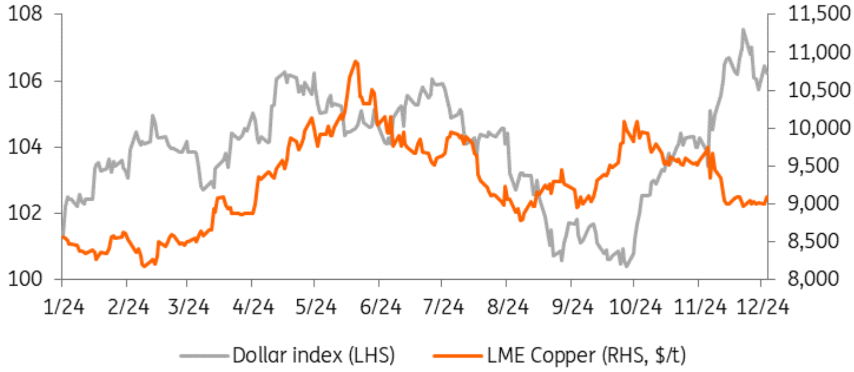
Trump and China add to copper headwinds in 2025

Downside risks for copper have increased, especially following Donald Trump's victory in the US presidential election. We believe that potential US tariffs and a stronger dollar could further depress copper prices, affecting global commodity demand

Copper wire reels at a cable factory

Copper has been under pressure despite Beijing's efforts to boost the economy, with Chinese domestic consumption remaining sluggish amid deflation threats and the prolonged property market crisis. The US election has further complicated the outlook for the metal with a threat of tariffs on Chinese goods looming over the market. The dollar's spike since Trump's presidential win has added to the bearish sentiment in copper and other industrial metals.

Strong dollar weighs on copper



Source: LME, Refinitv, ING Research

China stimulus underwhelms

Beijing has issued a slew of stimulus measures since late September, its largest stimulus package since the Covid-19 pandemic, including interest rate cuts and targeted support for the property sector. The stimulus initially sparked a rally across industrial metals, with copper reaching $10,000/t, but it then slowly ran out of steam, in part due to concerns over a lack of fiscal support from Beijing. The finance ministry's most recent pledges included $1.4 trillion to bail out heavily indebted local governments but stopped short of direct steps to shore up consumer spending.

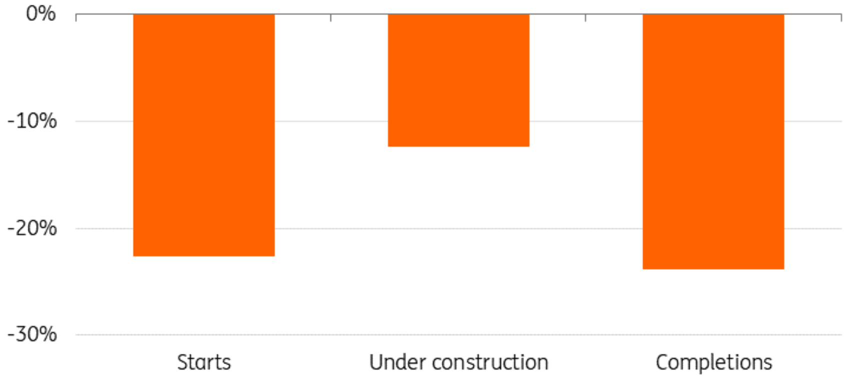
China, the world's biggest consumer of metals, has been a drag on metals demand for more than three years now. A broad economic slowdown and, in particular, the crisis in the property sector has weighed on copper and other industrial metals. We have seen plenty of property support measures this year, but, so far, they have failed to have a meaningful impact on metals demand.

Any sustained pick up in metals prices will depend on the strength and speed of the rollout of the measures.

However, as China's recent stimulus has focussed on clearing property inventories rather than boosting new starts, copper and aluminium are likely to have an advantage over iron ore. Both metals are heavily used in the completion stage when copper wirings and aluminium framings are added. Copper and aluminium are also more heavily used in the green energy sector, including Electric Vehicles (EVs) and renewable energy.

Trump's return to power has also complicated China's efforts to re-energise the economy. However, the prospect of a prolonged trade war has raised expectations for Beijing to unveil more aggressive stimulus measures. Our China economist thinks there may be more stimulus to come once policymakers have more clarity on what a new Trump administration may do next year.

