

# Johnson Matthey

EMBARGOED UNTIL 13.00 HRS LONDON TIME ON 16<sup>TH</sup> MAY 2011

## “PLATINUM 2011”

“ **PLATINUM JEWELLERY DEMAND FELL BY 14% IN 2010 AS HIGHER PRICES AFFECTED CONSUMER PURCHASING** ”

**Gross demand for platinum in jewellery manufacturing fell by 14% in 2010 to 75.1 tonnes. Demand declined in China after a record level of purchasing in 2009 and was marginally lower in Japan and Europe. Demand increased in North America and in India. Recycling of platinum from old jewellery, mainly in Japan and China, grew by 32% to 23.2 tonnes. Net demand fell to 51.9 tonnes from 69.8 tonnes in 2009.**

### **GROSS DEMAND FOR PLATINUM FROM CHINA WAS LOWER IN 2010 BUT STILL ROBUST**

The Chinese jewellery sector performed solidly in 2010, with gross platinum demand at 51.3 tonnes. This represented a fall of some 13.4 tonnes compared with the exceptional year of 2009, when lower prices and stock levels led to large amounts of metal being purchased. A combination of higher metal prices, adequate levels of manufacturers' stock and a greater focus on producing gold jewellery contributed to the decline in 2010. However, demand in China was robust compared with historical levels: purchases of platinum were substantially higher than in 2008, when platinum traded at similar price levels to 2010.

### **PLATINUM JEWELLERY DEMAND INCREASED BY 30% IN NORTH AMERICA**

Purchasing of platinum by the jewellery sector in North America strengthened by 1.2 tonnes to 5.4 tonnes in 2010 as the economy recovered and consumer confidence began to return. Some larger manufacturers raised production levels, and medium- to high-end retailers introduced new platinum product lines in stores. The launch of lighter-weight platinum pieces by some retailers to meet key price points also helped to lift demand. Partly offsetting this, a narrowing of the price difference between platinum and gold helped lift purchases of platinum at the high-end of the market.

### **JAPANESE DEMAND FOR PLATINUM WAS MARGINALLY LOWER THAN IN 2009**

Although consumer spending on jewellery items in Japan appeared to be improving in 2010, platinum demand declined slightly. As the trade responded to elevated metal prices by offering lighter weight pieces, total platinum purchased by the Japanese jewellery industry softened by 0.3 tonnes to 10.1 tonnes. Platinum remains popular in the bridal jewellery segment, but was affected by downward trends in marriage rates and also the trend towards reduced piece weight. The platinum fashion jewellery segment remained subdued, partly due to price and also due to competition from cheaper jewellery metals.

### **DEMAND FOR PLATINUM JEWELLERY EASED IN EUROPE, GREW IN INDIA**

Platinum demand in the European jewellery industry softened to 5.4 tonnes in 2010 as economic uncertainty in the eurozone, elevated platinum prices and the lingering effects of recession affected the jewellery trade. Numbers of hallmarked jewellery pieces produced in the UK and Switzerland showed an increase in 2010, demonstrating some underlying growth in consumer demand. However, the total weight of hallmarked platinum in these markets declined, suggesting that consumers were choosing smaller, lighter pieces in response to the price change. Platinum jewellery continued to gain popularity in India, where sales to young, urban consumers have been strong.

### **PLATINUM JEWELLERY RECYCLING INCREASED BY 32% IN 2010**

Recycling of platinum jewellery last year was 23.2 tonnes, 5.6 tonnes higher than in 2009, as consumers and retailers took advantage of elevated metal prices to trade in old and broken jewellery. Recycling levels were highest in China at 14 tonnes as, in the rising price environment, consumers traded in old platinum pieces for other platinum jewellery or cash. Platinum jewellery recycling in Japan grew to 9.0 tonnes in 2010. Outside Japan and China, platinum jewellery recycling was minimal.



## **PALLADIUM DEMAND IN THE JEWELLERY SECTOR FELL BY 20% IN 2010 DUE TO A DECLINE IN MANUFACTURING IN CHINA**



**Gross palladium demand in the jewellery sector fell by 20% to 19.3 tonnes. Declining manufacture of palladium jewellery in China was responsible for this reduction and more than offset increases in Europe and North America. Recycling of palladium jewellery rose by 14% to 2.5 tonnes.**

### **PURCHASING OF PALLADIUM IN CHINA REDUCED BY A THIRD**

Gross palladium purchasing by the Chinese jewellery sector fell by almost one-third in 2010 to 11.8 tonnes. Rising palladium prices combined with sufficient levels of stock were mainly responsible for the decline. Some manufacturers and retailers ceased offering palladium due to weak consumer demand and competition from yellow gold. Palladium jewellery continued to sell in certain cities and outlying metropolitan and rural areas, but demand suffered from a lack of promotion and competition from other luxury goods.

### **DEMAND FOR PALLADIUM IN THE EUROPEAN JEWELLERY SECTOR INCREASED BY 40%**

Palladium demand in the European jewellery sector reached 2.2 tonnes in 2010, a 40% rise over the previous year. Much of this came from increased production of palladium jewellery in the UK market. A good deal of interest in palladium jewellery has been generated by the trade in the UK recently, with manufacturers adding to their product ranges and retailers augmenting their stock levels. Palladium continues to gain popularity as a metal for men's wedding bands, where larger, chunkier designs can be made at a price competitive with white gold.

### **NORTH AMERICAN PALLADIUM JEWELLERY DEMAND GREW IN 2010**

Gross demand for palladium in North American jewellery increased in 2010 to 2.0 tonnes. This followed a number of manufacturers and retailers adding palladium to their product range in 2009. Demand for men's palladium rings in the wedding band market was robust in the first half of 2010. However, the rising palladium price and competition from non-precious metal alternatives moderated its progress later in the year.

### **PALLADIUM JEWELLERY RECYCLING INCREASED BY 14%**

Recycling of palladium jewellery went up by 14% to 2.5 tonnes in 2010 as manufacturers and consumers alike took advantage of elevated metal prices to trade in unwanted jewellery, mainly in China and Japan. As a result, net jewellery demand for palladium in 2010 was 16.8 tonnes, down from 21.9 tonnes in 2009.

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*Platinum 2011 is Johnson Matthey's free market survey of platinum group metals. Johnson Matthey is the world's leading authority on the production, supply and use of platinum group metals. <http://www.platinum.matthey.com/publications/pgm-market-reviews/>*



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