

# China – will demand overwhelm supply?

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# China – will demand overwhelm supply?

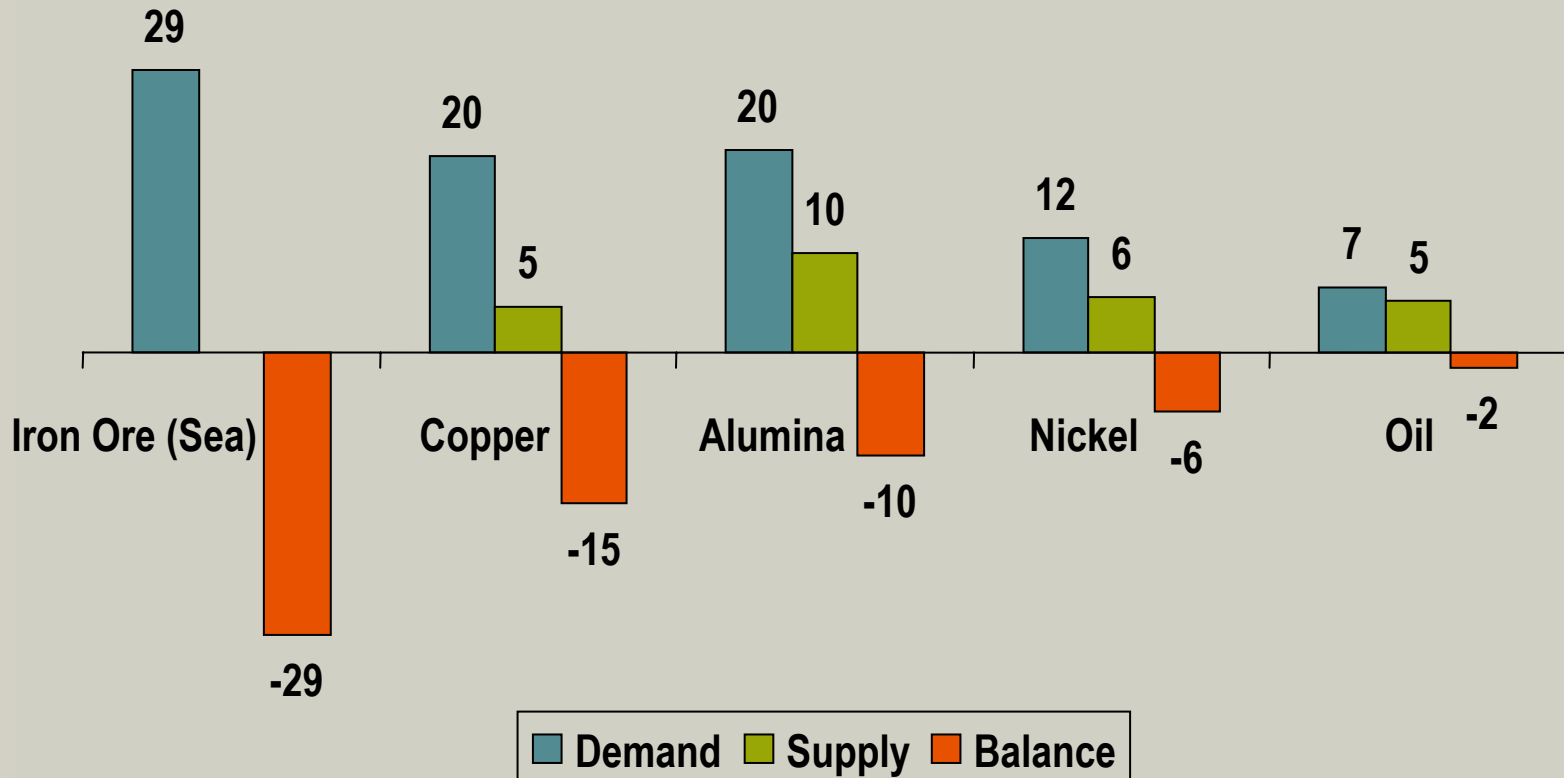
- **We expect China to be a large, sustainable, consumer of imported raw materials**
- **While short term spikes may exist, we expect supply to meet demand**
- **Longer term global power shift should not be ignored when thinking about consumption**

# **We expect China to be a large, sustainable, consumer of imported raw materials**

- **China is a large consumer but short of resources**
- **Consumption, as % of world total doubles each decade**
- **Urbanisation and associated infrastructure is the key driver**
- **Likely resource intensity “maritime” not “export” in style**
- **The growth is not a short term phenomenon**

