

News Release

EMBARGOED UNTIL 13.00 HRS LONDON TIME ON 14th MAY 2018

Platinum market moves into moderate surplus despite exceptional industrial demand

The platinum market recorded a small surplus in 2017, according to estimates published in Johnson Matthey's latest PGM Market Report. Mine supply was flat, with higher sales from South African producers offset by lower Russian and Zimbabwean shipments, while overall recycling volumes showed a moderate improvement.

Gross demand for platinum fell by two per cent to 7.96 million oz, as investment purchasing in Japan slackened following exceptional activity during 2015–2016. There was also further contraction in platinum consumption in the world's largest platinum jewellery market, China. In contrast, demand for platinum in industrial processes set a record high on the back of capacity expansions by the Chinese glass and chemicals industries. Sales of platinum to the automotive sector were little changed, with diesel car production volumes stable in Europe.

Alison Cowley, author of the PGM Market Report, commented: "We had expected a tough year for platinum demand in 2017, but global diesel car production held up better than expected, and we saw some signs of an improvement in Chinese jewellery demand during the second half. The real bright spot was industrial demand, which was at unprecedented levels. Chinese government initiatives have stimulated a huge amount of investment in new chemical and fibre glass plants, boosting demand for platinum process catalysts and platinum glass-making equipment."

The platinum market will move further into surplus in 2018, as another rise in industrial demand is outweighed by a decline in autocatalyst consumption and lower net investment. Mine production of platinum will remain lacklustre, but there is scope for further growth in recycling, as the global vehicle scrap market continues to rebound.

Less platinum will be used in diesel aftertreatment systems in Europe this year, reflecting cuts in diesel car production, and a reduction in platinum loadings on vehicles certified to Euro 6d-TEMP standards. Jewellery fabrication will contract slightly, but the Chinese market has shown some signs of stabilising and we therefore expect the rate of decline to moderate. Industrial demand will remain exceptionally strong, with continuing heavy investment in the Chinese chemical, petroleum and glass sectors.

Johnson Matthey's May 2018 PGM Market Report includes a special feature on fuel cell vehicles. Demand for platinum in fuel cells is forecast to rise significantly in 2018, especially in China, where the roll-out of fuel cell vehicle programmes in a number of cities has generated orders for significant numbers of fuel cell stacks to be delivered over the 2018-2021 period.

Margery Ryan, Senior Automotive and Fuel Cell Analyst at Johnson Matthey, added: "Fuel cell technology is increasingly being used in heavy vehicles as well as in passenger cars. Chinese auto makers are developing a variety of fuel cell vehicle platforms, and buses in particular are a promising early market. We expect hundreds of fuel cell buses to be deployed in major Chinese cities over the next couple of years. As fuel cell vehicles are fully electric they attract generous subsidies from the Chinese government."

[Palladium price surges to record highs on boom in automotive demand](#)

The use of palladium in automotive emissions control systems surged by 450,000 oz in 2017, setting a new record of nearly 8.4 million oz. With purchasing by chemicals producers also at historical highs, and a fall in the rate of redemptions by ETF investors, total palladium demand rose by eight per cent to 10.1 million oz.

Although there was significant growth in the recovery of palladium from scrapped autocatalysts, Russian primary supplies fell by 13 per cent, leaving combined primary and secondary shipments up only marginally. As a result, the market deficit widened to more than 800,000 oz in 2017.

According to Rupen Raithatha, Market Research Manager at Johnson Matthey plc, "Investors in exchange traded funds have redeemed nearly 1.7 million oz of their palladium holdings over the last three years. This has helped to support market liquidity during a period of exceptional growth in automotive demand. However, persistent market deficits have had a real impact on the price, which reached a record high of \$1,129/oz in January 2018."

Automotive consumption of palladium will set a fresh all-time high of 8.6 million oz in 2018, in line with growth in global production of gasoline vehicles. However, there will be a modest decline in demand from industrial applications, such as electronic components and dental alloys, as high prices encourage further substitution. We also anticipate that investment demand will remain deeply in negative territory, with liquidation at similar levels to last year, while recoveries of palladium from automotive scrap will rise again. These developments will significantly outweigh the increase in autocatalyst demand, and will result in a narrowing of the supply shortfall to 239,000 oz.

Peter Duncan, Johnson Matthey's General Manager of Market Research, said, "Growth in autocatalyst demand will moderate to two per cent in 2018. However, the prospect of significant growth in Chinese palladium loadings has moved closer, because it looks increasingly likely that some cities and provinces will implement the first phases of China 6 emissions legislation early, and that some automakers will skip China 6a and go straight to China 6b. This could happen as early as next year and would result in a double-digit increase in palladium consumption on Chinese cars."

Johnson Matthey plc's PGM Market Report can be viewed and downloaded from the website (<http://www.platinum.matthey.com/services/market-research/pgm-market-reports>) and provides a preliminary overview of demand for platinum group metals in 2017 and an outlook for 2018. The report is available in English and Chinese. You can follow us on Twitter at @PMMJM.

For further information please contact:

Peter Duncan

Johnson Matthey plc

T +44 1763 256317

E peter.duncan@matthey.com

Rupen Raithatha

Johnson Matthey plc

T +44 1763 256322

E rupen.raithatha@matthey.com

Note to editors:

Johnson Matthey's Market Research Department has undertaken fundamental research into the Platinum Group Metals markets since the 1980s. Since 1985, Johnson Matthey has published supply and demand data twice yearly, initially in the Platinum and Interim Platinum series of reviews (1985-2013) and more recently in the PGM Market Report. Previous reviews and reports can be downloaded from <http://www.platinum.matthey.com/services/market-research/pgm-market-report>

