

Platinum 2008

Johnson Matthey published its latest market survey of the platinum group metals (pgms) in May 2008. "Platinum 2008" covers supply and demand for the whole calendar year 2007, and provides a short-term outlook on the status of the pgm market and pgm prices into 2008.

Platinum

Platinum Market Deficit for 2007

"Platinum 2008" reports a market deficit of 480,000 oz of platinum for 2007. Production in South Africa was disrupted by a series of unscheduled smelter closures, safety problems and a difficult industrial relations climate. As a result, South African supplies fell by 4.9 per cent to 5.04 million oz, and this drove global platinum supplies down to 6.55 million oz. At the same time, rising purchases of platinum for autocatalysts and industrial use caused demand to rise by 8.6 per cent to 7.03 million oz. In response, the price of platinum rose almost 35 per cent, hitting a series of record highs. Johnson Matthey's expectations are for the market to remain in deficit in 2008, and for price volatility to persist.

Record Demand for Autocatalysts

Production of light-duty diesel vehicles grew during 2007. Many of these vehicles were fitted with a platinum-based oxidation catalyst and a platinum-coated particulate filter to comply with emissions legislation, especially in Europe where



Strong growth in the flat panel display and fibre glass (shown above) markets in Asia boosted platinum demand last year (Courtesy of Owens Corning)

the Euro 4 legislation has been in place since 2006. Car production in Asia also increased, including both gasoline and diesel vehicles for domestic use or export, most of which were fitted with autocatalysts. There is an increasing requirement that heavy-duty diesel vehicles meet tightening emissions legislation around the world, leading to the fitment of platinum-based exhaust aftertreatment to many of these vehicles. Substitution of platinum by palladium continued in some gasoline and diesel catalysts, but purchases of platinum by the autocatalyst sector still rose by 8.2 per cent to 4.23 million oz in 2007.

Strong Industrial Demand

Purchases of platinum for industrial applications rose to 1.94 million oz in 2007. Increasing demand for data storage for electronic devices led to higher production of hard disks. The average platinum content of a hard disk rose to increase storage capacity. However, the growing share of the inherently higher capacity perpendicular magnetic recording hard disk moderated the rise in platinum demand. Overall, platinum demand by the electronics sector rose to 425,000 oz. Increased demand for flat panel glass resulted in rising demand for platinum for LCD glass manufacture, particularly in Asia. High oil prices and high demand for oil products led to an increase in platinum use for petroleum refining, which rose by 13.9 per cent to 205,000 oz. Platinum requirements in the chemical sector fell slightly to 390,000 oz, although demand from the silicones industry remained steady, with increasing demand offsetting reduced levels of catalyst in individual products. From nitric acid producers, platinum demand rose. Net demand for the dental sector fell to 105,000 oz due to price sensitivity and increased recycling.

Little Price Impact on Jewellery Demand

Jewellery demand for platinum fell only marginally to 1.59 million oz, although there was growth in some markets. European demand rose by 7.7 per cent to 210,000 oz, and in China demand rose by 20,000 oz to 780,000 oz.

Chinese manufacture of platinum Olympic memorabilia ahead of the Beijing games contributed to demand, and is expected to boost platinum demand in 2008. Demand in Japan was lower than previous estimates, at 280,000 oz, due to increased recycling; and in North America demand fell to 240,000 oz.

Palladium

Palladium Market in Surplus

Supplies of palladium rose to a total of 8.59 million oz, with slightly decreased primary production from Russia at 3.05 million oz, and substantial sales of Russian State stocks at 1.49 million oz. South African production was down to 2.77 million oz, while output from North America, Zimbabwe and elsewhere rose to 1.28 million oz. Demand reached a total of 6.84 million oz, up 3.5 per cent. Overall the market showed a surplus of 1.75 million oz.

Rising Use of Palladium in Autocatalysts

Strong growth in vehicle production led to a rise in autocatalyst demand for palladium of 10.8 per cent to 4.45 million oz. Car manufacturers continued to use palladium in place of platinum in a typical gasoline autocatalyst, and as a minor component in some diesel autocatalysts. The total worldwide amount of palladium used in light-duty diesel catalysts was less than 300,000 oz.

Strong Growth in Electronics Demand

Demand for palladium grew strongly in the electronics sector, increasing by 6.6 per cent to 1.29 million oz. This was largely due to the use of palladium in multilayer ceramic capacitors,

with more capacitors per device and increasing sales of electronic goods outweighing the effects of miniaturisation and the slowly increasing use of nickel. Use of palladium in the dental sector also rose by 15,000 oz to 635,000 oz, after several years of decline.

Jewellery Demand Falling

Overall demand for palladium for jewellery fell to 740,000 oz in 2007. However, demand rose in some markets, notably Europe and North America where combined demand reached 95,000 oz. The Chinese jewellery requirement for new metal was down to 500,000 oz, with increased use of recycled metal, particularly Pd950 pieces which were being returned for remanufacture into higher purity Pd990 alloys.

Special Features

“Platinum 2008” carries three Special Features: ‘South African PGM Production’, which includes a map showing the South African pgm mines; ‘The Russian PGM Industry’ and ‘Exchange Traded Funds’. The last describes the two new investment funds, backed by physical pgms, which were launched in 2007.

Availability and Contact Information

“Platinum 2008” is available to download free of charge as a PDF file from the Platinum Today website: <http://www.platinum.matthey.com/>. Alternatively, a printed copy can be requested from Johnson Matthey PLC, Precious Metals Marketing, Orchard Road, Royston, Hertfordshire SG8 5HE, U.K., or by E-mail: ptbook@matthey.com.



Johnson Matthey is the first western autocatalyst manufacturer to establish a plant in Russia. The facility shown is in Krasnoyarsk and started operations in the first half of 2008