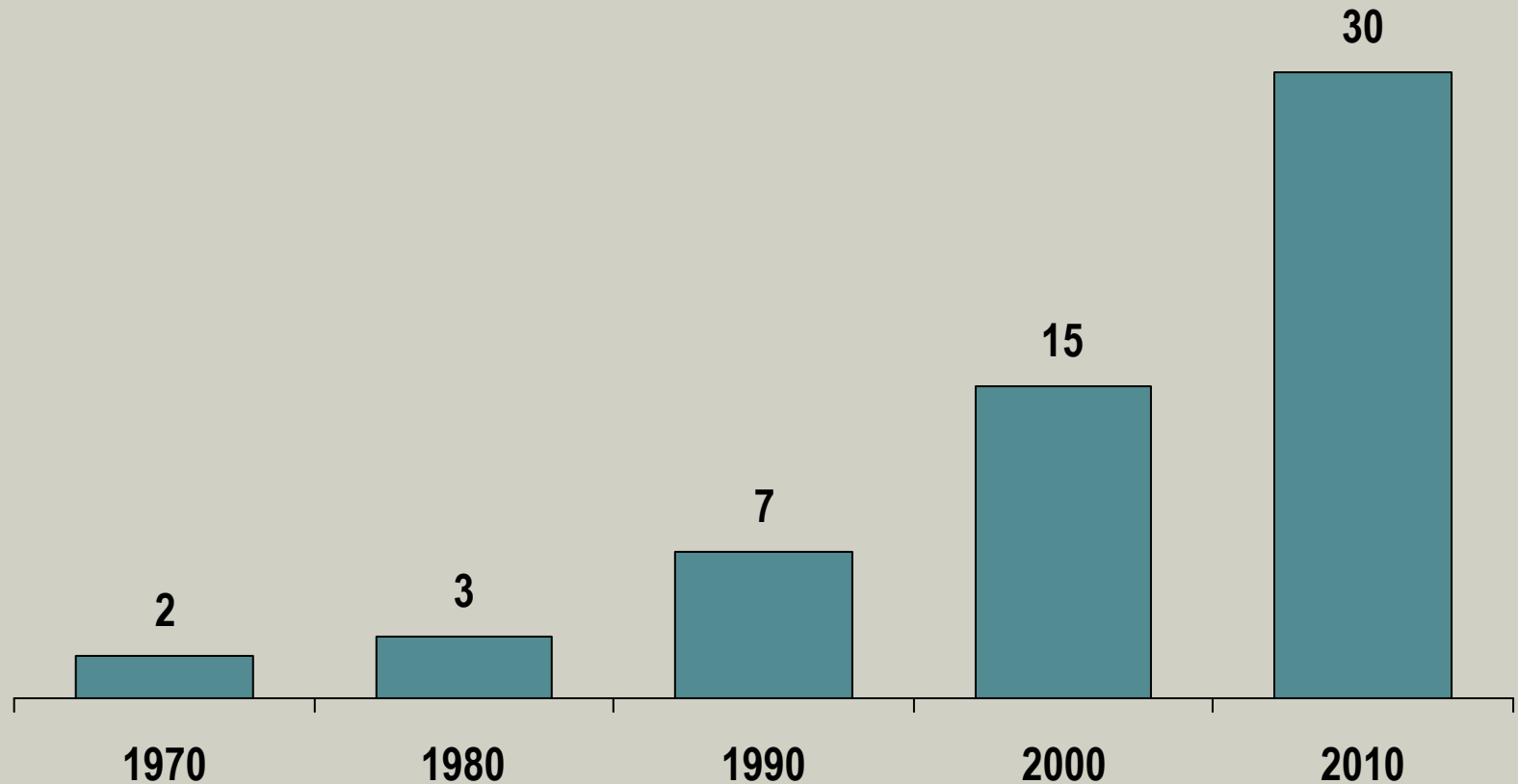
# China is a large consumer but short of resources

China % of world production and consumption 2003



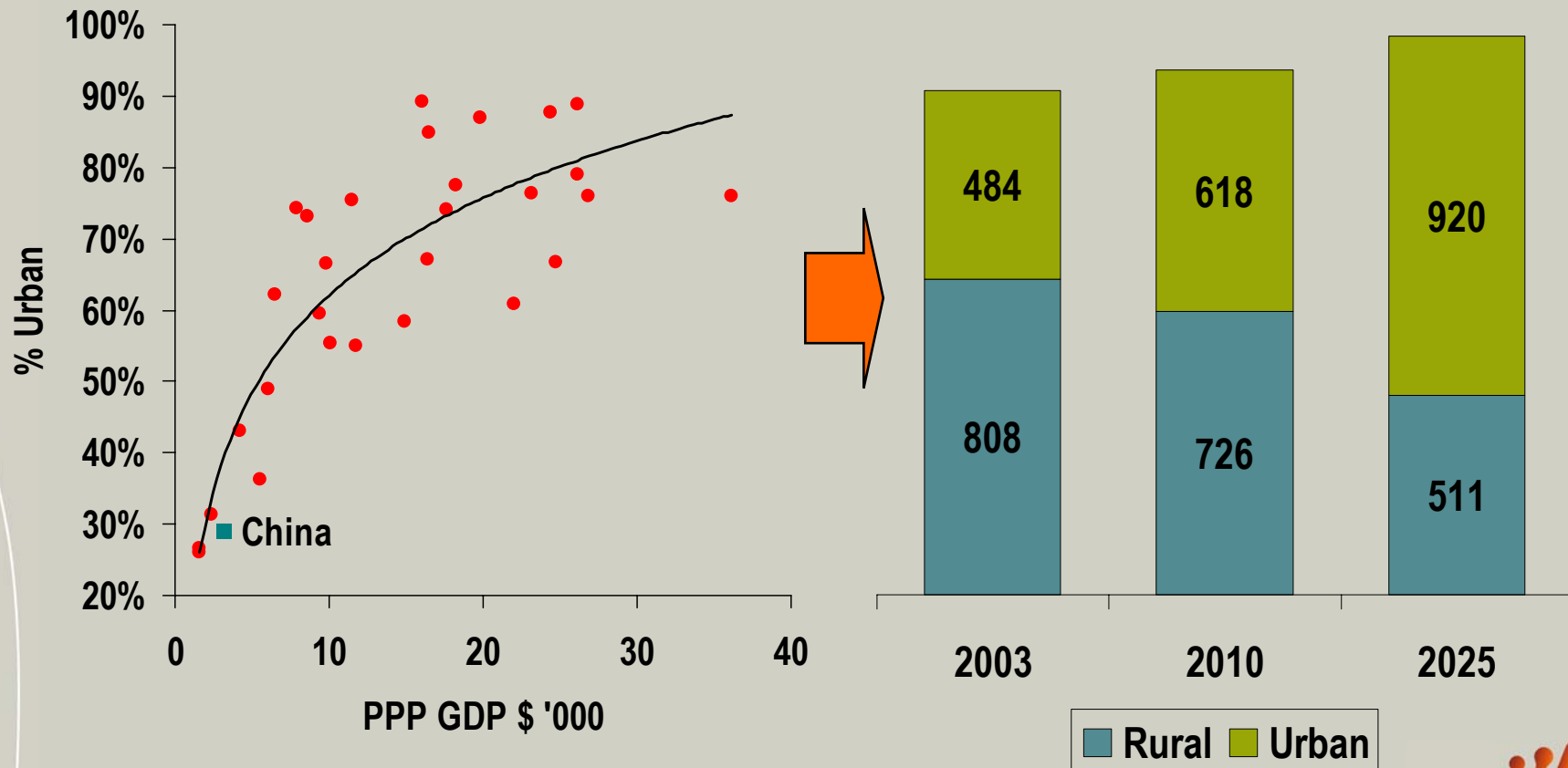
# Consumption, as % of world total doubles each decade

