

To: All members, warehouse companies and their London agents and other interested parties

Ref: 23/024

Classification: Brands Warehousing

Date: 09 February 2023

Subject: **COUNTRY OF ORIGIN STOCK DATA**

## Summary

1. The LME notifies the market of the first publication of its new monthly report showing per-country origin of LME stocks. Additionally, given the current focus on Russian metal and the LME's 2022 discussion paper, the LME provides an updated assessment of the current stocks and flows of Russian metal on-warrant. The LME notes that – as anticipated in the 2022 discussion paper – the proportions of Russian stocks have risen. However, across the LME's main contracts, these levels remain at or below their historical highs. Furthermore, the LME's conclusion (based on market feedback) that Russian metal continues to be consumed is supported by data on the outflow of Russian metal from LME warehouses. The LME will, as previously stated, continue to monitor the market carefully, and will also continue to respond to all relevant government sanctions and tariffs.

## Background

2. On 6 October 2022, the London Metal Exchange (“LME” or the “Exchange”) launched – via Notice 22/240 – the *LME Discussion Paper on Russian Metal*<sup>1</sup> (“the Discussion Paper”) seeking market feedback on the ongoing appropriateness of the LME accepting the warranting of Russian metal, following Russia's invasion of Ukraine in February 2022.
3. The Discussion Paper outlined concerns expressed to the LME from market participants around the ongoing acceptability of such warranting. The LME laid out three possible routes forward, and provided analysis on the possible implications for the market of both action and inaction. The LME received 42 responses to the Discussion Paper, which provided an even split of views – with 22 respondents in favour of the LME taking no action, 17 in favour of the LME suspending further warranting of Russian metal, and two proposing the imposition of warranting thresholds at LME warehouse locations. One respondent did not express a view on the three options.
4. Following the responses to the Discussion Paper, the LME published the *LME Discussion Paper on Russian Metal – LME response*<sup>2</sup> (the “Response Notice”, Notice 22/260) on 11 November 2022. The LME concluded in the Response Notice, on the basis of feedback received, that the thesis which would underpin fears of a disorderly market (in particular, a sufficiently large proportion of global consumers refusing to accept Russian metal in 2023) was not supported by evidence at that time. Accordingly, the LME did not propose to prohibit the warranting of new Russian metal. A full analysis of this decision can be found in the Response Notice.
5. However, the LME does recognise and understand market interest in the level of such stock on warrant, and as a result, committed in the Response Notice to publishing (on an ongoing basis) the origin of all stocks on warrant in LME-listed warehouses. This is designed to provide visibility over metal originating from all countries, rather than specifically Russia (although the Exchange recognises the market's current focus on Russia, as further set out below).

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<sup>1</sup> <https://www.lme.com/api/sitecore/MemberNoticesSearchApi/Download?id=b1820cd4-b309-4651-9694-693eabb7fc20>

<sup>2</sup> <https://www.lme.com/api/sitecore/MemberNoticesSearchApi/Download?id=46c4a0a7-f97c-4185-901f-002a5b8752d6>



## Country of origin stock report

6. In line with the LME’s commitment to publish the origin of stocks in LME-listed warehouses, and to ensure the fullest market visibility, the LME is publishing the first report today – 9 February 2023 – via Notice, in respect of data as at 31 January 2023. The LME intends that subsequent reports will be published via the LME website during normal business hours on the 10th of each month (or first business day thereafter), and will contain data pertaining to the last business day of the immediately preceding month. As such, the next report will be published on 10 March 2023, and provide country of origin stock data as of 28 February 2023.
7. This report will replace the existing report published annually in March (via Notice) on LME warranted stock by origin (broken down by region).
8. The new country of origin stock data report can be found on the “Warehouse and stock reports” page of the LME website at the following address: <https://www.lme.com/Market-data/Reports-and-data/Warehouse-and-stocks-reports/Country-of-origin-stock-data>.

## Update on Russian metal

9. While the data is provided for all countries where LME-listed brands are produced, the LME is conscious that – due to ongoing geopolitical events – there is significant market interest in the amount of Russian metal on warrant.
10. For ease of reference, Figure 1 below updates the analysis previously provided in the Response Notice, and shows the percentage of live tonnage of Russian metal on warrant at LME warehouses on the day the Discussion Paper was released (6 October 2022), the day the feedback period closed (28 October 2022), and now updated to include the report date of 31 January 2023. Also included are the historical highs for copper, aluminium, nickel, North American Special Aluminium Alloy Contract (“NASAAC”), and aluminium alloy between 2013 and 2021 inclusive, demonstrating that for all metals bar NASAAC, these levels are not unprecedented (albeit noting that copper is only marginally below its historical high – further analysis on copper is outlined below).

