



Johnson Matthey

News Release

EMBARGO UNTIL 13:00 HRS LONDON TIME ON 15TH MAY 2017

PLATINUM

THE PLATINUM MARKET REMAINED IN DEFICIT IN 2016, WITH STRONG INVESTMENT, INDUSTRIAL AND AUTO DEMAND OFFSETTING A CONTRACTION IN CHINESE JEWELLERY FABRICATION.

OUTLOOK: PLATINUM DEMAND IN THE AUTO AND INVESTMENT SECTORS IS FORECAST TO WEAKEN IN 2017, LEAVING THE MARKET IN SURPLUS FOR THE FIRST TIME IN SIX YEARS.

2016 REVIEW: FIFTH CONSECUTIVE YEAR OF DEFICIT, AUTO AND INDUSTRIAL DEMAND AT MULTI-YEAR HIGHS

Strong demand from the automotive, industrial and investment sectors compensated for weakness in the jewellery sector, and kept the platinum market in deficit in 2016.

Investment purchasing rose by over a third, with exceptionally strong sales of platinum bars to Japanese investors. Sales of platinum to automakers were at their highest level since 2008, boosted by higher European diesel car output, and the full implementation of Euro 6b emissions legislation. Industrial consumption reached a five-year high, on the back of strong demand from Chinese glass and chemicals producers.

These gains were offset by a sharp contraction in jewellery fabrication demand in China, where weak retail activity led to destocking in the distribution chain. With primary supplies flat, and limited growth in autocatalyst recycling, the market remained in a modest deficit of 202,000 oz.

2017 OUTLOOK: MARKET TO MOVE INTO SURPLUS ON LOWER JEWELLERY, AUTO AND INVESTMENT DEMAND

With jewellery, autocatalyst and investment demand forecast to slow, the platinum market is predicted to move into surplus in 2017 for the first time in six years.

Chinese jewellery fabrication is expected to contract again, while automotive demand will be hit by changes in catalyst technology in Europe, in response to the introduction of Real Driving Emissions testing. Investment demand is forecast to remain positive, but at lower levels than in the last two years, as purchasing by Japanese investors slows.

While industrial demand will remain firm, and both primary supplies and recycling are expected to drop, this is unlikely to be enough to keep the market in balance.

PALLADIUM

HIGHER RUSSIAN SUPPLIES AND WEAKER INDUSTRIAL DEMAND CUT PALLADIUM MARKET DEFICIT IN 2016 DEFICIT FORECAST TO WIDEN IN 2017 WITH AUTOCATALYST DEMAND SETTING FRESH HIGHS AND A SLOWDOWN IN ETF REDEMPTIONS

2016 REVIEW: PALLADIUM MARKET MOVES CLOSER TO BALANCE DESPITE RECORD AUTO DEMAND

The palladium market moved closer to balance in 2016, despite a 23% rise in demand from Chinese automakers and lacklustre recycling activity.

Chinese auto demand surged above 2 million oz, as a reduction in vehicle purchase taxes lifted passenger car sales by more than 15%. However, industrial demand softened, while higher prices triggered heavy profit-taking by ETF investors. With supplies rising 5% on the back of Russian destocking, the palladium market deficit fell to 163,000 oz.

2017 OUTLOOK: PALLADIUM DEFICIT TO WIDEN WITH AUTO DEMAND AT NEW HIGHS AND LOWER DISINVESTMENT

World automotive demand is forecast to exceed 8 million oz for the first time, with further growth in world gasoline car production and tighter emissions legislation in China, Europe and North America.

There is potential for further profit-taking in the investment sector, but the rate of liquidation is predicted to slow following two years of heavy disinvestment. With firm prospects for industrial demand, especially from Chinese bulk chemicals producers, we predict that total gross demand will rise by more than 7% to exceed 10 million oz.

Although the autocatalyst recycling sector should see some recovery after two years of depressed activity, primary palladium supplies are predicted to be lacklustre. As a result, the market deficit is forecast to widen significantly, to 792,000 oz.

The full text of the PGM Market Report May 2017 will be available to download from 1pm (BST) 15th May 2017 at <http://www.platinum.matthey.com/services/market-research/pgm-market-reports>.

The PGM Market Report provides detailed data, analysis and commentary on the platinum group metal markets. It includes estimates of supply by country and demand by application for platinum, palladium and rhodium, and demand figures for ruthenium and iridium, detailed by application. Figures include a five-year history, as well as our forecast for the current year.

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