China's property sector remains a drag on copper demand



Source: National Bureau of Statistics, ING Research

Trump's win adds uncertainty

We believe the bulk of Trump's proposed policies will be negative for global metals demand, including copper. Policies, including tax cuts, tariffs, looser regulation and stricter immigration controls, which are inflationary, could limit interest rate cuts from the US Federal Reserve. At the same time, higher rates along with higher tariffs and greater geopolitical uncertainty will push up the dollar, providing headwinds to copper demand.

Our US economist still expects another cut in December but thinks the Fed may choose to pause in January and go more slowly. He expects rates to peak slightly higher than we previously thought, at 3.75%.

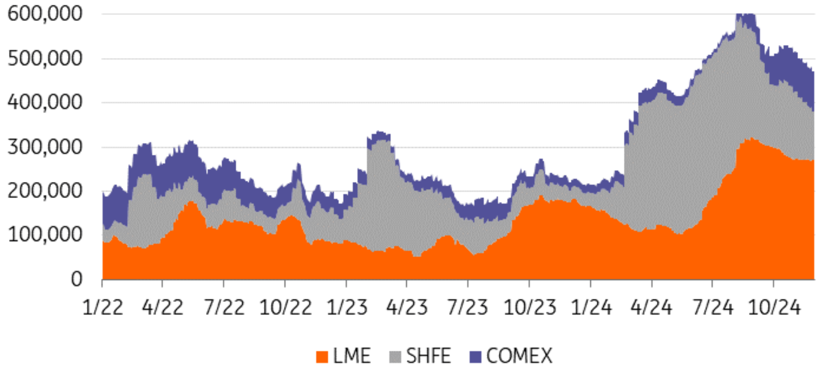
With Trump likely to deprioritise environmental policy, and sustainability and energy transition targets taking a back seat during his term, demand expectations for green energy metals like copper will need to be adjusted. However, we don't expect the Inflation Reduction Act (IRA) to be completely repealed given the economic benefits it has created, particularly in the Republican states. However, we could see a reversal of Biden's EV policy and a cancellation of the nationwide EV production and sales targets, which would negatively impact copper demand.

Global copper stocks remain elevated

Meanwhile, global copper stocks remain elevated, underscoring soft spot demand in China and elsewhere. Global exchange-tracked stockpiles stand at their highest level for this time of year since 2017.

High stockpiles underscore soft spot demand

(tonnes)



Source: LME, SHFE, COMEX, ING Research

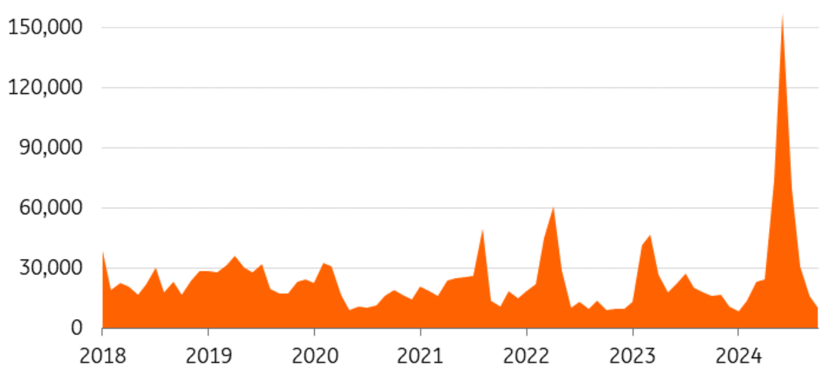
The rise in warehouse stocks has come amid a surge in Chinese exports. China is usually a major net importer of refined copper but at times turns to exports when it is profitable to do so. Exports have jumped to record levels this year as supply from China's smelters expands while demand from manufacturing and construction sectors lag.

However, exports are set to weaken due to higher tariffs and following China's removal of export tax rebates for copper products and other commodities.

We also believe it will take some time for China's demand to align with high exchange stocks due to ongoing strong domestic production. Additionally, high global inventories suggest that the copper market is currently well supplied, making a significant price recovery unlikely in the short term.

