Johnson Matthey

News Release

For immediate release

PLATINUM

LIMITED GROWTH IN COMBINED PRIMARY AND SECONDARY SUPPLIES TO KEEP PLATINUM MARKET IN DEFICIT IN 2016, DESPITE FALL IN DEMAND FROM JEWELLERY SECTOR.

PLATINUM MARKET COULD SEE SURPLUS IN 2017 FOR FIRST TIME SINCE 2011.

2016 FORECAST: MARKET DEFICIT OF 422,000 OZ

A decline in supplies from South Africa will be partially offset by some growth in mine production elsewhere, and higher levels of recycling, largely in the jewellery sector. This will leave combined primary and secondary supplies only marginally higher in 2016 than in the previous year.

Full implementation of Euro 6b legislation will lead to a further increase in autocatalyst demand in Europe, more than offsetting modest declines in most other regions, and lifting global platinum usage in automotive catalysts in 2016 by 1.6%. Purchasing in other industrial sectors has been solid, driven by continued capacity expansions in China. Physical investment demand also remains buoyant, reflecting heavy net purchasing of bars in Japan, where a weak platinum price in yen and a sustained discount to gold have favoured platinum sales. However, a third successive annual decline in jewellery demand in China will drive global demand in this sector lower by 9%.

2017 OUTLOOK

Looking ahead to 2017, whilst primary supplies will be flat at best, there is potential for a rebound in autocatalyst recycling following two consecutive years of price-related sluggishness. In most industrial sectors, the demand outlook remains firm, but purchases in the autocatalyst industry are likely to dip slightly as lower-platinum-loaded catalyst systems are introduced in increasing numbers in European vehicles. As demand in the Chinese jewellery sector seems set on a downward trend, market balance will likely depend on the extent of growth in autocatalyst recycling and the level of physical investment. Unless the latter remains at similar levels to those seen in 2016, we could see the platinum market return to a surplus for the first time since 2011.

Issued by: Johnson Matthey Precious Metals Management
Orchard Road Royston Hertfordshire SG8 5HE United Kingdom

PALLADIUM

PALLADIUM MARKET TO RECORD DEFICIT OF 651,000 OZ IN 2016

MARKET LIKELY TO REMAIN IN SIGNIFICANT DEFICIT IN 2017, IRRESPECTIVE OF ANY POTENTIAL REBOUND IN AUTOCATALYST RECYCLING OR THE LEVEL OF PHYSICAL INVESTMENT.

2016 FORECAST: MARKET DEFICIT OF 651,000 OZ

Mine production of palladium will be flat in 2016, with total supplies supported by only a modest increase in metal from recycling activities. Demand in the autocatalyst sector will once again set a new record at 7.84 million oz, up by more than 2% on the previous year. Other industrial demand will soften slightly. Physical investment demand will remain in negative territory, although liquidation of ETFs has fallen compared with 2015. Overall, the market is predicted to remain in substantial deficit.

2017 OUTLOOK

Autocatalyst demand is set to continue its upward trend, buoyed by further gains in global production of light duty gasoline vehicles and a tightening of emissions legislation in North America and China. While there is potential for secondary supplies from autocatalyst recycling to rebound, there is little chance of any significant growth in primary production from mines. With demand in industrial sectors looking set for a strong year, driven by significant capacity expansions in the Chinese chemicals industry, the palladium market looks likely to record another year of significant deficit in 2017, even if physical investment remains firmly negative.

The full text of the PGM Market Report November 2016 will be available to download from 1pm (GMT) 14th November 2016 at 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. Information will be updated on a six-monthly basis in May and November.

Follow us on

@PMMJM **PMM JM**

Issued by: Johnson Matthey Precious Metals Management
Orchard Road Royston Hertfordshire SG8 5HE United Kingdom