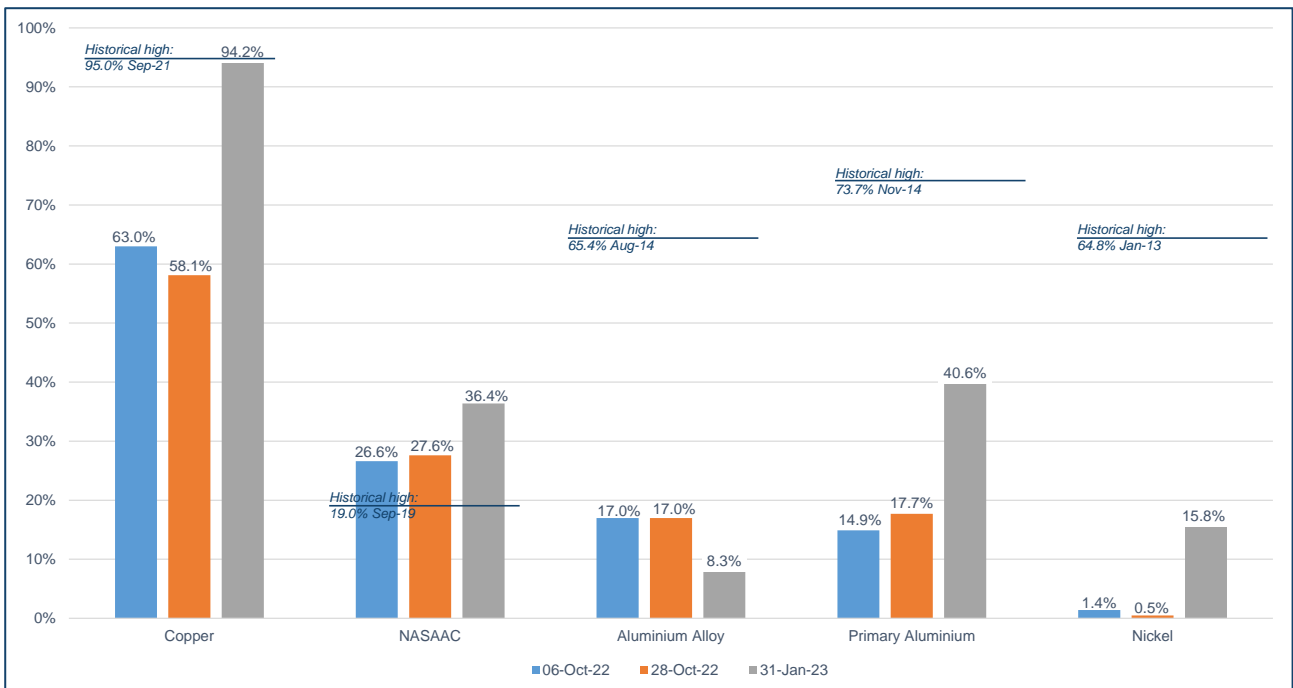


Figure 1: percentage of live tonnage of Russian brands on 6-Oct-22 vs 28-Oct-22 vs 31-Jan-23, plus highest historical percentage 2013-2021 inclusive

11. In the Response Notice, the LME recognised that in the absence of any suspension of Russian brands, and in light of decisions made by certain market participants to desist trading and / or consuming such metal (together with broader market supply and demand dynamics), it could be expected that a greater proportion of this metal could be warranted within the LME physical network.



- As demonstrated by the data in Figure 1, this has been the case (to varying degrees) for copper, NASAAC, primary aluminium, and nickel, while the proportion of Russian stocks of aluminium alloy has reduced.

### Copper

- As set out in the Response Notice, the proportion of Russian copper was already high – however, on balance, the market did not consider this to be materially problematic, primarily on the basis that Russian copper was still being withdrawn from LME warehouses, indicating that (in the view of respondents) there was an active consumption market for this metal.
- Since that date, the proportion of Russian copper on-warrant has continued to increase, and stands at 94.2%. This is comparable with the 10-year high point of 95.0% in 2021, i.e. prior to the Ukraine conflict.
- The LME has also updated its analysis of the outflow of Russian copper, as shown in Figure 2. As highlighted in the Discussion Paper and consistent with a number of market responses, the data shows that market participants do continue to withdraw Russian copper from LME-listed warehouses.

