

“Platinum 2011 Interim Review”

Johnson Matthey released its latest report on the platinum group metal (pgm) market, “Platinum 2011 Interim Review”, on 15th November 2011.

Platinum

Platinum Market Forecast to Be in Small Surplus in 2011

Gross demand for platinum was predicted to increase by 175,000 oz to 8.08 million oz, the highest level for four years. All sectors apart from investment were expected to show year-on-year growth.

Global supplies of platinum were anticipated to rise by 6% to 6.4 million oz and the recovery of platinum from recycling was set to increase by 3% to 1.88 million oz. Continuing strong demand was expected to be more than matched by growth in supplies and higher recycling, therefore the platinum market was forecast to move to a small surplus of 195,000 oz in 2011.

Growth of Autocatalyst Demand to Continue

Demand for platinum in autocatalysts was expected to rise by 3% to 3.16 million oz in 2011, due to increased production of heavy-duty diesel vehicles particularly in North America. The Japanese earthquake in March 2011 affected the demand for platinum by domestic manufacturers in Japan and in Japanese car plants overseas. As platinum continues to be substituted by palladium in light-duty diesel autocatalyst formulations, platinum demand in Europe was expected to weaken by 15,000 oz to 1.48 million oz.

Industrial Demand to Reach a New Record

Strong growth in the petroleum refining and glass manufacturing sectors was expected to increase demand for platinum in industrial applications by 12% to reach a new record high of 1.96 million oz. Platinum demand was expected to rise by 13% to 435,000 oz in the glass sector while in the petroleum industry, demand was predicted to increase by 24% to 210,000 oz. Purchasing of platinum in the chemical sector was anticipated to grow by 40,000 oz. Electrical demand was also estimated to be strong.

Platinum Purchasing by the Jewellery Sector to Increase Modestly

Gross platinum demand in the global jewellery sector was predicted to increase by 2% to 2.47 million oz in 2011. This was mostly driven by growth in the Chinese market where the purchasing of platinum was set to rise by 35,000 oz to 1.69 million oz. European demand was expected to soften. In Japan and North America, demand was expected to remain robust.

The recycling of platinum from the jewellery sector was set to fall by 6% to 690,000 oz, mainly due to a reduction in recycling in China of 20% from previously high levels.

Palladium

Palladium Market to Be in Surplus in 2011

The palladium market was forecast to be in surplus by 725,000 oz in 2011 due to anticipated shipments of Russian state stocks. Supplies of newly refined palladium were expected to rise by 5% to 6.67 million oz and be supplemented by sales from Russian state stocks of 750,000 oz. Therefore, total supplies of 7.42 million oz were forecast, which is a similar level to those in 2010. Recycling of palladium was forecast to increase by 19% to 2.2 million oz. Gross palladium demand was predicted to fall by 9% to 8.89 million oz due to net negative investment demand for palladium.

Automotive Palladium Demand Set to Rise to Record Levels

In the first half of 2011, growth in vehicle production in Europe and North America helped drive palladium demand in emissions control to a new record high of 5.92 million oz, a 6% increase compared with 2010. Stricter emissions standards came into force in Europe, resulting in higher palladium demand in gasoline autocatalysts.

Weaker Demand for Palladium Jewellery

Gross demand for palladium jewellery was expected to fall by 8% to 545,000 oz. The Chinese market remains the largest, although consumer demand fell due to high prices which resulted in lower manufacturing. In Europe, demand was

expected to remain flat at 65,000 oz. In North America, gross demand was predicted to fall by 20,000 oz to 45,000 oz.

Industrial Demand to Reach a Six-Year High

Industrial palladium demand was forecast to strengthen by 7% to reach pre-recession levels of 2.65 million oz. Demand in the electrical sector was forecast to increase by 5% to 1.49 million oz. The need for upgrading computer hardware was the driving force for higher production of electronics items. Palladium demand in the chemical industry was expected to rise by 23% to 455,000 oz in 2011 due to capacity expansions driven by downstream consumer demand.

Other Platinum Group Metals

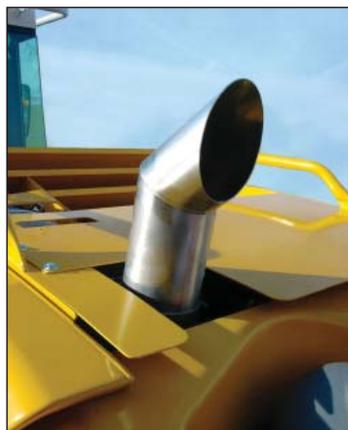
The supply and demand data for rhodium was briefly discussed and the net demand for ruthenium and iridium was mentioned. Gross rhodium demand was predicted to rise by 18,000 oz to 905,000 oz in 2011 due to high purchasing levels in the glass sector and new physical investment demand. Rhodium supplies were expected to increase by 5% to 768,000 oz and recycling of rhodium from spent autocatalysts was set to increase by 8% to 260,000 oz. Therefore, the market was forecast to remain in surplus by 123,000 oz as growth in supplies and recycling counteracted the rise in gross demand.

In 2011, ruthenium demand was estimated to fall by 14% to 811,000 oz due to lower levels of purchasing by the electrical sector, mainly in the hard disk sector.

Demand for iridium was set to remain strong at 342,000 oz, an increase of 4000 oz compared with 2010 due to the continued strong purchasing of crucibles in the electrical sector.

Special Feature

Emissions control for non-road mobile machinery (NRMM) was covered in this edition's Special Feature. NRMM can be described as any transportable industrial equipment or vehicle which has an internal combustion engine and is not intended for the use of passenger or goods transport on the road, for example, agricultural, construction and industrial equipment.



Emissions control on non-road mobile machinery (Copyright 2011 Johnson Matthey Plc)

Future pgm demand is very promising in this area. Regulations on engine emissions from NRMM have been in place since the late 1990s, however, these rules were generally not sufficiently strict to require pgm aftertreatment. New regulations were introduced in 2011, such as Stage IIIB legislation in Europe and Tier 4 Interim in the USA, which requires the use of pgm aftertreatment in certain engine categories and applications. Demand for pgms in all non-road sectors was predicted to reach a total of 130,000 oz in 2011. As non-road emissions legislation is increasingly implemented in Europe, Japan and North America and is tightened, pgm demand in NRMM is predicted to grow over the next few years.

Availability of "Platinum 2011 Interim Review"

The book is available to download free of charge, as a PDF file in English, Chinese, Japanese or Russian by visiting the Platinum Today website at: <http://www.platinum.matthey.com/publications/pgm-market-reviews/archive/platinum-2011-interim-review/>. Alternatively the English version can be ordered in hard copy, by filling in the form at: <http://www.platinum.matthey.com/publications/pgm-market-reviews/request-a-copy/>, by sending a request to the email address: ptbook@matthey.com, or by writing to: Johnson Matthey, Precious Metals Marketing, Orchard Road, Royston, Hertfordshire, SG8 5HE, UK.