China % of world consumption (Al, Cu, FeOre, Ni)



# Urbanisation and associated infrastructure is the key driver

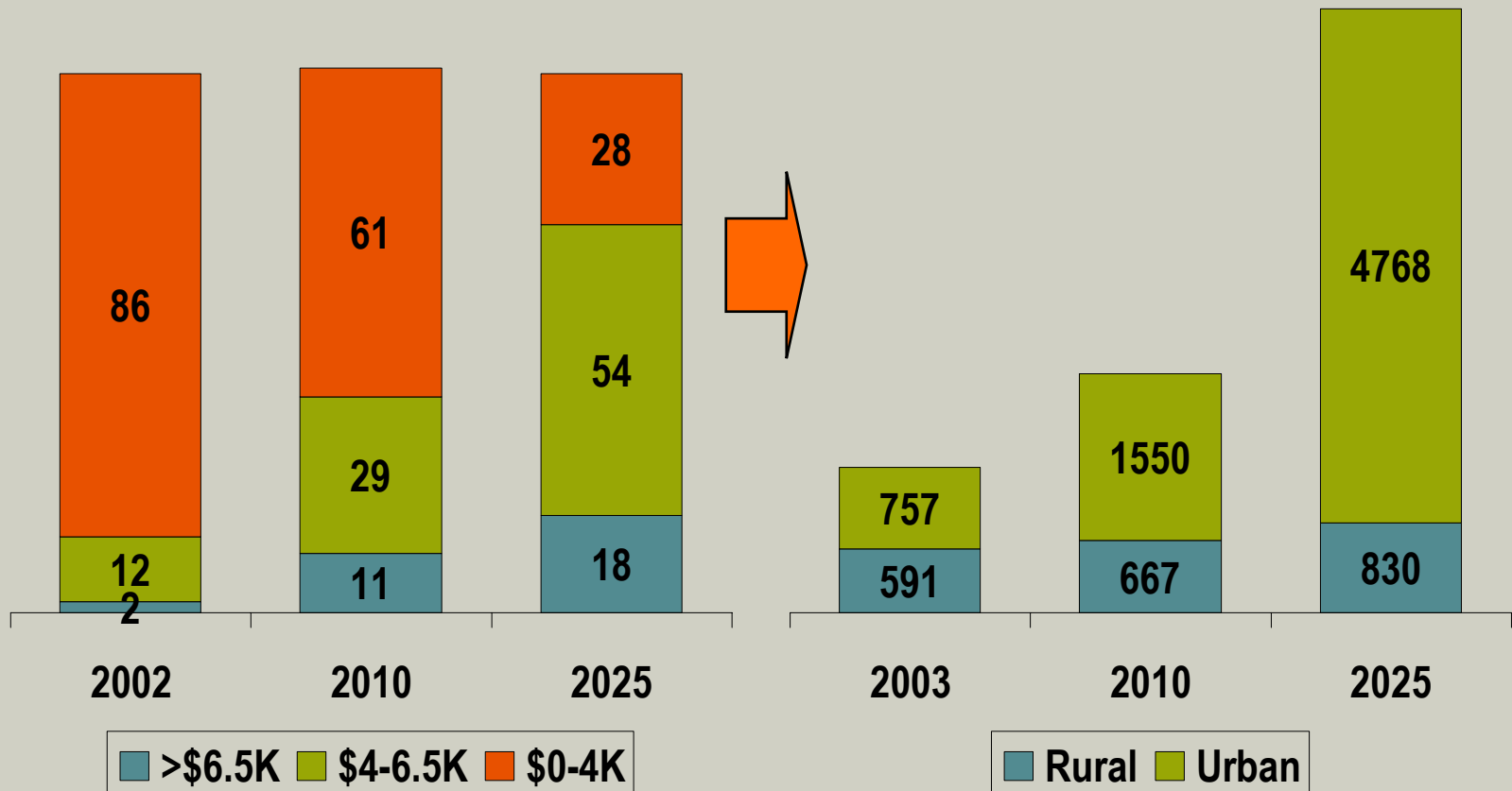
## China urbanisation - %; population in millions



