

## Platinum 2008 Interim Review

“Platinum Interim Review 2008”, Johnson Matthey’s latest market survey of platinum group metals (pgms) supply and demand, was published in November 2008. This annual review is widely regarded as the world’s principal source of market information on the pgms. The current edition provides an update on the information provided in the full annual survey “Platinum 2008” (see (1)).

### Platinum

#### Market Forecast to be in Deficit in 2008

Johnson Matthey forecast the platinum market to show a deficit of 240,000 oz in 2008. Supplies of platinum were expected to fall 4.2 per cent to 6.28 million oz. Electricity supply problems, smelter outages, a lack of skilled staff and other challenges were predicted to drive South African platinum supplies 250,000 oz lower in 2008, to 4.78 million oz. Production of platinum from Russia was expected to fall to 855,000 oz, although North American and Zimbabwean platinum supplies would increase. Meanwhile, demand was set to decrease by 2.3 per cent to 6.52 million oz.

#### Autocatalyst Demand to Rise in 2008

Gross global platinum demand for the production of autocatalysts was forecast to grow by 85,000 oz to 4.23 million oz in 2008. North American demand was predicted to fall by

305,000 oz to 540,000 oz as vehicle production slowed. In Europe, demand was forecast to rise 16.2 per cent to 2.40 million oz in 2008. More than half of light-duty vehicles sold in Europe had diesel engines, and of these 40–50 per cent were expected to be fitted with a platinum-containing diesel particulate filter (DPF), in most cases in addition to a platinum or platinum/palladium diesel oxidation catalyst (DOC). Johnson Matthey expects that the introduction of the Euro 5 emissions rules in 2009 and 2010 will further increase the use of platinum-coated DPFs. In China, light-duty vehicle production was expected to rise, and the average pgm content of vehicles produced was expected to increase due to the introduction of new emissions limits. Gross platinum demand for autocatalysts in China was predicted to rise by 14.3 per cent to 200,000 oz in 2008.

#### Industrial Demand Climbing

Industrial demand for platinum was expected to climb by 190,000 oz to a net global total of 2.00 million oz in 2008. Demand from the glass sector was predicted to increase to 490,000 oz in 2008. The relocation of glass fibre production from Europe and North America to China led to a continuing rise in demand for bushings there, offsetting weaker or negative demand elsewhere. Demand for LCD glass was expected to rise during 2008, leading to increasing demand for platinum for the installation of new production capacity, particularly in South-East Asia. In the chemical sector, platinum demand was set to grow by 3.7 per cent to 425,000 oz. Platinum demand from the silicones industry was predicted to peak in 2008, while construction of additional manufacturing capacity for commodity chemicals like paraxylene in China would lead to extra platinum demand there.

#### Investment and Jewellery Demand

Platinum investment demand was predicted to fall by 25,000 oz to 145,000 oz. 2008 was the



*Production fell at most operations on the Bushveld due to skill shortages, safety stoppages and labour issues (Image courtesy of Northam Platinum)*

first full year of trading for the two exchange traded funds (ETFs), with net platinum demand of 130,000 oz expected in 2008. In Japan a net disinvestment of 10,000 oz was forecast. In the jewellery sector, net purchases of new metal by jewellery manufacturers were forecast to fall by 340,000 oz to 1.12 million oz.

## **Palladium**

### **Surplus Predicted to Fall in 2008**

The palladium market was anticipated to be in surplus by 320,000 oz in 2008, less than in recent years. Demand was forecast to climb by 3.8 per cent to 7.19 million oz. Global palladium supplies were set to fall by 12.5 per cent to 7.51 million oz. Sales from South Africa were expected to decline to 2.53 million oz, reflecting the challenges in the mining sector there during 2008. Russian supplies of palladium from primary production were forecast to fall slightly, to below 3 million oz. Most significantly, sales of palladium from Russian state stocks were expected to fall to 800,000 oz in 2008.

### **Rising Autocatalyst Demand in 2008**

Vehicle manufacturers were expected to purchase a gross 4.58 million oz of palladium in 2008, 30,000 oz more than in 2007. Declining North American vehicle production, combined with a trend towards reduction of both vehicle and engine size, was predicted to lead to a fall of around 20.6 per cent in palladium demand there, to 1.35 million oz in 2008. However, this was expected to be offset partly by rising production in China, Russia and South America. Growth in demand was also predicted in Europe, mainly due to increased use of palladium in DOCs, since most gasoline cars already contain palladium formulations with little room for further substitution.

### **Industrial and Dental Demand**

Total demand for palladium from industrial and other sectors was forecast to increase by 85,000 oz to 2.44 million oz. Demand from the chemical sector was forecast to grow by 10.4 per

cent to a total of 425,000 oz. This was due to increased manufacturing capacity, in China and other regions, for commodity chemicals such as purified terephthalic acid, vinyl acetate monomer and hydrogen peroxide, each of which requires a palladium process catalyst. Electronics demand was set to rise by 50,000 oz to a total of 1.29 million oz, due to growth in production of electronic components, which would outweigh any reduction in their average palladium content. Demand from the dental sector was predicted to fall by 5,000 oz to 630,000 oz as a decline in European consumption outweighed increased demand for palladium for lower-gold content dental alloys in North America.

### **Jewellery and Investment Demand**

Net global palladium jewellery demand was forecast to rise by 55,000 oz to 780,000 oz in 2008, reversing two years of decline. A reduction in recycling of old stock in China and good interest from manufacturers and retailers in the second half of the year was expected to help boost demand there. Demand was also predicted to rise in Europe and in North America as interest in palladium jewellery continued to grow. Physical investment demand for palladium was expected to rise to 470,000 oz in 2008. Large amounts of metal were purchased by investors through the two European ETFs in early 2008 as the palladium price rose. These funds were forecast to account for 430,000 oz of demand for the entire year.

### **Availability of the Interim Review**

“Platinum 2008 Interim Review” is available to download free of charge as a PDF file from: <http://www.platinum.matthey.com/>. It can also be ordered in printed form from Johnson Matthey PLC, Precious Metals Marketing, Orchard Road, Royston, Hertfordshire SG8 5HE, U.K., or by E-mail: [ptbook@matthey.com](mailto:ptbook@matthey.com).

### **Reference**

- 1 *Platinum Metals Rev.*, 2008, 52, (3), 198