

Platinum 2006 Interim Review

Johnson Matthey's latest market survey of platinum group metals supply and demand was published in November 2006, providing detailed forecasts of pgm supply and demand for the full calendar year, plus short-term market outlook and six-month platinum and palladium price projections. The Interim Review updates information provided in the full annual survey "Platinum 2006" (1).

The platinum market has moved closer to balance, with a predicted deficit of only 20,000 oz in 2006. According to Johnson Matthey, global demand for platinum in 2006 was expected to grow by 5 per cent to a record 7.02 million oz, driven by increasing use in automotive catalysts. Supplies of the metal have increased by almost the same rate, to a new high of 7 million oz, due to expansion in South Africa.

Emissions legislation and growing production of diesel vehicles continue to drive platinum consumption higher. Autocatalyst platinum demand was expected to have grown from 3.82 million oz to 4.38 million oz in 2006, during which diesel cars accounted for over 50 per cent of European light-duty vehicle sales. Many are now fitted with platinum-catalysed particulate filters in addition to diesel oxidation catalysts. Increasing use of catalysts on light- and heavy-duty diesel trucks in North America is further adding to demand.

Rising and volatile platinum prices have depressed global jewellery demand, for which platinum purchases were anticipated to fall by over 10 per cent to 1.74 million oz. With platinum prices high and volatile, manufacturers and retailers in all major regions have cut back inventories. In China and Japan, recycling of old stock has also continued to affect the amount of new metal purchased.

The platinum market is expected to be close to balance again in 2007, with expansions in primary output continuing. Another rise in demand for autocatalysts is expected to absorb much of this increase, and there are good prospects for further growth in the relatively price-inelastic industrial sector. The performance of the

jewellery sector will however continue to depend heavily on the price of platinum.

Palladium supplies were forecast to have exceeded demand by 1.63 million oz in 2006, with an increase in the use of the metal in auto-catalysts having been outweighed by lower purchases by the jewellery industry. This would have left demand at 6.85 million oz, a fall of 6 per cent. With growing output of palladium from South Africa and significant sales expected from Russian state stocks, supplies were expected to grow by 1 per cent to 8.48 million oz. This market surplus is being absorbed by investment funds.

Autocatalyst demand for palladium was forecast to rise from 3.87 million oz to 4.14 million oz in 2006. With the palladium price significantly below that of platinum, there has been continuing substitution of platinum by palladium in three-way catalysts fitted to gasoline vehicles. 2006 also saw the first significant use of palladium in diesel exhaust aftertreatment. Both trends are likely to continue in 2007.

Global palladium jewellery demand was forecast to fall by 310,000 oz to 1.12 million oz. After rapid growth in 2004 and 2005 to fill the distribution pipeline, purchases of palladium by Chinese jewellers in 2006 were affected negatively by the recycling of old jewellery stock. However, retail sales to consumers appeared to be healthy, suggesting that palladium demand may recover as the rate of recycling diminishes. In the U.S.A., palladium jewellery has started to attract interest from both retailers and manufacturers.

"Platinum 2006 Interim Review" is available free of charge in printed form from Johnson Matthey PLC, Precious Metals Marketing, Orchard Road, Royston, Hertfordshire SG8 5HE, U.K.; E-mail: ptbook@matthey.com.

The report may also be freely downloaded in PDF format from the website: <http://www.platinum.matthey.com/>.

Reference

- 1 *Platinum Metals Rev.*, 2006, 50, (3), 143