

Monthly Base Metal Output Forecast

Issue 3 | July 6, 2018

000 tonnes	June	YoY%	MoM%	Jan-June	YoY%	July Forecast	Implied MoM%
Refined Copper	723	10.5%	-3.3%	4,326	12.9%	713	-1.3%
Alumina	5,966	5.4%	-1.5%	34,352	2.0%	6,010	0.7%
Primary Aluminium	3,021	-2.3%	-1.7%	17,809	-2.7%	3,125	3.4%
Primary Lead	220	-0.8%	-12.2%	1,367	-1.3%	258	17.3%
Refined Zinc	430	-7.1%	1.6%	2,692	4.2%	419	-2.6%
Refined Nickel	12	-0.7%	-2.5%	71	-2.6%	12	3.4%
NPI	33	5.4%	-10.7%	221	16.8%	35	5.4%
Refined Tin	12	-21.0%	-16.6%	79	-10.8%	12	0.0%

Supply of most base metals to grow as environmental probes end

Production of most base metals was affected in June by the central government's environmental reviews. We see increases in the output of these metals in July from June as the inspections are expected to come to an end in early July. SMM forecasts the output of aluminium and alumina to come in at 3.13 million mt and 6.01 million mt in July, respectively, up 3.4% and 0.7% month on month. Production of nickel and lead are expected at 12,000 mt and 258,000 mt, up 3.4% and 17.3% from the previous month.

Slumping copper and zinc prices deter smelters' resumption

Resumption progress at domestic copper and zinc smelters slowed down as their profits narrowed on dipping prices of the metals. Some zinc smelters held discussions about potentially cutting production by 10% as a result. As of Friday July 6, prices of 3 month LME copper and zinc fell 8.91% and 12.57%, respectively, from the start of June. Output of copper and zinc are expected at 713,000 mt and 419,000 mt in July, down 1.3% and 2.6% on the month. While copper price is seen facing pressure from macroeconomic development, zinc price will be weighed down by high inventory at bonded areas. Further pressure is seen on zinc as overseas concentrate supply is likely to grow in the second half of the year on mines' resumption. As of July 6, zinc inventory at bonded areas stood at 176,000 mt, up 76% year on year.

Weakening demand to weigh on prices of base metals

The composite purchasing managers' index (PMI) for base metals' downstream sectors went down 4.39 from May to 46.57 in June. We see demand continue to weaken in July amid a seasonal lull. Prices of base metals are likely to face pressure in July with growing supply and weakening demand, SMM expects.

Chart 1: Refined Copper

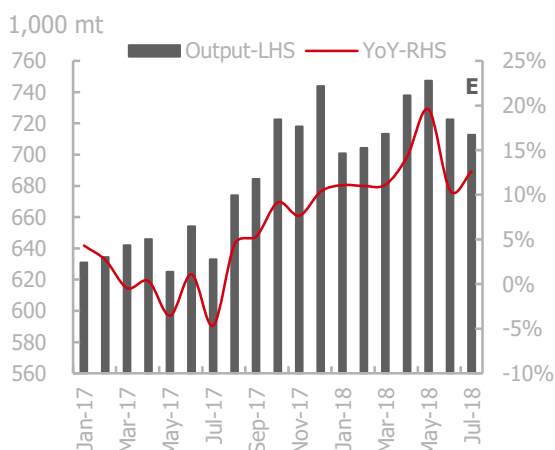


Chart 2: Refined Nickel

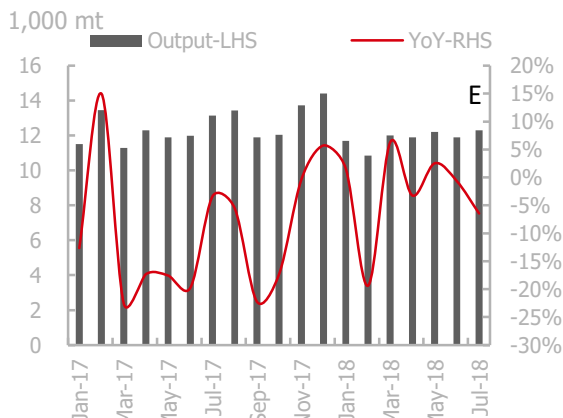


Chart 3: Primary Aluminium

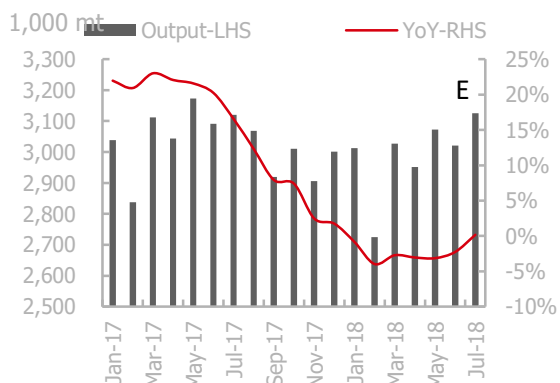


Chart 4: Alumina

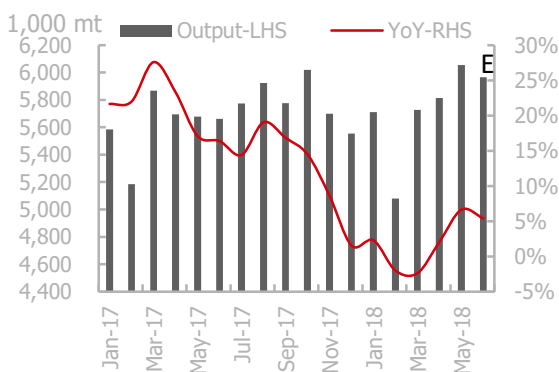


Chart 5: Refined Zinc

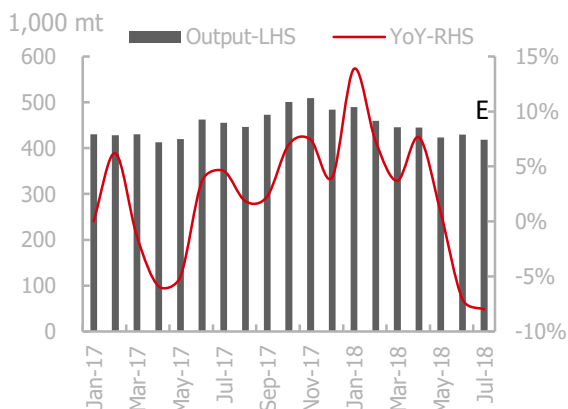
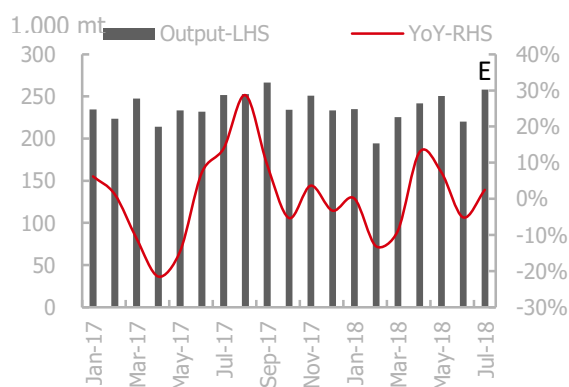


Chart 6: Primary Lead



Source: SMM

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