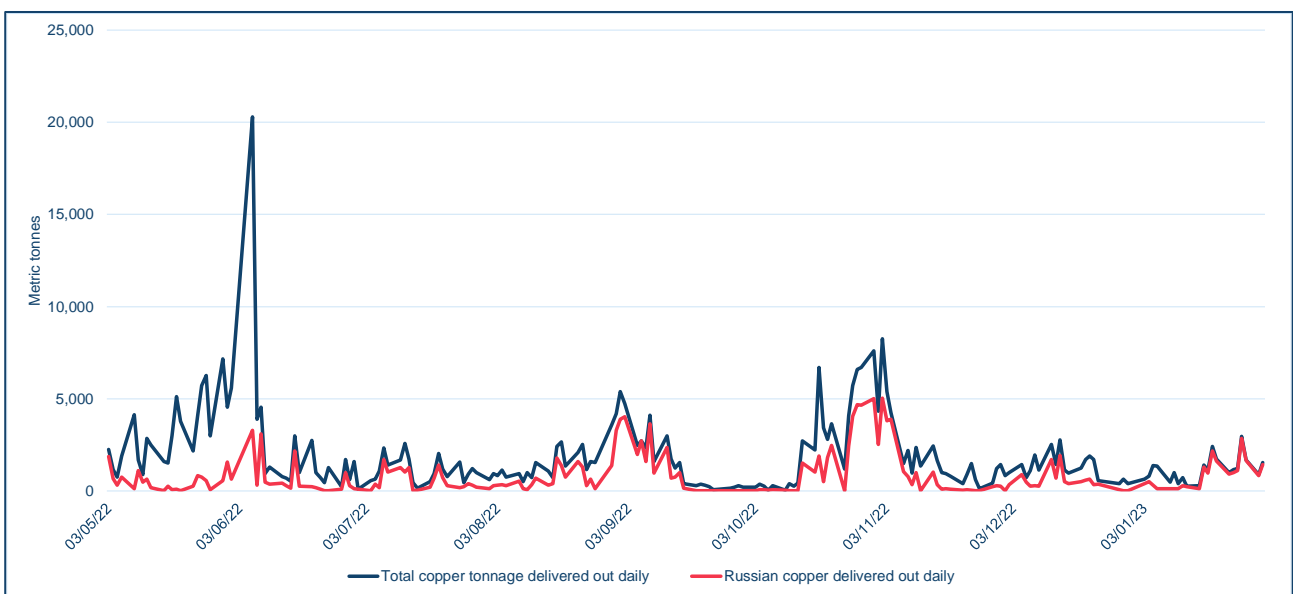


Figure 2: total copper delivered out daily vs Russian copper delivered out daily

### Primary aluminium

- There have been recent inflows of Russian primary aluminium onto LME warrant, resulting in an increased percentage (40.6%) of Russian metal on 31 January 2023. However, this percentage remains significantly below its 10-year high point (73.7% in 2014). Additionally, the Exchange has received no indications that the presence of Russian aluminium in warehouse is giving rise to market distortion.
- It is important to note that the geographical distribution of Russian stocks is broadly aligned with the LME's expectations. As set out the Response Notice, Asia-based respondents tended towards not supporting a ban on the warranting of Russian metal, because Russian brands are broadly acceptable to many Asia-based consumers. This is consistent with the fact that inflows were primarily into Asian warehouses, and the vast majority of Russian aluminium stocks now sit in Asian warehouses.
- In particular, as of 31 January 2023, there was no Russian primary aluminium in warehouses in the United States. This observation is especially relevant in the context of market speculation around potential US tariffs on Russian aluminium.



## **Conclusion**

19. As set out in the Response Notice, the LME has committed to monitoring the market closely as circumstances evolve. The Exchange continues to take this approach – however, on the basis of the data being published today (and, more broadly, the full set of data available to it), the LME believes that the evolution of Russian stocks is in-line with the market trends as anticipated in the Response Notice.
20. As stated above, the LME intends to continue to publish country of origin stock reports on the LME website – the next report is due to be published on 10 March 2023, and provide country of origin stock data as of 28 February 2023.

