

Johnson Matthey

EMBARGOED UNTIL 13.00 HRS LONDON TIME ON 15TH NOVEMBER 2011

“PLATINUM 2011 INTERIM REVIEW”

“ DEMAND FOR PLATINUM JEWELLERY FORECAST TO RISE MODESTLY IN 2011 ”

Gross demand for platinum in the jewellery sector is forecast to increase by 2% to 76.7 tonnes, according to Johnson Matthey in “**PLATINUM 2011 Interim Review**”, released today. Demand is expected to reach a two-year high, mainly as a result of higher levels of purchasing in China – the world’s largest market for platinum jewellery. Softer demand is forecast in the European market while in Japan and North America, demand is expected to be robust. Elevated gold prices, and the parity with platinum, may help platinum gain market share in the bridal sector, although both metals face competition from alternatives.

PLATINUM JEWELLERY DEMAND IN CHINA TO BE MARGINALLY HIGHER IN 2011

Despite higher prices, purchasing of platinum by the jewellery industry in China is set to rise by 1.1 tonnes to 52.4 tonnes this year, suggesting that manufacturers, retailers and ultimately consumers are adjusting to higher price levels. The recent price parity of gold and platinum has given something of a boost to platinum, which is seen as a good buy in comparison with gold by manufacturers, retailers, and some consumers. Overall this year, manufacturers report that the number of platinum pieces they produce has increased, although the weight of individual items has in many cases declined, in line with attempts to target particular price points in the market. Lower levels of recycling are set to result in a rise in net Chinese jewellery demand to 41.4 tonnes.

GROSS JEWELLERY DEMAND IN JAPAN TO BE ROBUST

Gross platinum demand in the Japanese jewellery industry is expected to remain fairly steady at 10.0 tonnes this year. In the aftermath of the earthquake and tsunami in March 2011, more couples are getting married, temporarily reversing a long-term trend towards later and fewer marriages and stimulating purchases of platinum wedding bands as well as engagement rings. However, due to a continued trend towards lighter weight pieces in response to higher prices, gross platinum demand has remained almost flat. With higher levels of recycling, net jewellery demand in Japan is expected to be negative.

NORTH AMERICAN JEWELLERY DEMAND TO STAY FLAT

Consumption of platinum by the jewellery sector in North America is expected to remain flat in 2011 at 5.4 tonnes. The platinum jewellery market is likely to be supported this year by strong growth in production by high-end manufacturers. Production by these manufacturers for the domestic market as well as exports has been impressive, although middle-market manufacturers report challenging conditions. As elsewhere, higher platinum prices have contributed to a trend towards lower weight pieces to meet key retail price points.

PURCHASING OF PLATINUM BY THE EUROPEAN JEWELLERY INDUSTRY TO FALL

Due to higher prices and economic uncertainty, gross platinum demand by the European jewellery industry is forecast to weaken by 0.3 tonnes to 5.1 tonnes. Although lower priced alternative metals are being chosen for men’s wedding bands, platinum continues to maintain its share of the engagement ring and women’s wedding band market. The recent high price of gold also appears to have encouraged consumers to choose platinum pieces, rather than gold, for only a slightly higher price.

PLATINUM JEWELLERY RECYCLING SET TO DECLINE THIS YEAR

Recovery of platinum from the jewellery sector is set to decline by 6% in 2011 to 21.5 tonnes, mainly due to a reduction in recycling in China of 20% from previously elevated levels. Growing sales of platinum jewellery in China are leading to less unsold retail stock being recycled, although recycling of old pieces by consumers is expected to remain constant. In Japan, the after-effects of the March disaster appear to have led many individuals to ‘declutter’ their homes and lives, resulting in higher recycling of old platinum jewellery.



**PURCHASING OF PALLADIUM BY THE JEWELLERY INDUSTRY
TO FALL IN 2011 DUE TO LOWER MANUFACTURING
IN CHINA AND ELEVATED PRICES**



Gross palladium demand from the jewellery sector is forecast to fall by 1.5 tonnes in 2011 to 17.0 tonnes. In China, the largest market for palladium jewellery, high prices have lowered consumer demand for a previously affordable metal and led some manufacturers to stop producing palladium jewellery. Higher metal prices are expected to keep demand flat in Europe, as lower weight pieces are manufactured to meet price points. In North America, a combination of higher prices and competition from cheaper alternatives has led to a softening of demand this year.

PALLADIUM JEWELLERY DEMAND TO FALL IN CHINA

Gross demand for palladium in the jewellery sector in China is expected to decline in 2011, by 0.9 tonnes to 10.3 tonnes. During the first nine months of 2011, palladium prices were 41% higher in local currency terms than in 2010. This has simultaneously lowered consumer demand for what was previously seen as an affordable precious metal while also helping to stimulate recycling, thus lowering net demand.

GROSS PALLADIUM JEWELLERY DEMAND IN EUROPE TO REMAIN FLAT

Purchasing of palladium by the jewellery industry in Europe is expected to remain flat this year at 2.0 tonnes as higher metal prices encourage a trend towards lighter weight pieces. Some manufacturers have also begun to produce rings in lower-fineness alloys such as Pd500.

PALLADIUM DEMAND IN NORTH AMERICA TO DECLINE

Gross demand for palladium in the jewellery sector in North America is expected to fall by 0.6 tonnes to 1.4 tonnes in 2011. As the price has increased this year, palladium's positioning as a men's jewellery metal has been increasingly challenged by non-precious alternatives. Palladium is also used to enhance the colour of white gold jewellery in some higher-end pieces, for which demand has been resilient.

JAPANESE DEMAND FOR PALLADIUM TO REMAIN FIRM

Demand for palladium in Japan, where it is mainly used as an alloying agent in platinum jewellery, will remain robust at 2.3 tonnes as purchasing of platinum pieces holds up well.

RECYCLING OF PALLADIUM TO INCREASE

Driven by higher prices, recycling of palladium jewellery in China is forecast to more than double this year, returning 5.9 tonnes of manufacturer and retail scrap. The increase in palladium recycling contrasts with platinum jewellery recycling in China, which is set to decline in 2011. It is also notable that the palladium being recycled in China is mainly unsold retailer and manufacturer inventory rather than metal from consumers. Total palladium jewellery recycling worldwide is set to rise to 6.5 tonnes this year.

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Platinum 2011 Interim Review is Johnson Matthey's latest survey of the platinum group metals market. This free report is widely regarded as the world's principal source of information on platinum group metals. 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 platinum group metals. 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.