

# Copper will likely rule at elevated levels in 2023

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Copper prices are expected to rule at elevated levels this year despite a dip during the Chinese Lunar New Year holidays. Global political unrest could result in further upside for the red metal faces significant risks, analysts say.

According to Shanghai Metal Market (SMM) News, Chinese copper cathode production in January was 41,700 tonnes lower than the expected 8.95 lakh tonnes output — down 1.9 per cent from December.

This month, based on production schedules, the output is expected to be 5.39 per cent higher month-on-month at 8.99 lakh tonnes.

## RECOVERY HOPES

"We expect copper prices to remain elevated in 2023, averaging \$8,500/tonne. Copper prices had rallied in recent weeks following



**RED HOT.** Increase in demand after removal of Covid curbs by China, and political unrest may buoy the base metal

Mainland China's pivot away from its zero-Covid strategy," said Fitch Solutions Country Risk And Industry Research, a unit of Fitch Group.

After rising to \$9,430 on January 18 though prices cooled, Fitch Solutions said it was "optimistic about a recovery of copper demand from Mainland China in the coming months". Currently, the 3-month copper futures contract is ruling at

\$8,892.50 a tonne and the price for cash delivery is \$9,005.50. The base metal prices are recovering after having dropped to \$8,863 on February 7.

## INVENTORY BUILD-UP

The Trading Economics website said the latest data point to a bigger-than-usual inventory build-up in China over the Lunar New Year holiday. Copper inventories in SHFE warehouses jumped by

61.8 per cent since January 20 to 226,509 tonnes on February 3, despite lower imports.

SMM News said domestic consumption in China is expected to recover gradually with the Covid curbs being relaxed. A series of support policies announced at the end of 2022 will help prop up demand.

The improvement in Chinese consumption this year will keep copper prices at a higher level, while high prices might hit the offtake. "In other words, the actual terminal consumption is of ultimate concern," it said.

## SUPPLY UNDER STRESS

Fitch Solutions said China's growth is expected to be 5 per cent in 2023 and this could result in high demand for the red metal and support for prices.

On the other hand, copper supply is under stress particularly due to political development in Peru, where the Las Bambas mine halted pro-

duction on February 1. The mine accounts for 2 per cent of the metal worldwide and had been operating at a reduced rate since December 7.

"We expect social unrest in Latin America to remain a near-term threat to copper production as mining operations are disrupted. Increasing government intervention in mining operations also creates uncertainty over the region's production outlook," Fitch Solutions said.

ING Think, the financial and economic analysis wing of Dutch multinational financial services firm ING, said First Quantum Minerals has suspended loading operations at the Cobre Panama port after it failed to reach an agreement over tax payments with the government.

Fitch Solutions said: "The combination of a faster-than-expected recovery in Chinese demand and a fall in Latin American supply amidst low inventories could drive copper prices higher than our current forecast."