China copper exports surged this year

(tonnes)



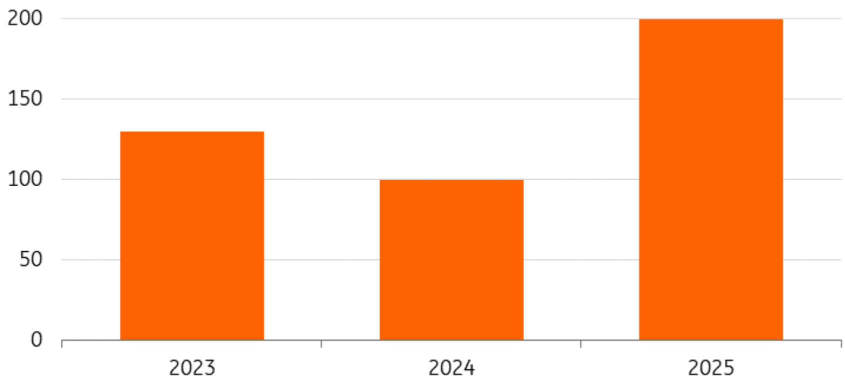
Source: China Customs, ING Research

Refined market to remain in a small surplus

On the supply side, the refined copper market will remain in a surplus next year. Although production will gain from the continued expansion of Chinese capacity and the ramp-up of new smelters and refineries in Indonesia and India, the increase in refined production is expected to be capped by the constrained availability of concentrates. We expect a surplus of around 200k tonnes next year.

Surplus to persist in 2025

Global refined copper balance (kt)



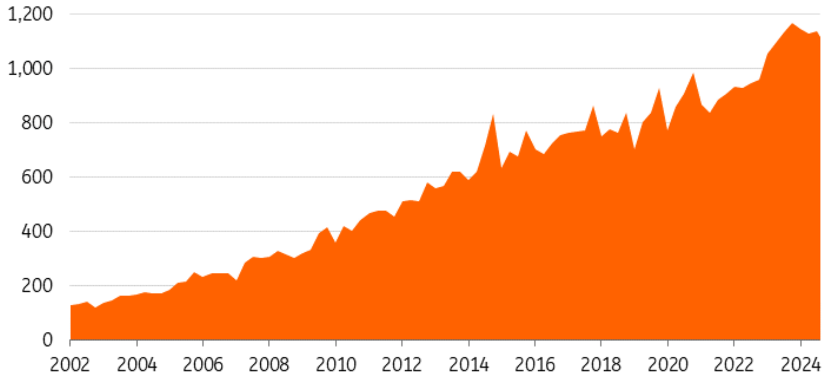
Source: ICSG, WBMS, ING Research

Copper smelters in China have continued to expand capacity despite low profits, heading for another output record this year. Most capacity is state-owned, requiring it to meet growth targets set by local governments despite low processing fees.

China's top copper smelters agreed on price guidance for third-quarter processing charges at $30/t, a sharp cut from the first quarter's $80, and the lowest since at least the third quarter of 2015 – a sign that the copper ore market is tightening as smelters expand. Treatment charges are a key sign of copper's future direction. Meanwhile, spot copper treatment charges in China continue to hover near record lows. The drop in TCs is not only a reflection of the tightening concentrates market but also of a rapid expansion in copper smelter capacities in China.

China refined copper output hits record high

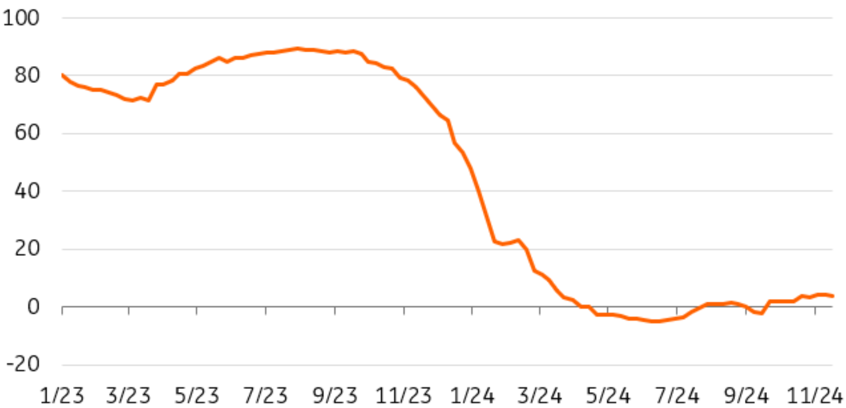
(kt)



Source: National Bureau of Statistics, ING Research

Spot copper concentrates TC sank below zero this year

Copper concentrates TC index, cif Asia Pacific ($/tonne)

