

Commodities

Copper prices to remain high on supply deficit: Care Ratings

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The on-going copper concentrate supply issues and strong demand, particularly in China, is expected to hold copper prices on the higher side over the next quarter before the supply issues are resolved.

A strong rally in copper prices was witnessed in the second half of last year and touched nine year high in January on the back global economic recovery as vaccine roll-out has begun in several developed economies. Stocks at LME have fallen to multi-year low level of 74,000 tonnes last December.

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**Budget****'Every number in this budget has been vetted for being achievable'**

Refined copper prices are expected to average \$6,500-6,800 a tonne in this fiscal against \$5,923 in FY20.

India shall continue to be a net importer of copper, pending the resumption of Vedanta's 4 lakh tonnes per annum copper smelting facility.

Demand for copper from renewable sector is growing as new power generation capacity addition renewable energy. 7 GW of renewable energy generation capacity has been added between last April and October against 2.2 GW of conventional energy, said Care Ratings.

"We expect copper demand to remain robust driven by renewable energy projects, transmission towers, government spending on low cost housing and rural infrastructure development projects," it added.

Refined copper production fell by 24 per cent to 2.32 lakh tonnes in first three quarters of this fiscal. Sale of copper by-products such as di-ammonium phosphate also witnessed spike due to robust fertiliser sales.

In December quarter, production fell by 30 per cent due to maintenance shutdown undertaken by Hindalco Industries.

Domestic copper industry is operating at almost half of its capacity since the last two financial years due to closure of Vedanta's 4-lakh tonnes copper smelter at Thoothukudi.

LME copper prices touched nine years high in January to average \$7,961 a tonne, the highest since since 2012 due to supply crunch of copper concentrates.

Copper concentrate supply was disrupted due to Covid pandemic related disruptions and adverse weather in Peru, Australia, Mexico and the United States.

World refined copper balance in the first ten months of last year indicates an apparent deficit of about 4.80 lakh tonnes due to a strong Chinese demand. Chinese apparent usage increased by 14 per cent offsetting usage declines in other regions of the world.

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