

Platinum 2007 Interim Review

Johnson Matthey's latest market survey of platinum group metals (pgms) supply and demand was published in November 2007, 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 predictions. The Interim Review updates information provided in the full annual survey "Platinum 2007" (1).

Platinum 2007 Market Deficit Forecast

Johnson Matthey forecast that annual global demand for platinum would rise by 195,000 oz, or 2.9 per cent, to a record 6.925 million oz in 2007. Due to a challenging operating environment, South African platinum supplies were not expected to reach previously expected targets. Global platinum supplies, at 6.66 million oz, were forecast to be lower than in 2006 by 135,000 oz, with the 2007 platinum market therefore moving back from the small surplus in 2006 to a deficit of 265,000 oz.

Supply Below Expectations

Global platinum supply was predicted to drop by 2.0 per cent to 6.66 million oz in 2007. Sales from South Africa were expected to fall by 70,000 oz, to 5.22 million oz. Russian supplies, at 820,000 oz, were forecast to be in line with primary production.

Increasing Autocatalyst Demand

Autocatalyst demand was forecast to rise by 2.3 per cent to 4.235 million oz in 2007, with demand boosted by an increase in the fitment of platinum-containing particulate filters to diesel cars, by rising aftertreatment requirements in the global heavy-duty diesel market, and by growth in Asian light-duty vehicle output. These factors were cited as more than outweighing the effects of reducing platinum catalyst loadings, the continuing substitution of palladium for platinum on gasoline vehicles and further use of palladium in diesel autocatalysts.

Rising Industrial Purchases

Industrial purchases of platinum were expected by Johnson Matthey to rise by 40,000 oz to 1.91 million oz in 2007. Growth was noted in chemical, electrical and petroleum refining applications, with the Chinese and Indian economies an important driving force. Chemical sector purchases were expected to grow by 3.9 per cent to 395,000 oz, due to rising global demand for many bulk chemicals which require platinum-based catalysts for their manufacture. Growing computer and IT equipment production was forecast to increase platinum purchases by the electronics industry to 435,000 oz, as hard disk shipments rose. Petroleum refining purchases were expected to rise to a total of 230,000 oz. Dental demand was predicted to fall due to price sensitivity. Glass manufacturing demand was



Disappointing South African pgm output for 2007 was expected, due to a combination of geological and safety problems, industrial unrest and processing bottlenecks (Courtesy of Lonmin Plc)

also predicted to fall, due to a decline in new facilities being built.

Jewellery Demand Little Changed

A slight fall in demand was predicted for new metal from platinum jewellery manufacturers in 2007, of 1.5 per cent to 1.595 million oz. Recycling was expected to satisfy a high proportion of manufacturing requirements in Japan and China. Although in Japan demand was expected to fall by 55,000 oz to 305,000 oz, growing consumer interest led to Chinese demand for new metal being forecast to grow by 20,000 oz to 780,000 oz in 2007.

Palladium

Market to Remain in Surplus

Palladium demand was forecast to grow in 2007, rising by 135,000 oz, or 2.1 per cent, to 6.61 million oz. Autocatalyst demand was predicted to increase due to strong growth in Asian vehicle manufacturing, and the use of palladium to replace platinum in some catalysts. However, demand for new palladium for jewellery looked set to drop by more than a quarter in 2007 as purchases by manufacturers in China declined. Production of palladium would fall in South Africa but supply from Russia was forecast to rise in 2007. Supply was forecast as reaching 8.32 million oz in 2007, with the market showing another substantial surplus, of 1.715 million oz.



Palladium purchases for jewellery manufacture in 2007 were expected to grow in Europe and North America as more companies started to experiment with this material (Courtesy of Mark B. Mann/Mann Design Group, Inc.)

Strong Growth in Autocatalyst Demand

Johnson Matthey expected purchases of palladium by the automotive sector to rise by 340,000 oz, or 8.4 per cent, to 4.38 million oz, a six year high. In addition to rising production of palladium autocatalysts to supply the Asian vehicle market, demand was stimulated by the wide price differential between palladium and platinum. In the gasoline sector, the use of palladium instead of platinum catalysts continues to grow; roughly three times as much palladium as platinum is now used in gasoline cars. In light-duty diesel autocatalysts, the use of palladium was forecast to increase to over 200,000 oz in 2007, more than double the figure for 2006.

Modest Rise in Industrial Demand

Johnson Matthey predicted continued growing demand for palladium from the electronics sector, to 1.10 million oz, driven by growth in consumer demand and in subsectors such as plating. Although little change in demand was forecast from 2006, dental sector uptake has been downgraded by Johnson Matthey to take account of greater recycling than previously thought.

Fall in New Metal Purchases for Jewellery

Global demand for new palladium for jewellery manufacturing was forecast as falling by 250,000 oz to 745,000 oz in 2007. European and North American demand were expected to rise slightly as new ranges of jewellery are launched in these regions. In the more established Chinese market, demand in 2007 was expected to drop from 760,000 oz to 500,000 oz, with demand for new metal again being offset by recycling.

Availability of Interim Review

"Platinum 2007 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.*, 2007, 51, (3), 155