
PRESS RELEASE

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Events in Q1'22 hit platinum supply harder than demand, with previous surplus forecast for 2022 reduced to 627 koz

- Platinum supply forecast to fall 5% in 2022, while demand to increase 2%
- Despite unprecedented headwinds, annual automotive demand in 2022 forecast to rise 16%
- Strong jewellery demand in Europe, North America, Japan and India unable to offset falls in pandemic-affected China
- Strong underlying platinum industrial demand masked by reduced expansions in glass

The World Platinum Investment Council (WPIC) today publishes its *Platinum Quarterly* for the first quarter of 2022, with a revised full year forecast for 2022.

Unprecedented events in Q1'22 had a huge impact on both the supply of and demand for platinum, adding a layer of complexity on top of pre-existing issues, which will continue well into 2022. During the quarter, both demand (-26%) and supply (-13%) fell year-on-year leaving the market in surplus of 167 koz. However, for the full year, supply is expected to be 5% less than in 2021, yet demand to be 2% greater.

The surplus forecast for 2022 has now been reduced to 627 koz, which is also notably down on the surplus in 2021 (1,128 koz).

Constrained supply

Q1'22 saw confirmation that the processing of semi-finished inventory built up during the 2020 Anglo American platinum converter plant (ACP) shutdown had been completed. With mine production no longer receiving the one-off supply boost from the ACP inventory unwind, a clearer picture of underlying production levels emerged this quarter. South African production in Q1'22 fell 16% (-167 koz) year-on-year, to quarterly levels below those seen in 2019. Platinum mine supply in South Africa is forecast to decline 9% in 2022 (-421 koz) and is at risk of potential strike action related to three-yearly wage negotiations. Russian output also declined in Q1'22, down 11% year-on-year (-21 koz) with the operating environment in Russia becoming increasingly challenging due to the geopolitical situation and sanctions against Russia. Overall, global refined mine production is forecast to decline 7% (-425 koz) year-on-year to 5,872 koz.

Recycling supply was constrained during Q1'22 (-20% year-on-year) due to reduced volumes of end-of-life vehicles as a result of fewer new vehicles being sold – an issue that will persist yet ease throughout 2022. Full year platinum recycling supply is forecast to decline by 2% (-43 koz).

Notable automotive demand despite severe challenges

Against a backdrop of shortages of semiconductor chips and other parts, zero-COVID protocols in China, and disruption in Europe due to Russia's invasion of Ukraine, total platinum automotive demand this quarter was remarkably strong. Demand was flat on Q1'21 (725 koz), and is expected to increase by 16% (+412 koz) in 2022, due to a rise in light duty vehicles produced, higher loadings due to tighter emissions regulations and continued platinum substitution to partially replace palladium in gasoline vehicle catalysts.

Jewellery demand rises in all regions except China

A jump in the number of weddings, price-led gains from gold in bridal and further growth for luxury brands saw platinum jewellery demand rise in Europe and North America in Q1'22 – a trend which is forecast to continue throughout the year. Jewellery demand also grew in Japan, albeit from a low base. In India, platinum jewellery demand rose in Q1'22, with fabrication expected to grow to a record high in 2022.

However, this could not offset a fall in jewellery demand in China, where platinum fabrication fell by 36% year-on-year in Q1'22, partly due to the negative impact of the Omicron outbreak. Sales are expected to gradually pick up in the second half of the year as the pandemic-related impact is expected to ease. Overall global platinum jewellery demand declined by 9% (-42 koz) year-on-year in Q1'22, and is forecast to decline 2% (-37 koz) to 1,886 koz in 2022.

Underlying industrial demand above 2019 levels

Petroleum demand in Q1'22 rose by 21% (+8 koz) year-on-year, especially in Europe and North America, where refining output had picked up considerably as the recovery from COVID continued. Similarly, as health service utilisation is recovering towards pre-pandemic levels, demand for platinum in the medical sector was up by 15% (+8 koz). Both sectors are forecast to see demand growth in 2022.

