

“Platinum 2013”

Johnson Matthey's latest survey of the platinum group metal (pgm) markets, “Platinum 2013”, was released on 13th May 2013. The trends in supply and demand in 2012 are covered and the short term outlook on the status of the pgm market is reported.

Platinum

The Platinum Market Was in Deficit in 2012

A decline in output from South Africa caused a deficit in the platinum market of 375,000 oz in 2012. Supplies of platinum fell by 13% to 5.64 million oz and its total demand in 2012 was down by 0.6% to 8.05 million oz. The recycling of platinum was marginally less than in 2011 at 2.03 million oz.

Supplies Were at a Twelve Year Low

Primary supplies of platinum, at 5.64 million oz, were at a 12 year low, with platinum shipments by South African producers down by 16% to 4.10 million oz in 2012. Legal and illegal strikes, safety stoppages and the closure of some marginal mining operations caused the loss of at least 750,000 oz of production.

Demand in Autocatalysts Rose

Gross demand for platinum in autocatalysts rose by 1.7% to 3.24 million oz. European demand was weak due to depressed light vehicle output and a lower market share for diesel vehicles; however, this was offset by higher demand in Asia and North America and increased demand for platinum autocatalysts for non-road diesel engines.

Demand for Platinum Jewellery Has Improved

Gross demand for platinum for jewellery manufacturing grew by 12% in 2012 to 2.78 million oz. This was helped by expansion of the retail jewellery distribution network in China. Manufacturers also took advantage of the relatively weak platinum price to increase stocks.

Platinum Demand for Industrial Uses Fell

In 2012, platinum demand for industrial applications fell by 21% to 1.57 million oz. This

was caused by a slowing of expansion in the glass industry, reduced production of hard disk drives in the electrical industry and a decrease of inventory in both sectors. Chemical demand was slightly lower compared to 2011.

Demand for Platinum in Investment Was Steady

Net identifiable physical demand for platinum in the investment sector reached 455,000 oz in 2012, only 5,000 oz lower than in the previous year. A fall in demand for large bars in Japan was offset by strong investor interest in North America and a rise in the minting of platinum coins.



Investment demand may decide the platinum market balance in 2013 (Image © Johnson Matthey Plc)

Palladium

The Palladium Market Was in Deficit

In 2012, the palladium market moved into a deficit of 1.07 million oz following a surplus of 1.19 million oz in 2011. This was due to lower primary and secondary supplies, record demand for palladium autocatalysts and a large swing in investment demand from heavily negative in 2011 to strongly positive in 2012.

Supplies of Palladium Fell During 2012

In 2012, there was a decrease of 11% in supply of palladium to 6.55 million oz, the lowest since 2002. Russian newly-mined supply fell by 3% to 2.63 million oz and sales from state stocks dropped by two-thirds to 250,000 oz as Russia's palladium reserves neared depletion.

Purchases for Autocatalysts Have Increased

Gross demand for palladium in autocatalysts increased by 7.5% to a new high of 6.62 million oz. Demand strengthened for several reasons: recovering car output in Japan after the natural disasters of 2011; further growth in China; and a boom in new registrations in North America as consumer confidence and economic activity continued to improve.

Demand of Palladium for Industrial Uses Has Decreased

Industrial demand for palladium fell by 4% to 2.37 million oz in 2012. Demand for palladium in chip capacitors, its main electrical application, decreased due to thrifting and competition from base metal alternatives. Demand for palladium chemical process catalysts grew, however, particularly in Asia.

Consumer Demand for Palladium Jewellery Has Declined

There was a decrease of 12% to 445,000 oz in gross world demand for palladium in jewellery manufacturing. Poor consumer demand for palladium jewellery in China resulted in fewer manufacturers and retailers producing it or carrying stock. In most other regions, palladium demand was steady and it was slightly higher in Europe, supported by its use in wedding rings for men.

Investment Demand Has Switched from Negative to Positive

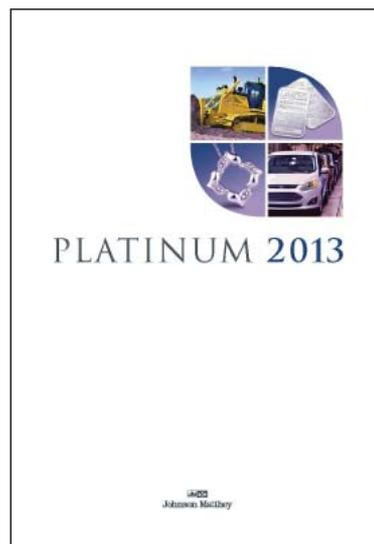
Net physical investment in palladium switched from a negative 565,000 oz in 2011 to a positive 470,000 oz in 2012. In the first half of the year, flows of palladium into ETFs were strong. The launch of a new investment trust in the USA in December 2012 added significantly to demand.

Special Features

There are two special features in "Platinum 2013". In the first, the disruption to platinum mining in South Africa caused by strikes, safety stoppages and mine closures in 2012 is analysed. At least 750,000 oz of production of platinum was lost. A timeline of the various disruptions is also included. The second special feature covers the components of autocatalyst demand. Emissions control from vehicle exhaust using catalysts is the largest single application for pgms and accounted for 56% of gross world demand for platinum, palladium and rhodium combined in 2012. The demand values for platinum and palladium are separated into their main components of light-duty gasoline, light-duty and heavy-duty diesel and diesel non-road mobile machinery. The historical long-term drivers and future opportunities for the use of pgms in each of these automotive applications are examined.

The Availability of "Platinum 2013"

The book can be downloaded, free of charge, as a PDF file in English, Chinese or Russian from Platinum Today at: <http://www.platinum.matthey.com/publications/pgm-market-reviews>. The English version can be ordered in hard copy, by filling in the form at: <http://www.platinum.matthey.com/publications/pgm-market-reviews/market-review-request>, by emailing: ptbook@matthey.com, or by writing to: Johnson Matthey, Precious Metals Marketing, Orchard Road, Royston, Hertfordshire SG8 5HE, UK.



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