

# Johnson Matthey

EMBARGO UNTIL 13:00 HRS LONDON TIME ON 19<sup>TH</sup> MAY 2008

## PLATINUM 2008

“MANUFACTURING VOLUMES OF **PLATINUM JEWELLERY** WERE RESILIENT IN 2007 AND NET PURCHASES FELL ONLY marginally”

**Despite a rising price, purchases of platinum by the jewellery industry, excluding scrap, fell only marginally to 1.59 million ounces according to Johnson Matthey's newly-released Platinum 2008 industry review. Retail sales and manufacturing volumes were resilient in most geographical markets. However, the quantity of second hand jewellery and unsold retail stock returned for recycling in both China and Japan increased due to the high metal price.**

### China

Chinese jewellery manufacturing demand rose by 20,000 oz to 780,000 oz of new metal in 2007. The rise of the dollar price of platinum was mitigated to some extent by the strengthening of the Chinese Renminbi. However, the jewellery trade did use more recycled metal than previously, with large amounts of old jewellery being traded in by consumers in part exchange for new pieces, as is customary in China. Manufacture of beads to celebrate the new Year of the Pig added to demand early in 2007 as did the production of platinum memorabilia towards the end of the year in advance of the 2008 Olympic Games.

### Europe

In Europe, platinum demand rose by 15,000 oz to 210,000 oz last year, supported by an increase in the amount of platinum jewellery hallmarked in the United Kingdom and a rise in the number of platinum watches produced in Switzerland. The extraordinarily high prices seen in much of the first quarter of 2008 have had a negative impact on jewellery industry purchases of platinum in Europe so far this year.

### Japan

In Japan, platinum jewellery demand fell by 22 per cent to 280,000 oz in 2007. High rates of recycling of old jewellery were the main cause of this decline. Consumers have been encouraged to sell unwanted items by the high Yen price of platinum and by the proliferation of companies which are collecting and refining this material.

### North America

North American jewellery purchases fell to 240,000 oz in 2007 from 245,000 oz a year previously. The high price caused a weakening of platinum's presence in the middle and low end of the U.S. market. Retailers have trimmed working stocks and delayed repurchases of jewellery. However, platinum bridal ring manufacturing volumes for both domestic and export markets were good.

### Platinum Jewellery Outlook

The prospects for platinum jewellery demand in 2008 are more dependent on price than in previous years. The high metal price in early 2008 did affect purchases by manufacturers in China and elsewhere and encouraged additional recycling of second hand pieces in Asia. Globally, the high end and bridal sectors remain relatively immune from the higher prices. A softening of the price in March encouraged increased jewellery industry off-take suggesting that the picture for 2008 may not be substantially worse than it was in 2007.

## “ **PALLADIUM JEWELLERY DEMAND FELL IN 2007 AS RECYCLING OF OLD STOCK CONTINUED IN CHINA** ”

**Palladium jewellery demand fell from 995,000 oz in 2006 to 740,000 oz in 2007. Jewellery manufacturing demand in China fell to 500,000 oz. The industry in China remains fully stocked and recycling of large amounts of old, unsold retail stock drove palladium demand lower last year. There are now some signs that this market has stabilised. In Europe and North America, palladium jewellery demand rose from initially modest levels as more jewellers started to work with this metal.**

### **China**

Chinese jewellery demand fell by a third to 500,000 oz in 2007. Large amounts of the original, unsold, Pd950 stock continued to be returned by retailers for recycling, meaning that manufacturing volumes were higher than this headline figure. Much of this stock has now been reprocessed and most current stock is made from the newer Pd990 alloy. Retail sales remain mixed with little palladium on sale in the key urban markets of Beijing and Shanghai. Palladium is not universally known by consumers across the country but it is popular in cities in the far North-East of China and in the West.

### **Other Countries**

In Japan, where palladium is used as an alloying agent in white gold and platinum alloys, jewellery demand for palladium dropped in line with falling demand for platinum jewellery, from 130,000 oz in 2006 to 120,000 oz in 2007. North American and European jewellery manufacturers showed increased interest in palladium as a jewellery metal in 2007, driving demand higher in both regions to a combined 95,000 oz, 19 per cent up on the previous year. Palladium's lower intrinsic cost relative to platinum and gold allowed jewellery at more appealing price points to be made. Palladium made inroads into the men's wedding band sector in North America in response to pressure on wedding budgets from rising diamond and metal prices.

### **Palladium Jewellery Outlook**

The increased price differentials between palladium, and platinum and gold, should lead to increased manufacturing demand in North America and Europe during 2008. In China, much of the old unsold stock of Pd950 has now been recycled and a rise in demand for freshly mined metal is possible.

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*Platinum 2008 is Johnson Matthey's latest market survey of platinum group metals supply and demand. This report, widely regarded as the world's principal source of information on platinum group metals, is free of charge. 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 other metals of the platinum group. 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.*