

# Johnson Matthey

EMBARGO UNTIL 13:00 HRS LONDON TIME ON 17<sup>TH</sup> NOVEMBER 2009

## PLATINUM 2009 INTERIM REVIEW



**DESPITE A DIFFICULT ECONOMIC CLIMATE, THE METAL PRICE CONTINUES TO REINVIGORATE THE PLATINUM JEWELLERY MARKET IN CHINA IN 2009.**



Global net jewellery demand for platinum is expected to climb by almost eighty per cent to 76.2 tonnes this year according to Johnson Matthey's "Platinum 2009 Interim Review", released today. Net demand will fall in Europe and North America, reflecting tough economic conditions. However, in Japan, lower prices have reduced recycling flows and, although manufacturing levels will rise only slightly from 2008, net demand will climb strongly. In China, the metal price has continued to encourage demand from the jewellery sector, which should leap to a record level of 54.5 tonnes in 2009 due to strong consumer purchasing and hefty restocking throughout the industry.

### China

The lower price of platinum compared to the first half of 2008 has had a hugely positive effect on net Chinese jewellery demand which is expected to rise to a record 54.5 tonnes this year. Lower prices provided retailers and wholesalers with the opportunity to replenish and expand stocks, increasing platinum's share of counter space where it replaced white gold jewellery. Attractive profit margins also encouraged new retailers and new manufacturers into this sector. This widespread restocking drove a dizzying increase in demand in the first half of 2009 in particular. Continued economic growth and a fall in the retail price of platinum jewellery also considerably boosted the weight of platinum sold through to consumers. Together, these trends increased net platinum demand in the first half of 2009 to over thirty tonnes in China alone.

Although the platinum price has risen since the start of 2009, retail prices remain some way below the levels of late 2008, suggesting that consumer purchasing should stay close to its current elevated level. However, with restocking essentially complete, net demand for the second half of the year is expected to be lower.

### Europe

Purchases of platinum by the European jewellery and watch industries are forecast to decrease by 500 kg to an estimated 5.7 tonnes this year. The European luxury jewellery manufacturers have struggled with the effects of the financial crisis and demand will fall as a result. However, demand for platinum in the key UK market has been supported by a robust bridal market and platinum demand is likely to be steady year-on-year. Platinum use in the Swiss watch industry will drop due to lower watch production and careful stock control by manufacturers and retailers.

### Japan

Net Japanese platinum jewellery demand is expected to climb by 7.9 tonnes to 9.6 tonnes in 2009. The lower metal price has reduced the incentive for consumers to cash in second hand jewellery and the rate of recycling of jewellery scrap will therefore fall sharply. Gross demand (equivalent to manufacturing volumes and any changes in industry stock levels) rose marginally to 16.8 tonnes as retailers who reduced their prices saw improved sales of platinum jewellery. Production of platinum chain for sale in Japan and for export to China also increased.

### North America

The jewellery market in North America has struggled in worsening economic conditions. Net platinum demand is forecast to fall by more than a quarter this year to 4.4 tonnes as consumers' disposable income has shrunk and retailers have again reduced working stocks.

### Platinum Jewellery Outlook

According to Johnson Matthey, platinum demand from the jewellery industry is likely to soften somewhat during the next year. The very strong levels of platinum demand in China since the last quarter of 2008 have been partly due to a high degree of stock building which is unlikely to be repeated in 2010. However, unless the retail price of platinum jewellery rises sharply, any decrease in consumer purchasing or any increase in the use of recycled metal should be limited. With the price of platinum well off the peak levels of 2008, an upturn in the world economy in 2010 is likely to lead to a slight increase in demand in other markets.



## NET PALLADIUM JEWELLERY DEMAND RISES IN EVERY REGION



**Net jewellery sector demand for palladium is expected to climb to a global total of 28.6 tonnes in 2009. The economic slowdown has helped palladium gain a share of the market for men's wedding bands in North America while the approval of a palladium hallmark in the UK should boost European demand. In China, manufacturing volumes will change little but a fall in the recycling of old jewellery stock means that net demand is set to rise.**

### China

Net Chinese jewellery demand for palladium is expected to rise from 20.2 tonnes in 2008 to 21.1 tonnes this year. Although some manufacturers have abandoned palladium production in order to take advantage of the higher margins now offered by platinum jewellery, others have captured this market share and overall production volumes will be little different from 2008 levels. At a retail level, the picture remains mixed. The availability of palladium jewellery varies widely between provinces and even between neighbouring cities within a province, suggesting that retailers and wholesalers are not universally convinced of the potential of this material. However, where it is available, consumer demand appears to be firm, suggesting that the market may have stabilised in these locations. The recycling of palladium jewellery is expected to fall by 1.2 tonnes as very little old stock remains and this decline means that net palladium demand should climb by 900 kg.

### Other Countries

Palladium demand from the jewellery industry will increase in each of Europe, North America and Japan to a combined 6.7 tonnes. European palladium demand should rise to 1.5 tonnes as the introduction of a hallmark for palladium jewellery in the UK in mid-2009 is expected to add legitimacy to this material, boosting consumer interest and adding to European demand. In North America, jewellers will purchase 2.2 tonnes of palladium this year – an increase of 300 kg from last year's figure – as the economic crunch has boosted palladium sales in sectors such as men's wedding bands. In Japan, palladium is used in most platinum and some white gold jewellery alloys and a fall in jewellery recycling will therefore improve net demand.

### Palladium Jewellery Outlook

After several years of development, the Chinese palladium jewellery market appears to have stabilised. Palladium has established itself firmly at the retail level in smaller cities in Sichuan and several other provinces. Very little Pd950 (95 per cent purity) stock remains for recycling and demand is unlikely to decline. However, in the absence of further promotional efforts, demand is expected to show only organic growth from today's levels in this market. Outside China, considerable potential remains for growth: the introduction of a hallmark within the UK has provided a boost in that market and the growing familiarity of US jewellers with palladium alloys should see North American demand rise next year.

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*Platinum 2009 Interim Review is Johnson Matthey's latest market survey of platinum group metals supply and demand. This report, widely regarded as the world's principal source of information on platinum group metals, is free of charge. It can be viewed and downloaded as an electronic file or can be ordered in printed form from Johnson Matthey at <http://www.platinum.matthey.com/publications/pgmreview.html>*

*Johnson Matthey is the world's leading authority on the production, supply and use of platinum and the other metals of the platinum group. The company's main activities include the manufacture of autocatalysts, platinum process catalysts and speciality chemicals and the refining, fabrication and marketing of platinum group metals.*



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