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Copper Prices Climb to Highest Level in 4 Years

Metal set to end the year up 39%, boosted by robust demand in China

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Copper prices continued their march higher on Thursday, rallying to their highest level in almost four years and putting the metal on track for its best year since 2010, in a welcome development for some of the world's largest mining companies following years of oversupply.

The red metal is set to end the year up more than 30 per cent, helped by strong global economic growth and robust demand in China, the world's biggest consumer. Copper has become a favourite metal for global mining companies such as Glencore and Rio Tinto, which now forecast a lack of supply by the end of the decade as old mines come to the end of their lives and are not replaced.

Demand for the metal is also expected to increase from a buildout of charging networks required for electric cars and integration of renewable energy from the wind and sun. Copper staged a spectacular rally to more than $10,000 a tonne in early 2011 after China launched a huge stimulus package following the financial crisis. It then crashed to just over $4,000 a tonne in early 2016, as new copper projects came to fruition and demand weakened, causing analysts to forecast a "wall of supply".

This year, however, copper prices have clawed their way back up to more than $7,000 a tonne. On Thursday they hit $7,312 a tonne, the highest level since January 2014. Shares of miners Glencore and Anglo American rose on the news, with shares up more 2 per cent this week. The immediate move higher was sparked by the release of China's import data on Wednesday, which showed that imports of refined copper jumped 19 per cent to 329,168 tonnes in November. That highlighted strong demand in the country, following a lacklustre October. Analysts said imports of refined copper could continue higher following a crackdown by Chinese authorities on imports of scrap copper over the past few months.

“The move could result in even higher quantities of concentrates and refined metal being imported,” according to Edward Meir, an analyst at INTL FCStone. Rumours also circulated that China’s largest producer, Jiangxi Copper, had been forced to cut production as part of the country’s crackdown on pollution. But the company said in a statement that it had received no such order. Longer-term miners and analysts expect a deficit in the copper market to emerge by the end of the decade, following reduced spending on new projects. Analysts at BMO Capital Markets say the deficit could start to emerge as soon as the middle of 2019. “This is the point when any mine supply deficit is likely to lead to sustained outperformance,” they said this month.

Higher copper prices are also likely to lead to calls for a greater share of the wealth from miners in Chile and Peru, which could also halt supply to the market. Analysts at Citibank estimate that nearly 30 labour contract negotiations are set to take place in copper mining countries next year, potentially affecting 25 per cent of global mine supply.