# Urbanisation and associated infrastructure is the key driver

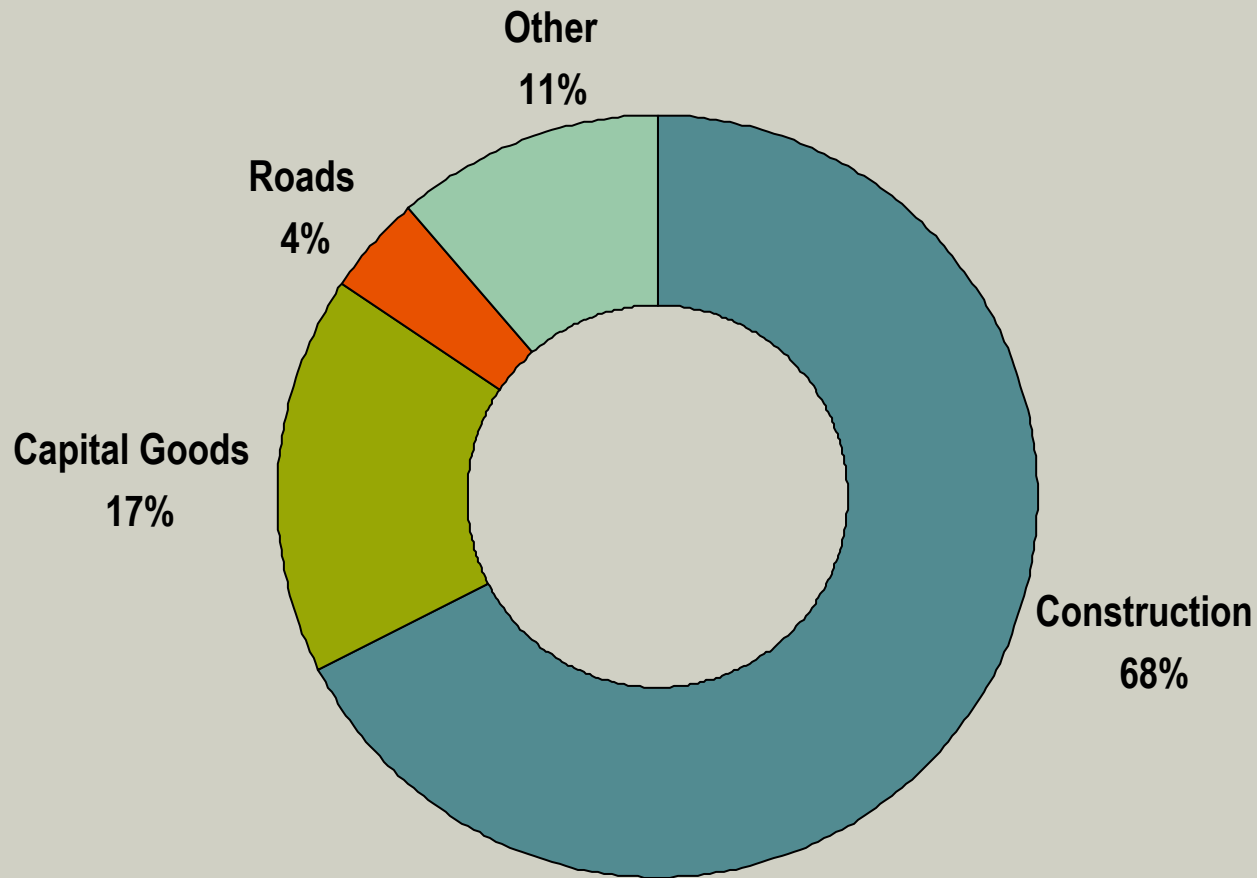
Chinese urbanisation (%) per GDP/capita category

GDP (US\$bn) breakdown



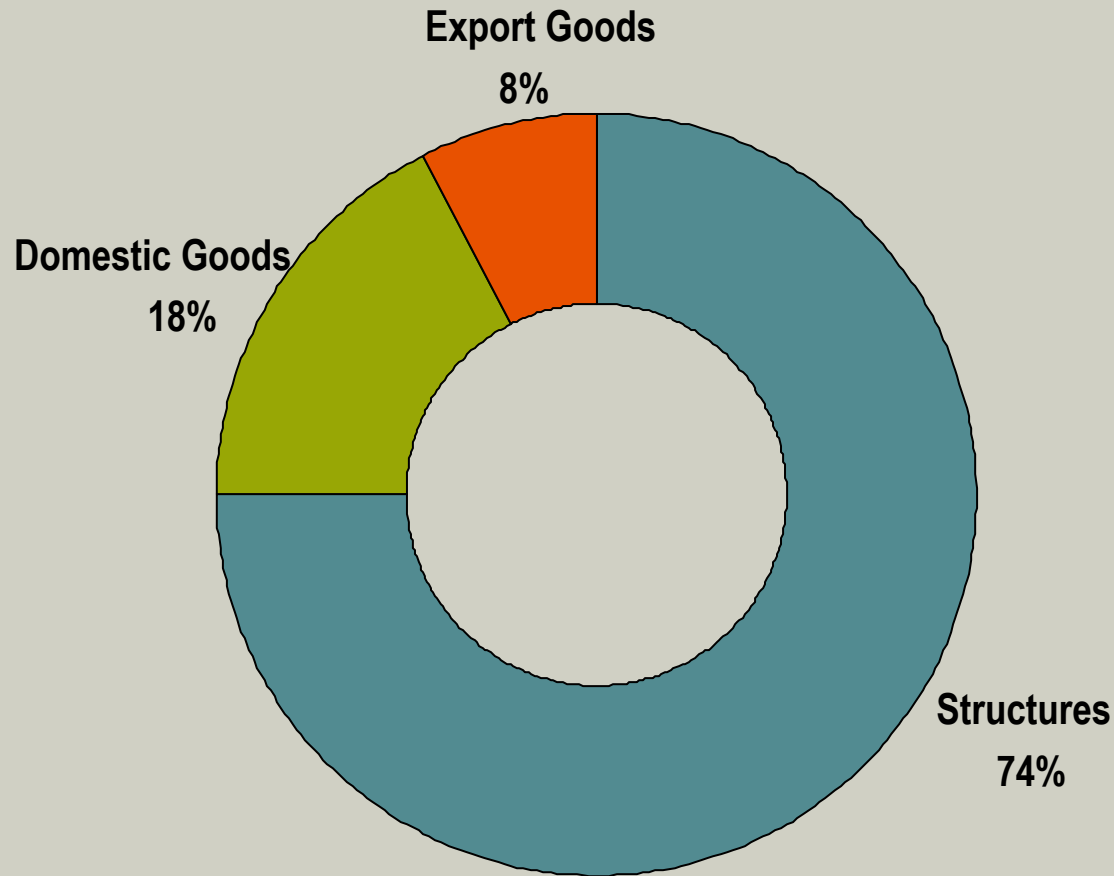
# Likely resource intensity “maritime” not “export” in style

