



Johnson Matthey

News Release

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PLATINUM 2013 Interim Review

**PLATINUM DEMAND IN 2013 IS FORECAST TO EXCEED PRIMARY AND SECONDARY SUPPLIES BY 605,000 OZ.
OFFTAKE BY INDUSTRIAL USERS AND INVESTORS TO OUTWEIGH A FALL IN AUTO AND JEWELLERY DEMAND.
A THIRD CONSECUTIVE YEAR OF DEFICIT IS LIKELY IN 2014.**

The deficit in the platinum market is forecast to increase in 2013 to 605,000 oz, from 340,000 oz in 2012, according to Johnson Matthey in 'Platinum 2013 Interim Review', published today. Supplies of platinum will rise by 1.6% to 5.74 million ounces, with higher output from Zimbabwe accounting for most of the gains. Strong offtake by industrial users and investors will lift gross platinum demand by 4.9% to 8.42 million ounces. Recycling of platinum will grow slightly to 2.08 million ounces.

Platinum supplies from South Africa are forecast to rise by less than 1% to reach 4.12 million ounces in 2013. Production losses due to one-off factors such as strikes and safety stoppages totalled around 100,000 oz in the first half. Further strikes or stoppages in the final quarter of 2013 could eliminate any increase in South African supplies.

Autocatalyst demand will fall by 2.0% to 3.13 million ounces, reflecting weakness in the world's two largest markets for diesel cars, Europe and India. There will also be some additional thrifting by those auto makers still using platinum in gasoline catalysts. However, the use of platinum in heavy duty applications will rise, with a greater number of diesel trucks meeting strict Euro VI limits.

Gross demand for platinum in jewellery will slip by 1.4% to 2.74 million ounces. Purchases by Chinese jewellery makers will ease slightly this year after a very strong 2012, but higher demand is expected in Europe, North America and India. Unprecedented offtake by ETF investors in the new Absa fund in South Africa is expected to lift investment demand by 68% to a record 765,000 oz.

Industrial demand will rise by 11.5% to 1.79 million ounces. The construction of new production facilities in Asia and the Middle East is expected to boost purchases of platinum catalysts by the chemical sector. A recovery of demand for platinum in the manufacture of glass and computer hard disks will be partly offset by lower purchases by the petroleum industry.

Recycling of platinum from spent autocatalysts is expected to rise by 12.8% to 1.28 million ounces. Recoveries will benefit from increasing availability of highly-loaded diesel catalyst scrap, improved collection efficiencies, and destocking by collectors. Reprocessing of old platinum jewellery will drop by 12.9% to 775,000 oz, reflecting lower recycling rates in China and Japan.

Primary platinum supplies are unlikely to grow significantly in 2014. Industrial offtake will remain strong, purchasing by auto makers should be boosted by new diesel emissions limits in Europe and the outlook for jewellery demand is robust. Even with a further rise in recoveries of platinum from spent autocatalysts, and a drop in investment offtake compared to 2013's exceptional total, a third consecutive year of deficit is likely.

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PALLADIUM DEMAND IS EXPECTED TO DECLINE IN 2013 BUT THE MARKET WILL REMAIN UNDERSUPPLIED.

NEW ETF INVESTMENT MAY PUSH PALLADIUM FURTHER INTO DEFICIT IN 2014.

Although the gap between palladium supply and demand will narrow in 2013, the market will be in deficit by 740,000 oz. Primary supplies will decline to 6.43 million ounces, due to lower Russian stock sales, but recycling will grow by 7.4% to 2.46 million ounces. Palladium demand will fall by 3.4% to 9.63 million ounces, with autocatalyst demand strongly up but reduced purchases from other sectors.

World supplies of palladium will decline by 1.5% to 6.43 million ounces in 2013, due to a drop in sales from Russian government stocks to 100,000 oz. There will be a marginal recovery in South African shipments of palladium, while production from Zimbabwe will rise strongly due to another round of mine expansion. North American output of palladium as a by-product of nickel mining will also increase.

A return to boom conditions in the Chinese car market will lift global palladium usage in autocatalysts by 4.0% to 6.97 million ounces. China will become the second largest market for palladium in autocatalysts at 1.51 million ounces. Growth in demand for palladium from the auto industry is expected in all other regions except Japan, but at a modest pace compared with the dramatic gains of recent years.

Industrial demand for palladium will fall by 6.6% to 2.20 million ounces, its lowest level since 2004. Substitution will again be a key feature, with palladium being replaced by base metals as the electrode material for chip capacitors in the electronics industry and by ceramics and non-precious metal alloys in dentistry. Purchases of palladium by the chemical industry remain unusually strong by historical standards.

Palladium jewellery continues to lose market share in China, and has not established a substantial foothold in any other market. Outside China, use of palladium - as an alloying element in white gold and platinum alloys, and for men's wedding bands - will be stable. As a result, demand for palladium in jewellery manufacturing will fall by 12.4% in 2013 to a ten year low of 390,000 oz.

Investors have shown a much reduced appetite for palladium this year. Although there were significant inflows into palladium ETFs in the first two months, there was a prolonged period of disinvestment in mid-year. Net palladium investment demand is forecast to fall to 75,000 oz in 2013, down from 470,000 oz last year.

Recent trends in palladium supply and demand look set to continue into 2014. Primary supply will fall in the absence of Russian stock sales, but this will be offset by additional recycling. Higher auto demand will be balanced by lower jewellery purchases and further substitution in industrial applications. This leaves investment as the wild card in the overall supply-demand picture: a proposed rand-denominated palladium ETF could generate additional demand from South African investors and push the market further into deficit.

*The full text of Platinum 2013 Interim Review will be available from 12th November 2013 at www.platinum.matthey.com.
For further information, please contact Jo Trivedi +44 (0)1763 256315.*

Platinum 2013 Interim Review is Johnson Matthey's free survey of the platinum group metals market. Johnson Matthey is the world's leading authority on production, supply and use of the platinum group metals.

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