
Freeport wary on US copper demand revival

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Reuters reported that the global economic climate is warming but it is too early to see the results in copper demand in Europe and the US, Mr Richard Adkerson CEO of the world's second biggest copper producer Freeport McMoRan Copper and Gold.

Mr Adkerson said that the world's biggest economy looked like it might have a tough Q4 as it contends with slowing commercial real estate construction. The Q4 is a weak quarter seasonally and this one is shaping up to be a weak quarter in the US. The situation hasn't changed in the US or Europe. There are some positive signs. The economic numbers are better, financial markets have opened up but that is yet to translate into demands for copper."

He said that the woes brought on by the collapse in the housing market over the past few years had been tempered by strong commercial construction, but as projects were completed, that support was waning.

He added that for several years we have had issues with residential housing and the automobile industry but until a year ago the market was supported by commercial non-residential construction. The situation today is those projects are being completed but we are not seeing new non residential projects started to any extent at all except some public sector spending as a result of the stimulus, but that's pretty limited.

Mr Adkerson said that residential construction remained weak, although there were signs of bottoming. We are hopeful the stimulus spending, low interest rate environment, all of that works to stimulate consumer spending and fundamental demand. We'll see because we sell half the copper rod to the US market but we are not in position to predict it. And those signs would be amplified as the industry had sold down inventories of products in recent years and would restock once demand picked up.

He said that "The good news story is inventories are very low. When the financial crisis hit our customers were pretty well prepared they had run down their inventories and adjusted their businesses. When recovery does occur, it's likely to see a sharper increase in copper demand than maybe the overall economy."

(Sourced from Reuters)

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