

# Johnson Matthey

**EMBARGO UNTIL 13:00 HRS LONDON TIME ON 17<sup>TH</sup> MAY 2010**

## **“PLATINUM 2010”**

### **PLATINUM AND PALLADIUM MARKETS IN SURPLUS LAST YEAR, POTENTIAL FOR HIGHER PRICES IN 2010**

#### **PLATINUM**

##### **WEAK INDUSTRIAL AND AUTO DEMAND PUT PLATINUM MARKET INTO SURPLUS IN 2009**

The platinum market moved from a deficit of 6.8 tonnes in 2008 into a surplus of 8.8 tonnes in 2009, according to Johnson Matthey in “**PLATINUM 2010**”, released today. Gross demand for platinum fell by 11.9 per cent to 219.0 tonnes. Recovery of platinum from autocatalyst, electronic and jewellery scrap decreased by 23.2 per cent to 43.7 tonnes. As a result, demand for platinum net of recycling fell by 8.5 per cent to 175.3 tonnes. Supplies of platinum from current mining operations fell by 0.3 per cent to 184.1 tonnes.

##### **SUPPLIES OF PLATINUM IN 2009 ONLY marginally BELOW 2008 LEVEL**

South African supplies of platinum rose by 0.3 per cent to 140.9 tonnes, with increased output from newer mines and the sale of metal from stocks accumulated in 2008 offsetting losses from the closing of some uneconomic production. North American supplies, hit by industrial action, fell to 8.1 tonnes and Russian supplies fell slightly to 24.4 tonnes. Expansion at Zimbabwe platinum mines led to output increasing by 27.8 per cent to 7.2 tonnes.

##### **AUTOCATALYST DEMAND CUT BY LOW VEHICLE OUTPUT AND SLUMP IN DIESEL SHARE**

Gross demand for platinum in autocatalysts dropped by 39.0 per cent to 69.4 tonnes in 2009 as global vehicle production fell heavily in nearly all regions. Gross European demand dropped by over half to 30.2 tonnes due to a sharp, short term decline in the market share of diesel cars. Recovery of platinum from spent autocatalysts was also sharply down last year, falling by 26.5 per cent to 25.8 tonnes due to a decline in the number of vehicles scrapped.

##### **INDUSTRIAL DEMAND FOR PLATINUM REDUCED AS RECESSION BITES**

The economic downturn hit industrial demand for platinum in almost all applications as industrial plants operated well below capacity, product inventories were reduced and capital investment delayed. The glass industry sold a large amount of platinum after closing redundant cathode ray tube glass factories in China. Although medical and biomedical demand for platinum was flat, total industrial purchases of platinum were 33.7 per cent lower at 35.5 tonnes.

##### **RECORD DEMAND FOR PLATINUM FOR JEWELLERY MANUFACTURE IN CHINA**

Gross purchases of platinum for jewellery manufacture climbed by 46.1 per cent in 2009 to 93.6 tonnes worldwide. The reduced value of platinum led to a fall in recycling of scrap jewellery by 18.7 per cent to 17.6 tonnes, resulting in net global demand of 76.0 tonnes, a rise of 79.1 per cent. In China, the booming economy and a lower average platinum price than in 2008 boosted gross demand to a record 64.7 tonnes. The rebuilding of stocks of metal and finished jewellery throughout the trade contributed to the increase.

##### **EXCHANGE TRADED FUNDS SUBSTANTIALLY BOLSTER INVESTMENT DEMAND**

Identifiable physical investment demand for platinum increased by 18.9 per cent in 2009 to 20.5 tonnes. Although in Japan purchasing of large bars was weaker than in 2008, total holdings of metal within the European Exchange Traded Funds (ETFs) rose substantially following their decline in the second half of the previous year.

##### **POSITIVE PRICE OUTLOOK STEMS FROM INDUSTRIAL RECOVERY AND INVESTOR INTEREST**

Johnson Matthey expects the platinum market to be close to balance in 2010 as rising demand outpaces a steadier growth in mine supplies. Concerns remain over global economic recovery and the sustainability of Chinese economic growth, while national fiscal debt issues also continue to apply some downward pressure to the platinum price. Investment activity is a major factor in the platinum market with net long speculative futures positions at high levels and total ETF holdings becoming even more substantial since the launch of the US ETF early in 2010. If interest rates remain low and the gold price stays at its current elevated levels, net investment in platinum may well continue to grow and help to sustain the price at between \$1,600 and \$2,000 per ounce during the next six months.