## Chinese steel consumption by category 2003

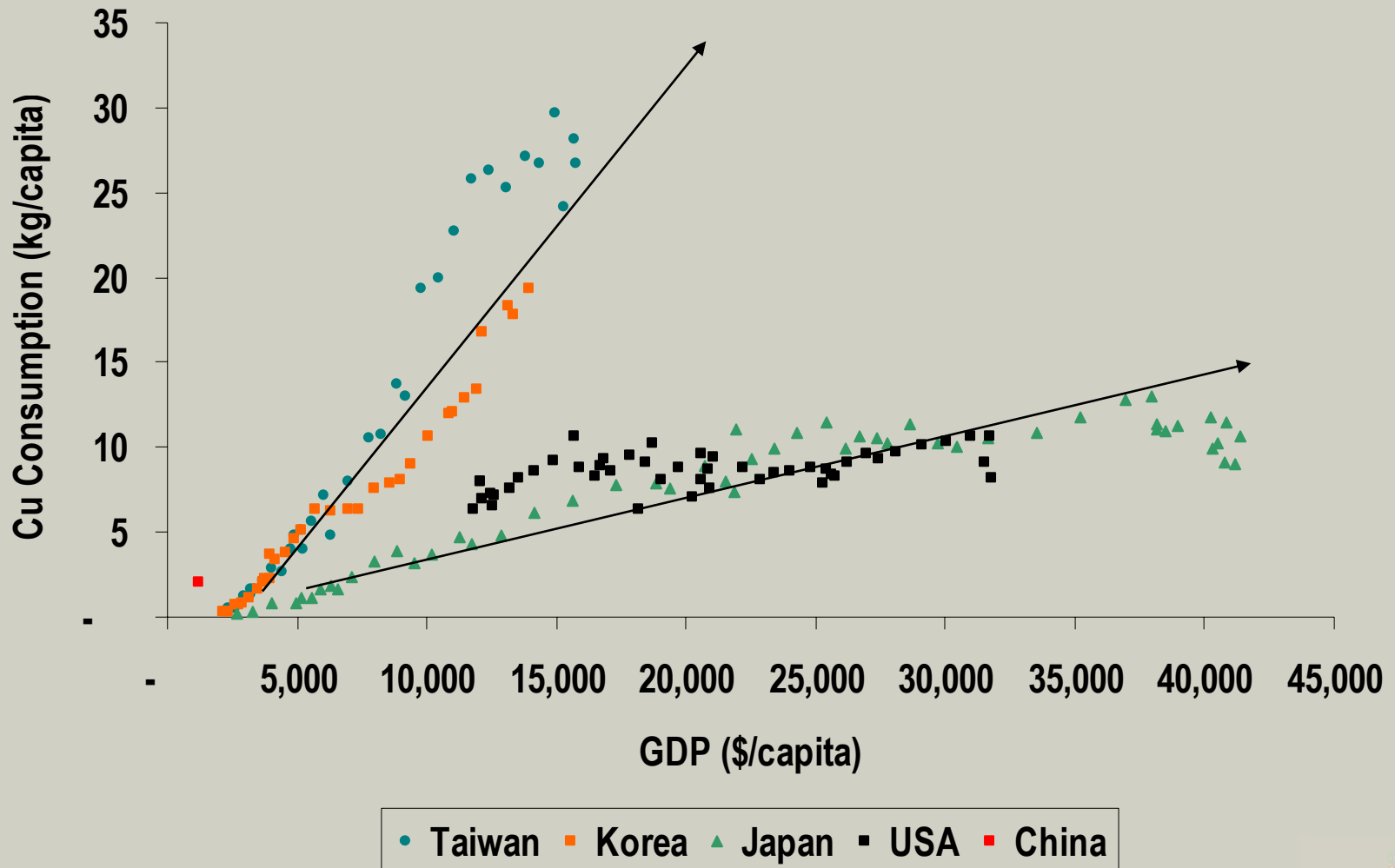


# Likely resource intensity “maritime” not “export” in style

## Chinese copper consumption by category 2003

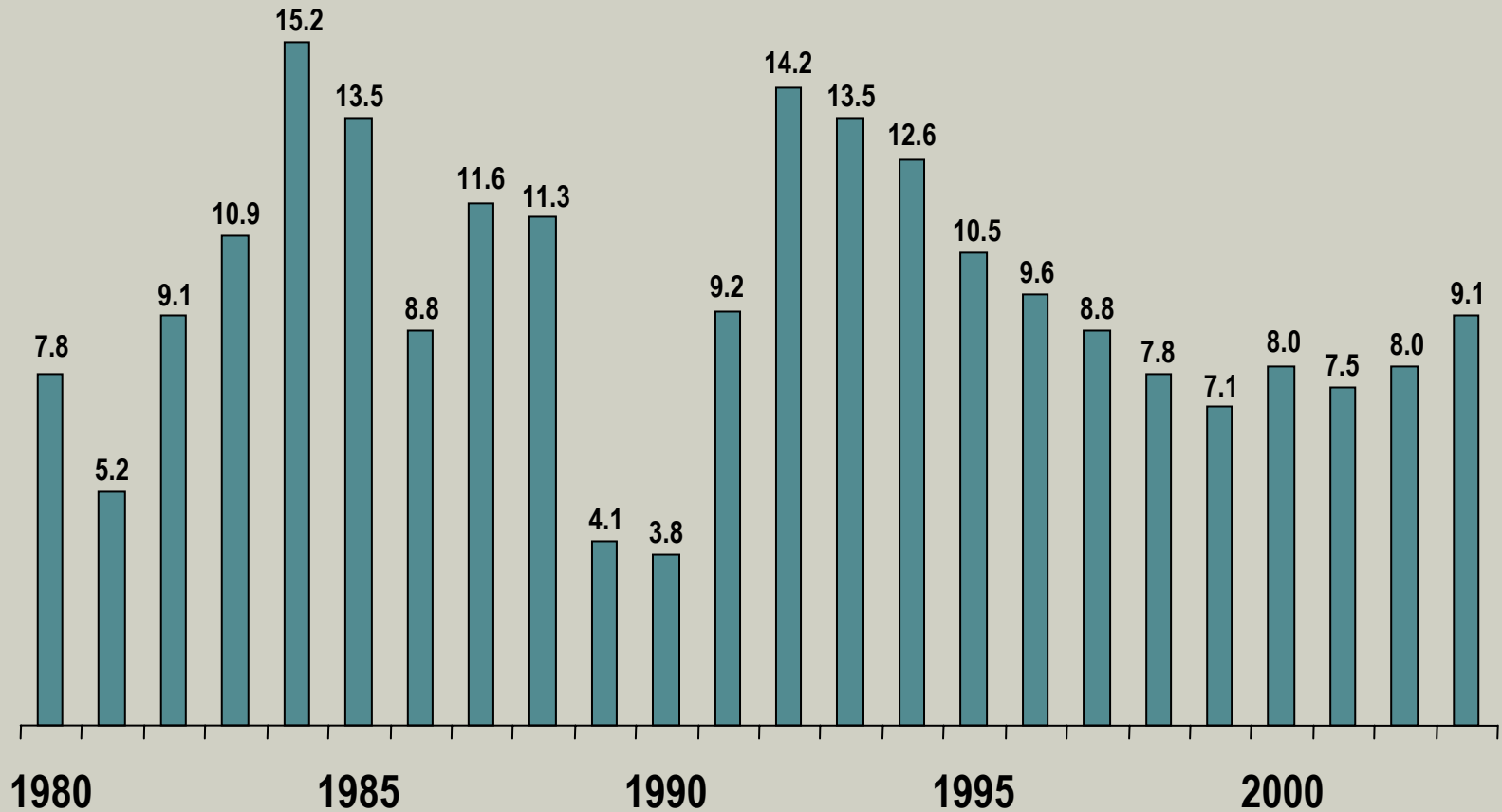


