

# Johnson Matthey

EMBARGO UNTIL 13:00 HRS LONDON TIME ON 18<sup>TH</sup> MAY 2009

## PLATINUM 2009

“ALTHOUGH HIGH PRICES NEGATIVELY AFFECTED THE PLATINUM JEWELLERY MARKET IN EARLY 2008, NET DEMAND ROSE STRONGLY IN THE SECOND HALF OF THE YEAR”

**Jewellery demand for platinum, net of recycling, fell by 6.2 per cent to 42.5 tonnes, with a strong recovery seen in Asia during the second half of the year according to Johnson Matthey in “PLATINUM 2009”, released today. In the first six months of the year, record metal prices weakened consumer purchasing in every market and prompted increased recycling of old jewellery in Asia. However, as the price fell, recycling diminished and retailers and manufacturers in China in particular took the opportunity to rebuild stocks of platinum jewellery. Many retailers also reduced store prices, stimulating higher consumer sales. As a result, sales of platinum jewellery grew strongly from September onwards.**

### China

The high price of platinum had a negative effect on net Chinese jewellery demand in early 2008: manufacturers and retailers reduced their stock levels and consumers purchased less precious jewellery. As importantly, large volumes of jewellery were returned by consumers and retailers for recycling, further depressing purchases of new metal. However, once the platinum price started to fall, manufacturers began to increase their purchases of primary metal in order to meet increased retailer demand. With recycling volumes falling sharply, net demand climbed rapidly higher. Gross demand (the sum of platinum jewellery manufacturing volumes and changes in unfabricated metal stocks) was almost flat at 32.9 tonnes. With annual recycling volumes falling to 6.5 tonnes from 9.0 tonnes one year earlier, net demand for platinum increased by 2.1 tonnes to 26.4 tonnes in 2008.

### Europe

European net platinum jewellery demand decreased by 0.1 tonnes to 6.1 tonnes in 2008. The high platinum price and its exceptional volatility in the first half of 2008 hit consumer sales and deterred retailers from restocking. The slowdown in the European economy in the second half of the year ensured that demand remained weak throughout much of Europe. With demand in the UK declining, Switzerland became the largest European jewellery market in terms of platinum demand due to a rise in the production of platinum watches.

### Japan

Net Japanese jewellery demand fell from 5.6 tonnes in 2007 to 1.7 tonnes in 2008. Gross demand was little changed but recycling of old jewellery increased dramatically in the first half of the year. However, as prices fell, consumers sold back less jewellery and recycling rates slowed. Those manufacturers who were able to reduce prices in late 2008 were rewarded with strong sales of all jewellery and kihei chain in particular, helping to support demand.

### North America

The poor state of the North American economy drove net platinum demand from the jewellery industry there 11.5 per cent lower to 6.1 tonnes. Platinum retained much of its popularity in the bridal market but lost some market share in men’s wedding bands.

## Platinum Jewellery Outlook

Johnson Matthey expects net platinum demand from the jewellery industry to rise strongly in 2009. The fall in the metal price seen during the second half of 2008 depressed recycling volumes and allowed the industry to increase its previously low stocks of metal and finished jewellery in late 2008 and early 2009. Consumer purchasing has been extremely strong in China so far in 2009 and sentiment in the trade is very positive. Increased net platinum jewellery demand in China and in Japan should easily outweigh the anticipated weakness in the North American and European jewellery markets.

## “ NET PALLADIUM JEWELLERY DEMAND CLIMBS DUE TO REDUCED RECYCLING IN CHINA AND HIGHER MANUFACTURING VOLUMES ”

**Net demand for palladium from the jewellery industry increased by 19.6 per cent to 26.6 tonnes in 2008. The steady improvement in the uptake of palladium by manufacturers and consumers continued in Europe and in North America and demand rose in both regions. Net Chinese demand climbed from 15.5 tonnes to 20.2 tonnes as the flow of recycled old Pd950 (95 per cent purity) jewellery stock decreased and manufacturing volumes of palladium jewellery climbed in the first three quarters of the year.**

### China

Net Chinese jewellery demand for palladium increased from 15.5 tonnes to 20.2 tonnes in 2008. Lower amounts of old Pd950 stock were recycled than in 2007 and little of this stock now remains (Pd990 is now the preferred fineness). Additionally, a number of manufacturers switched some of their jewellery production into palladium in the first half of 2008 in response to high platinum and gold prices. This switching was reversed later in the year as the platinum price fell. The retail picture for palladium jewellery remains mixed within China with provinces in the North-East and West of the country being the largest markets but sales elsewhere being more patchy.

### Other Countries

Demand for palladium from the jewellery industry increased to a combined 3.3 tonnes in Europe and North America where its profile as a jewellery metal continued to grow. Product availability, although still limited, continued to improve and retailers introduced more palladium into their stores to meet attractive price points for consumers. In Japan, net demand for palladium decreased to 2.3 tonnes, reflecting the recovery of additional metal from scrapped, second-hand gold and platinum jewellery for which palladium is an alloying component: almost no palladium-only jewellery is made or sold within this market.

### Palladium Jewellery Outlook

We expect further growth in palladium jewellery demand within Europe when a hallmark is introduced within the UK later this year. Steady growth in palladium demand is also expected within North America. However, the capacity available for palladium jewellery production in China has been limited by high manufacturing volumes of platinum jewellery so far in 2009. If the price of platinum remains close to first quarter 2009 levels, palladium demand is unlikely to be greater than in 2008 in this market. However, any substantial increase in the platinum price could well translate into additional palladium demand.

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*Platinum 2009 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.*