**Georgina Hallett**

**Chief of Staff**

cc: Board directors  
All committees

Appendix: Country of origin stock data as at 31 January 2023

**Open Tonnage (metric tonnes):**

**31-Jan-23**

Country/Region	Aluminium Alloy	Cobalt	Copper	Lead	NASAAC	Nickel	Primary Aluminium	Special High Grade Zinc	Tin	All
Argentina	0	0	0	0	0	0	0	0	0	0
Australia	0	0	200	0	0	30,792	1,300	0	0	32,292
Austria	0	0	0	0	0	0	0	0	0	0
Bahrain	0	0	0	0	0	0	1,150	0	0	1,150
Belgium	0	0	0	1,375	0	0	0	0	0	1,375
Bolivia	0	0	0	0	0	0	0	0	70	70
Brazil	0	0	0	0	0	36	0	0	30	66
Bulgaria	0	0	0	0	0	0	0	0	0	0
Cameroon	0	0	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	1,338	2,775	0	0	4,113
Chile	0	0	1,325	0	0	0	0	0	0	1,325
China	20	35	925	0	0	0	0	5,400	0	6,380
Egypt	0	0	0	0	0	0	0	0	0	0
Finland	0	0	0	0	0	0	0	0	0	0
France	0	0	0	2,225	0	30	0	0	0	2,255
Germany	80	0	150	0	0	0	0	0	0	230
Greece	0	0	0	0	0	0	0	0	0	0
Iceland	0	0	0	0	0	0	0	0	0	0
India	0	0	0	0	0	0	122,850	3,125	0	125,975
Indonesia	0	0	0	0	0	0	2,250	0	0	2,250
Iran	0	0	0	0	0	0	350	0	0	350
Israel	0	0	0	25	0	0	0	0	0	25
Italy	1,080	0	0	2,550	180	0	0	0	0	3,810
Japan	0	0	575	0	0	0	0	50	0	625
Kazakhstan	0	0	0	0	0	0	0	0	0	0
Korea (South)	0	0	0	0	0	0	0	0	0	0
Laos	0	0	0	0	0	0	0	0	0	0
Lebanon	0	0	0	0	0	0	0	0	0	0
Madagascar	0	0	0	0	0	2,142	0	0	0	2,142
Malaysia	280	0	0	0	0	0	1,850	0	2,455	4,585
Mexico	0	0	0	0	0	0	0	0	0	0
Montenegro	0	0	0	0	0	0	0	0	0	0
Morocco	0	0	0	0	0	0	0	0	0	0
Mozambique	0	0	0	0	0	0	0	0	0	0
Myanmar	0	0	0	0	0	0	0	0	0	0
Namibia	0	0	0	0	0	0	0	25	0	25
Netherlands	0	0	0	0	0	0	0	0	0	0
New Zealand	0	0	0	0	0	0	0	0	0	0
Nigeria	0	0	0	0	0	0	0	0	0	0
Norway	0	0	0	0	0	0	0	0	0	0
Oman	0	0	0	0	0	0	100	0	0	100
Peru	0	0	0	0	0	0	0	0	0	0
Philippines	0	0	0	0	0	0	0	0	0	0
Poland	0	0	0	200	0	0	0	0	0	200
Qatar	0	0	0	0	0	0	0	0	0	0
Romania	0	0	0	0	0	0	0	0	0	0
Russia	160	0	51,775	0	400	6,756	93,750	0	0	152,841
Saudi Arabia	0	0	0	0	0	0	0	0	0	300
Slovakia	0	0	0	0	0	0	0	0	0	0
South Africa	0	0	0	25	0	1,644	75	0	0	1,744
Spain	300	0	0	2,675	520	0	0	0	0	3,495
Sweden	0	0	0	1,200	0	0	0	0	0	1,200
Taiwan	0	0	0	5,400	0	0	0	0	0	5,400
Thailand	0	0	0	0	0	0	0	0	0	0
UAE	0	0	0	0	0	0	3,625	0	0	3,625
UK	0	0	0	900	0	6	0	0	0	906
USA	0	0	0	225	0	0	750	0	0	975
Uganda	0	3	0	0	0	0	0	0	0	3
Ukraine	0	0	0	50	0	0	0	0	0	50
Venezuela	0	0	0	0	0	0	0	0	0	0
Zambia	0	8	0	0	0	0	0	0	0	8
Zimbabwe	0	0	0	0	0	30	0	0	0	30
All	1,920	46	54,950	16,850	1,100	42,774	231,125	8,600	2,555	359,920

The report above was generated on 01-Feb-23

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