# Likely resource intensity “maritime” not “export” in style



# The growth is not a short term phenomenon

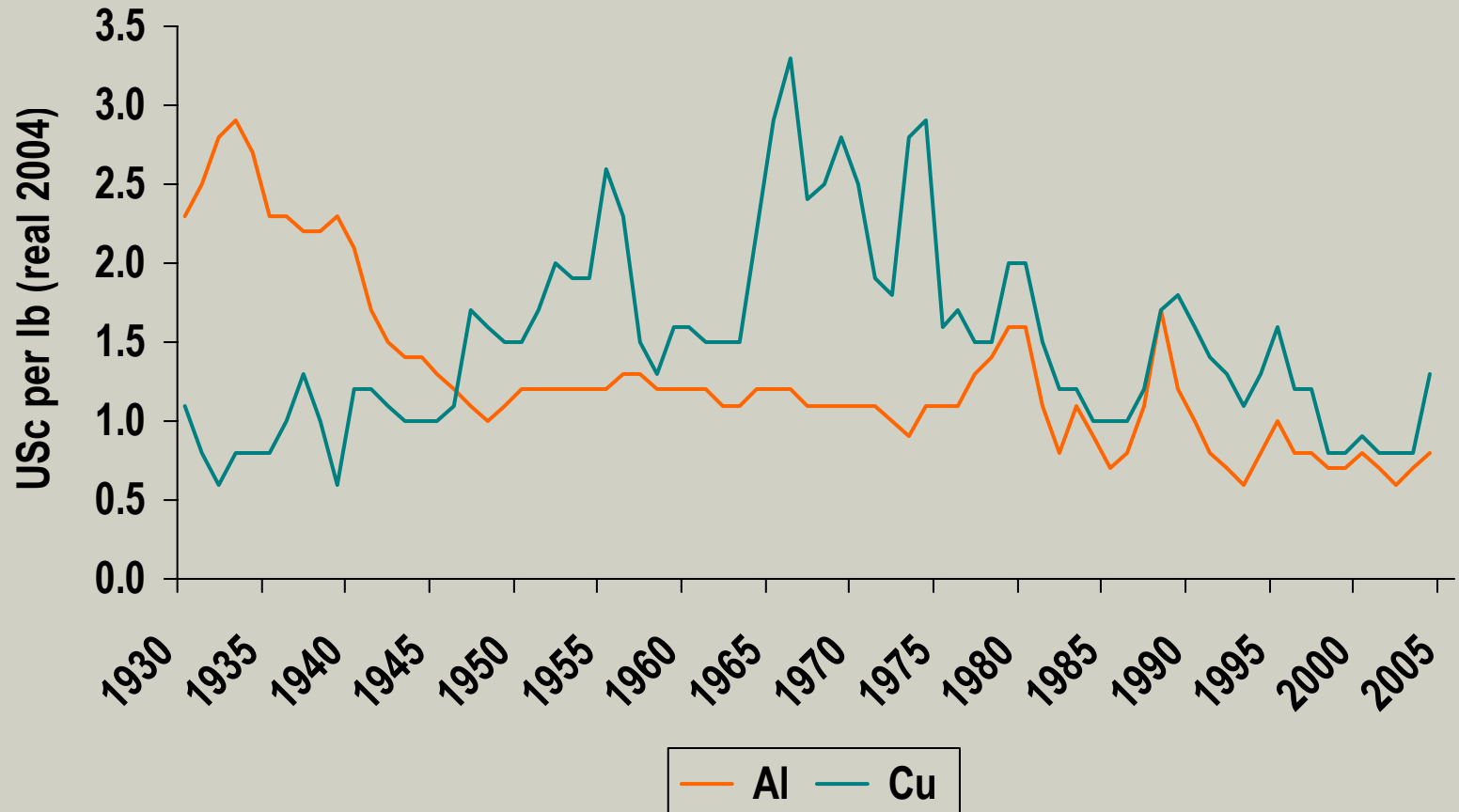
## China GDP growth %



# While short term spikes may exist, we