Johnson Matthey’s industry standard publication analysing supply and demand trends in the platinum group metal (pgm) markets, the “PGM Market Report” was published on 16th May 2016 by the company's Precious Metals Management team. Its May release each year marks the start of Platinum Week in London, UK, celebrating the anniversary of the inauguration of the London Platinum Quotation (the forerunner of the present London Metal Exchange (LME) auction) in 1973 (1). The “PGM Market Report May 2016” provides detailed data, analysis and commentary on the pgm markets, and includes estimates of supply by country and demand by application for platinum, palladium and rhodium, and demand figures for ruthenium and iridium, detailed by application.

Platinum

Primary supplies of platinum rose by 19% to 6.08 million oz in 2015, the highest level in four years. This was led by sales from South African producers, but partly offset by lower supplies from other countries and a steep fall in recoveries from scrapped cars and old jewellery. Demand trends were broadly positive with expectations of weakness in the Chinese jewellery market proving overstated and net selling of platinum by exchange traded fund (ETF) investors in Europe, the USA and South Africa outweighed by a surge of physical investment demand in Japan. Consumption of platinum in autocatalysts was strong, while industrial offtake was stable, leaving total demand for platinum up 4%, and the 2015 market as a whole in a significant deficit of 659,000 oz. Fundamental deficits since 2012 in the supply-demand balance have as yet failed to have any noticeable impact on market liquidity, confirming the existence of substantial market stocks prior to 2012. The forecast for platinum supply and demand in 2016 expects a slight decline in shipments of newly mined metal, although when combined with recycled metal, total supply could rise marginally. On the demand side, 2016 should be the peak year for platinum use on Euro 6 diesel cars, lifting global consumption of platinum in autocatalysts by nearly 2% to 3.50 million oz. Industrial consumption is expected to be unusually strong, rising by nearly 10% driven by capacity expansions in the chemicals and glass sectors. When combined with continued Japanese investment buying, a fourth year of significant market deficit of 861,000 oz is expected in 2016.

Palladium

The palladium market moved closer to balance in 2015, due to a strong recovery in South African supplies helping global primary supplies of palladium rise by 6%. Gross demand plunged by 13% during the year with investment demand moving abruptly into negative territory, almost entirely due to a dramatic reversal in
ETF purchasing: investors, who had acquired over 940,000 oz of palladium the previous year, sold around 660,000 oz of their holdings in 2015. This greatly offset overall improvements in automotive and industrial demand, and a steep fall in the recovery of palladium from scrapped catalytic converters. The total market deficit shrank from nearly 2 million oz in 2014 to under 500,000 oz in 2015.

This trend is expected to reverse in 2016, led by a reduction in profit-taking by ETF investors and growth in other demand sectors, widening the deficit in the palladium market to 843,000 oz. Combined primary and secondary supplies are forecast to rise marginally to 9.02 million oz, with a decrease in South African shipments being offset by a modest recovery in autocatalyst recycling. Excluding investment, demand for palladium in ‘consuming applications’ (autocatalyst, industrial and jewellery) will exceed 10 million oz for the first time: significant growth in sales to automakers in China is anticipated, while demand from the Chinese chemical industry is also set to reach record levels.

Rhodium

The rhodium market moved back into surplus in 2015, totalling 33,000 oz, after two years of deficit. Gross demand fell slightly: small gains in autocatalyst consumption were offset by a fall in purchasing by glass makers and investors. Meanwhile, supplies rose strongly, as South African production returned to near-normal levels following the Association of Mineworkers and Construction Union (AMCU) strike in 2014. This outweighed a decline in the recycling of rhodium from scrapped vehicles, leaving combined primary and secondary shipments up 11%.

Gross demand for rhodium is predicted to rise by 6% in 2016, as auto demand is lifted by strong car sales and tighter legislation in China, and greater use of nitrogen oxides (NOx) traps in Europe. It should also be a good year for industrial demand: purchasing by glass makers is set to rise significantly, while consumption in the chemicals industry remains unusually firm. With mine supplies expected to fall, and any recovery in autocatalyst recycling volumes likely to be modest, combined primary and secondary shipments will rise by less than 1%, pushing the market back into an expected deficit of 16,000 oz.

About the PGM Market Report

The “PGM Market Report” includes data tables showing the five-year history of supply and demand for each metal, and a forecast for the current year. The report is published twice yearly in May and November and the latest edition can be downloaded free of charge from: www.platinum.matthey.com/services/market-research/pgm-market-reports

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