## PALLADIUM

### PALLADIUM DEMAND RESILIENT BUT RUSSIAN STOCK SALES TIP MARKET INTO SURPLUS

The palladium market was in surplus by 23.6 tonnes in 2009. Gross demand decreased by 6.3 per cent to 241.7 tonnes, while the amount of palladium recovered from scrapped autocatalysts, electronics and jewellery fell by 11.5 per cent to 44.5 tonnes. Net demand thus declined by 5.0 per cent to 197.2 tonnes. Supplies of palladium fell by 2.9 per cent to 220.8 tonnes. Production from current Russian mining slipped marginally to 83.2 tonnes and sales of material from Russian state stocks are estimated to have contributed another 29.9 tonnes of palladium to supplies. South African supplies dropped by 1.9 tonnes to 73.7 tonnes.

### SCRAPPAGE SCHEMES AND INCENTIVES SUPPORT PALLADIUM AUTOCATALYST DEMAND

Gross purchases of palladium for use in autocatalysts decreased by 9.3 per cent to 126.0 tonnes in 2009, largely due to the fall in global vehicle output. However, European auto demand for palladium was almost flat with 2008, as various scrappage schemes supported the sale of gasoline-fuelled vehicles and palladium continued to gain ground at the expense of platinum in diesel engine catalysts. Demand for palladium for the rapidly expanding China vehicle market grew to 21.3 tonnes, up by 76.0 per cent on 2008.

### WEAKER PALLADIUM JEWELLERY DEMAND DUE TO STAGNATING CHINA MARKET

In the jewellery sector, gross global demand for palladium decreased by 17.3 per cent in 2009 to 25.3 tonnes. Gross demand in China slipped from 23.0 tonnes to 17.4 tonnes as manufacturers devoted resources to making platinum jewellery. North American demand was flat but European demand was driven marginally higher by the introduction of a palladium hallmark in the UK. Net global demand fell by 12.9 per cent to 23.1 tonnes.

### DECLINE IN INDUSTRIAL DEMAND FOR PALLADIUM OFFSET BY SOLID INVESTMENT OFFTAKE

Gross industrial demand for palladium (including dental demand) decreased by 5.8 per cent to 70.9 tonnes in 2009 as the effects of recession lingered. Gross electrical demand fell by 3.1 tonnes to 39.5 tonnes due to lower output of automotive electronics and heavy destocking of components in early 2009. Recycling of electronic scrap increased by 1.6 tonnes, leaving net electrical demand down 14.6 per cent at 27.2 tonnes. Identifiable physical investment demand for palladium climbed by 48.8 per cent to 19.5 tonnes in 2009. Once again, there was strong buying interest in palladium through the European ETFs, encouraged by the rising metal price.

### PALLADIUM PRICE TO BE SUPPORTED BY BETTER FUNDAMENTALS AND INVESTOR SENTIMENT

The palladium market is likely to be in oversupply again in 2010, although with a smaller surplus than in 2009. However, excluding sales of metal from Russian state stocks the market has been in fundamental deficit during the last two years, and recent price movements indicate that many investors see potential long term profits in this metal. If investors continue to build on their large futures and ETF positions, then recovering industrial and automotive demand could help to drive palladium to \$700 per ounce in the next six months, with the price unlikely to soften below \$475.

**Note: "PLATINUM 2010" includes gross demand and recycling data for the auto, electrical and jewellery sectors, from which net demand can be derived. Previously, electrical and jewellery demand figures were net. To see both new and old presentations of data, please visit [www.platinum.matthey.com/publications/market-data-tables](http://www.platinum.matthey.com/publications/market-data-tables)**

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*Platinum 2010 is Johnson Matthey's free survey of platinum group metals supply and demand. It can be downloaded as an electronic file or can be ordered in printed form 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, process catalysts and speciality chemicals and the refining, fabrication and marketing of platinum group metals.*



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