expect no disruptions to supply

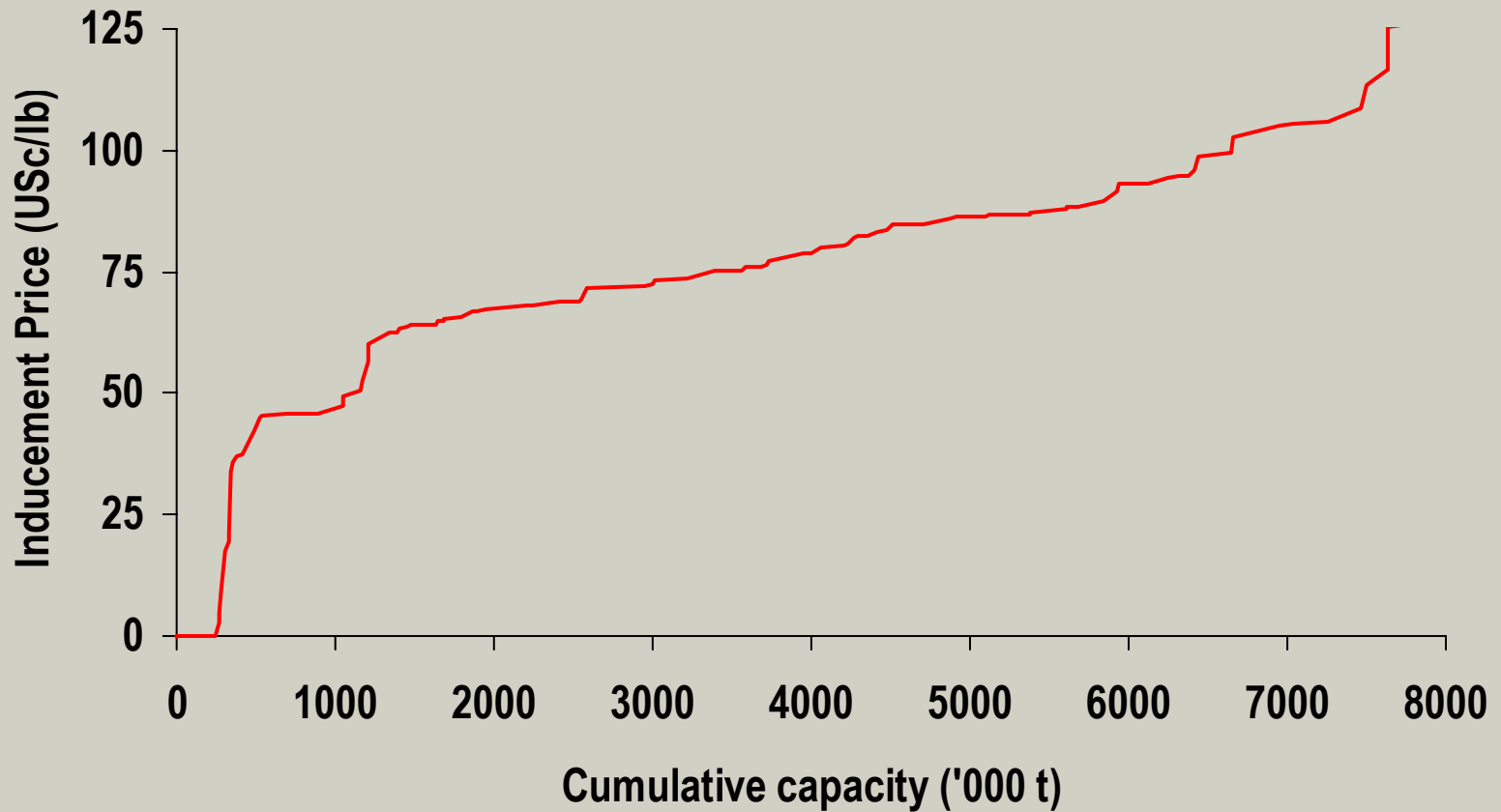
- **Price development will be different per commodity**
- **Prices are powerful inducers of capacity**
- **The gap between supply and demand can be filled**