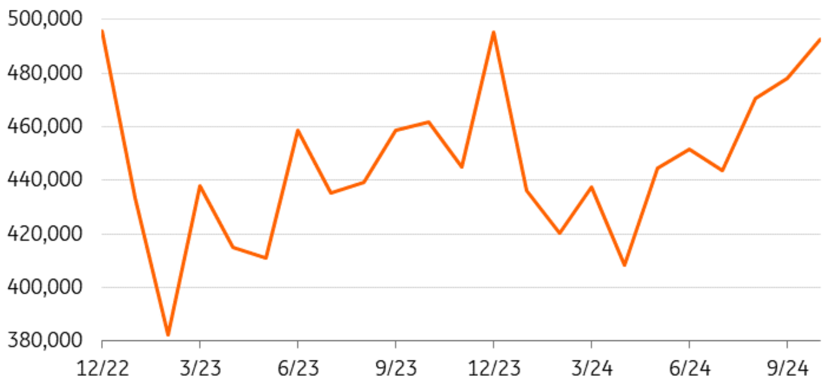


Source: Fastmarkets, ING Research

On the other hand, the concentrates market is set to remain relatively tight in the coming year amid continued smelter project expansions and slow progress in new mines projects. Chile and Peru are the biggest mining countries, but their mines have continued to face ageing issues. However, production in Chile is on the rise after slumping to 20-year lows. The country just recorded its best October copper production since before the Covid-19 pandemic. October's production in the top copper miner was 6.7% higher than the same month last year as mining companies in the country invest in projects to restore ageing operations and combat deteriorating ore quality.

Chile posts best October copper production since 2019

Chile monthly copper output (tonnes)



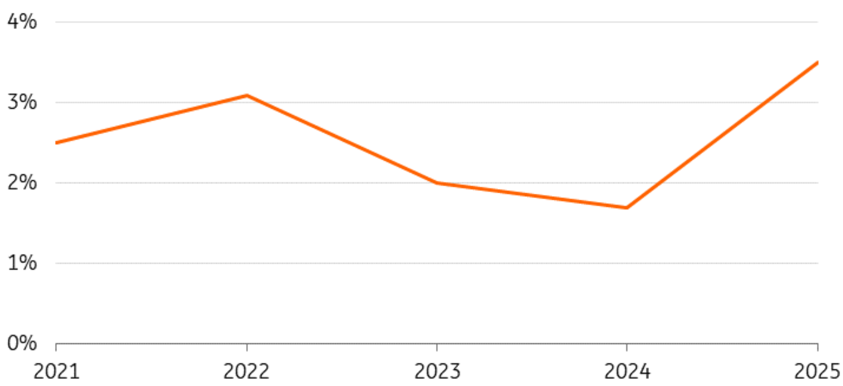
Source: Chile Bureau of Statistics, ING Research

Meanwhile, uncertainty over the potential timing of a restart of mining at Cobre Panama continues to weigh on the supply outlook. The Cobre Panama mine closure removed 330,000 tonnes of copper from global output in 2024. We don't expect a restart until at least the second half of next year. The restart of Cobre Panama provides a downside risk to our price outlook.

World copper mine output is expected to be slightly lower in 2024 (than the 2% growth seen in 2023) at 1.7% (according to the International Copper Study Group). In 2025, growth is expected to be higher at 3.5% with global growth mainly benefitting from a further ramp-up in capacity at mines in the DRC, including Kamoa-Kakula, and in Mongolia (Oyo Tolgoi), as well as from the restart of the Malmyzhskoye mine in Russia. Several expansions and the opening of medium and small mines will also add to production.

World copper mine production will increase in 2025

World copper mine production (% growth)



Source: Fastmarkets, ING Research

Risks remain for copper outlook

With Trump soon back in the White House, the outlook for copper looks more challenging.

Geopolitical tensions, an uncertain path for China's economic recovery (despite the recent stimulus boost) and rising protectionism remain the key downside risks to our copper outlook. We believe copper prices will remain volatile and will continue to be guided by geopolitics and tariffs.

A stronger-than-expected stimulus from Beijing provides an upside risk to our price forecast. A drawdown in warehouse stocks in China due to higher exports ahead of a possible rise in tariffs next year and following the end of the export tax rebate for copper products could provide an upside risk to prices in the first quarter.

We think prices will trend down from there as US tariffs are likely to come into effect from late second quarter and early third quarter. We see an average of $8,900/t in 2025. However, Trump's tariffs could trigger bigger stimulus from China, capping the downside to copper prices next year.

ING forecast

	1Q25	2Q25	3Q25	4Q25	2025
LME Copper (US$/t)	9,100	8,900	8,700	8,900	**8,900**

Source: ING Research

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