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Copper – More Mines Brace For Labor Negotiations

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Most of the major copper mines in Peru and Chile so far have been able to stave off strike action, defying expectations of global supply disruptions. The worry is far from over, however, and labor negotiations are coming back into focus as union contracts come up for renewal at mines representing 1,450 thousand tons (kt) of annual capacity in June, followed by 630k tin July, 930kt in August, 460kt in September, and 905kt in October. The uncertainty over the outcomes of the

labor talks, and the renewed expectations of possible production curbs reminiscent of the ones seen last year after the Escondida mine in Chile and the Grasberg mine in Indonesia went into temporary shutdown over unresolved wage talks, are pushing prices of copper higher. ING Research has compiled the following helpful guide to recently-completed and upcoming labor negotiations at Chilean and Peruvian copper mines:

2018 labor negotiations at copper mines in Peru and Chile

	Country	Company	Operation	Union	Deal Status	Total capacity (ktpa)
January	Chile	Glencore	Lomas Bayas	Labor Union	Resolved – No strike	70
	Canada	Hudbay	Manitoba	Labor Union	Resolved – No strike	30
	Peru	Hudbay	Constancia	Labor Union	Resolved – No strike	105
	Chile	Codelco	Andina	Labor Union	Resolved – No strike	215
	Chile	Codelco	Ventanas (Smelter)	Labor Union	Resolved – No strike	400
February	Chile	Antofagasta	Los Pelambres	Labor Union	Resolved – Strike narrowly avoided	350
March	Chile	Codelco	Chuquicamata	Supervisors Union	Resolved late (April)	430
	Chile	Codelco	Radomiro Tomic	Labor Union	Resolved late (April via/mediation) – No strike	200
	Chile	Codelco	Ministro Hales	Supervisors Union	Resolved – No strike	190
April	Chile	Lumina	Caserones	Plant Union	Resolved – No strike	133
May	Chile	Centinela	Centinela	Labor Union Sulufro Mina	Resolved early	260
June	Chile	Codelco	Andina	Labor Union	Resolved early	205
	Chile	Antofagasta	Centinela	Labor Union Sulufro Planta	Resolved early	260
	Chile	Antofagasta	Los Pelambres	Plant Union	Resolved	350
	Chile	BHP	Spence	Staff		200
	Chile	BHP	Escondida	Labor Union	Talks currently (early mediations failed)	1250
July	Chile	Lumina	Caserones	Mine Union		133
	Peru	Antamina	Antamina	Labor Union		420
	Chile	Codelco	Andida	Supervisors Union	Resolved early	205
	Chile	Codelco	Salvador	Labor Union		60
August	Peru	Freeport	Cerro Verde	Labor Union		500
	Chile	BHP	Cerro Colorado	Labor Union		70
	Peru	Southern Copper	Toquepala	Labor Union		180
September	Chile	Codelco	El Teniente	Labor Union		400
	Chile	Codelco	Salvador	Labor Union		60
October	Chile	Antofagasta	Centinela	Labor Union Oxida Planta	Resolved early	260
	Chile	Antofagasta	Centinela	Labor Union Oxido Mina	Resolved early	260
	Chile	Anglo American	Collahuasi	Supervisors Union		505
	Chile	Codelco	El Teniente	Supervisors Union		400
	Chile	Codelco	Vice presidency of projects	Supervisors Union		-
November	Chile	BHP	Spence	Labor Union		200
	Chile	Codelco	Ministro Hales	Labor Union	Resolved early	190
	Chile	Codelco	Gaby	Supervisors Union		115
December	Chile	Lumina	Caserones	Supervisors Union		133

Source: ING Research based on MB, Teck, Bloomberg data

List of abbreviations and ratios contained in the report.

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/ EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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