# Price development will be different per commodity



# Prices are powerful inducers of capacity

## Latent capacity - copper example

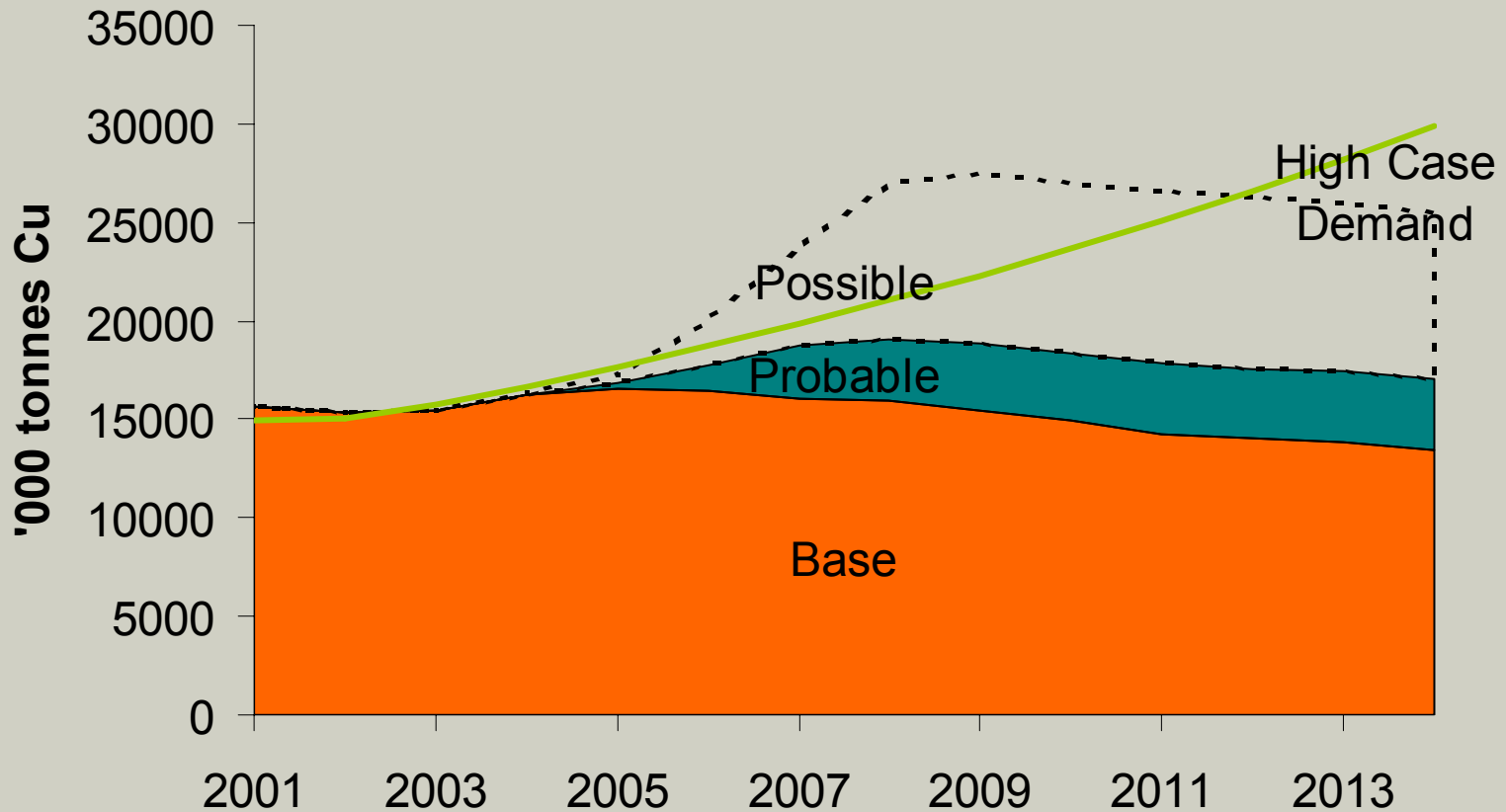


Source: Brook Hunt, BHP Billiton

Theoretical long run prices required to produce an 8% IRR

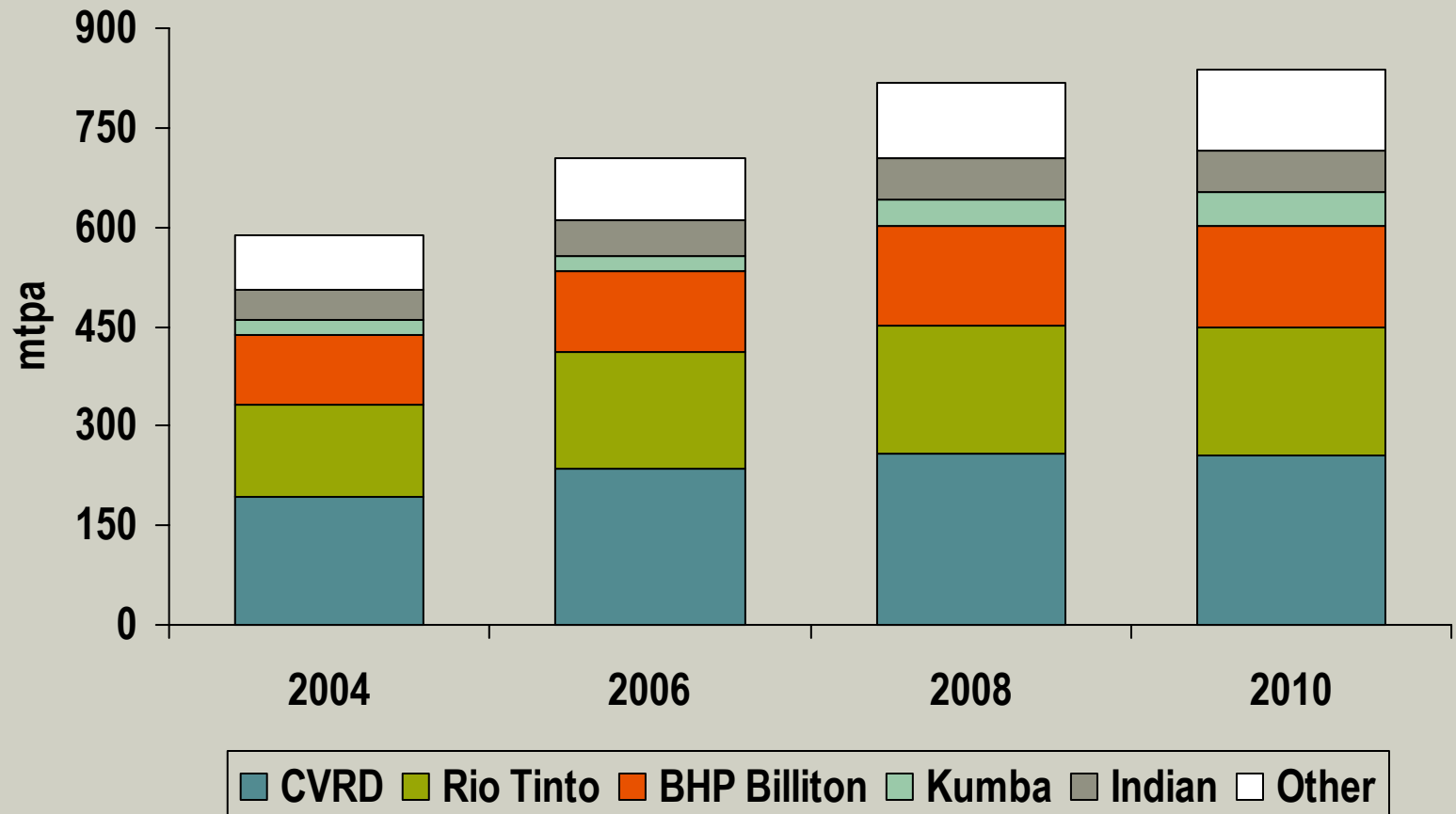
# The gap between supply and demand can be filled

## Latent capacity - copper example



# The gap between supply and demand can be filled

## Latent capacity - iron ore example



# Longer term global power shift should not be ignored when thinking about Chinese consumption

