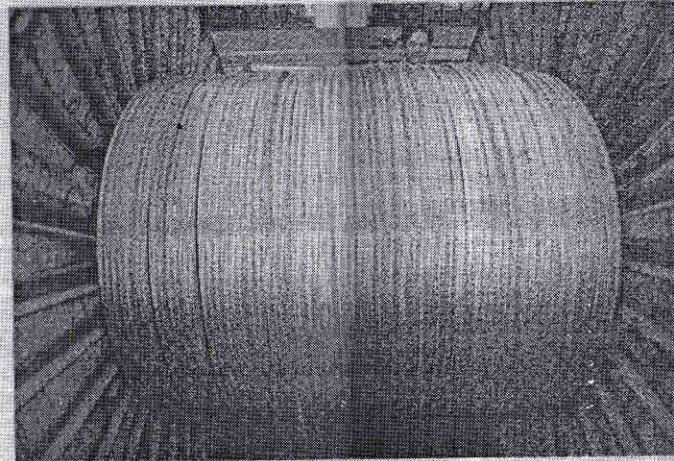
RECESSION RISKS

Last week, China metal information network Antaika said copper prices are set to fall to \$7,000 in the second

half of 2023 due to slack demand growth, rising recession risks. Except for air conditioners and solar power, demand in all sectors are subdued, it said.

ING Think, the financial and economic analysis wing of Dutch multinational financial services firm ING, said one reason for copper's decline is that the Chinese demand recovery continues to disappoint. "Rising exchange inventories will also not be helping — LME stocks have almost doubled in the past month... Clearly, concerns over a tight copper market are disappearing," it said.

Besides, the latest monthly update from the International Copper Study Group (ICSG) shows that the global copper market remained almost balanced with a marginal surplus of 2,000 tonnes in March. "As a result, the ICSG estimates an apparent surplus of 3,32,000 tonnes in the first quarter of the year, up from a marginal surplus of 8,000 tonnes during the same



GLOOMY PROJECTIONS. Two weeks ago, Goldman Sachs cut its copper price forecast to \$8,698 from \$9,750 amid slowdown in manufacturing in western nations. REUTERS

period last year," ING Think said.

MULTIPLE PRESSURE

Global mine and refined copper production increased by 2.2 per cent year-on-year (y-o-y) and 7.5 per cent y-o-y respectively, while overall apparent refined demand increased by 2.3 per cent y-o-y in the first quarter, it said.

Research agency BMI, a

unit of Fitch Solutions, said copper is being pressured from multiple angles. "On the one hand, there is weak Mainland Chinese physical demand as well as poor speculative demand. On the other hand, there is the alleviation of supply issues in key producing nations in Latin America," it said.

This has led to a sharp rise in inventories, with LME copper inventories

hovering around an annual high of 96,400 tonnes on May 24, up from the year-to-date low of 34,400 seen on April 5, BMI said.

GROWTH BY 2040

Earlier this year, commodities trading giant Trafigura said copper prices could hit record highs in 12 months, citing a rebound in the Chinese economy and supply shortages. Kostas Bintas, co-head of Trafigura's metals and minerals division, said prices could rise to an all-time high of \$10,845 and could even exceed \$12,000. The projections are based on the demand for copper to meet net-zero emissions by 2050.

BloombergNEF has predicted that demand for copper will grow by 53 per cent by 2040, but mine supply will only increase by 16 per cent.

Goldman Sachs said it still expects its 12-month price target of \$10,000/mt for copper to "eventually materialise".