Meanwhile, platinum glass demand fell 56% (-179 koz) year-on-year in Q1 22 as expected. This seemingly dramatic drop was due to unusually high demand in Q1'21, as significant investment in new plant capacity was completed and plants were commissioned. This reduced requirement from the glass sector was a significant factor in overall industrial demand falling by 25% (-175 koz) in Q1'22 year-on-year, and the forecast of a 16% decline in 2022, albeit that 2022 industrial demand is still expected to be the third strongest year on record.

Investment demand affected by yen weakness and ETF liquidations

Bar and coin demand increased from 21 koz in Q1'21 to 60 koz in Q1'22. However, despite particularly strong demand in North America, global demand growth was limited by US dollar price strength sustained by a significant subsequent weakening in the yen which drove local platinum prices to their highest since May last year and which encouraged profit-taking among Japanese investors. This trend is expected to continue into the next quarter, with global bar and coin demand for the full year forecast to decline by 23%.

For ETFs, liquidations in Q1'22 stemmed primarily from one European ETF issuer and were contrary to investors' finding hard assets attractive due to surging inflationary worries and elevated geopolitical and economic uncertainties. A modest inflow in ETF holdings over the remainder of this year is forecast, resulting in a 50 koz full-year outflow.

Paul Wilson, CEO of the World Platinum Investment Council commented:

“At the start of Q1'22, most regions were at various stages of a post-COVID economic recovery. However, Russia's invasion of Ukraine at the end of February sent shockwaves through the markets, which will be felt for months and years to come. This new layer of complexity, on top of existing COVID-related factors and operational challenges, will add to the wider markets' volatility.

“With the backlog of semi-finished inventory built up during the 2020 Anglo American Platinum converter plant (ACP) outages now processed, we are left with the stark reality that South African production is actually below where it was in 2019. This, combined with a massive drop in recycled material, points to constrained supply for the coming months, as demand continues to grow.

“While the cost of the tragic war in Ukraine will not be known for some time, the potential indirect impact it could have on platinum is considerable. Security-of-supply concerns, particularly for palladium have arisen in the wake of Russia's invasion of Ukraine and given Russia's importance to the global supplies of mined palladium and, to a much lesser extent, platinum.

This could increase platinum for palladium substitution efforts and modify the procurement and inventory management strategies of a wide range of market participants.

“In addition to decarbonisation, security of energy supply for all Governments is now a far greater issue than it was. The role of green hydrogen in reducing European gas imports could drive a strategic acceleration of electrolyser construction, which would benefit platinum directly but also support the infrastructure needed for broad-based commercial adoption of FCEVs. Investors looking for green opportunities are becoming increasingly aware of platinum’s key strategic role in unlocking hydrogen’s crucial contribution to achieving global net zero targets; being used in both electrolysers to produce green hydrogen and in hydrogen fuel cells.”

Platinum Supply-demand Balance (koz)	2019	2020	2021	2022f	2021/2020 Growth %	2022f/2021 Growth %	Q1 2021	Q4 2021	Q1 2022
SUPPLY									
Refined Production	6,075	4,989	6,297	5,872	26%	-7%	1,465	1,695	1,279
South Africa	4,374	3,298	4,678	4,258	42%	-9%	1,028	1,274	861
Zimbabwe	458	448	485	465	8%	-4%	118	127	121
North America	356	337	273	333	-19%	22%	83	64	84
Russia	716	704	652	611	-7%	-6%	184	178	163
Other	170	202	208	205	3%	-1%	52	52	51
Increase (-)/Decrease (+) in Producer Inventory	+2	-84	-93	+0	N/A	N/A	-29	-39	+0
Total Mining Supply	6,077	4,906	6,204	5,872	26%	-5%	1,435	1,656	1,279
Recycling	2,136	1,930	1,953	1,909	1%	-2%	518	453	415
Autocatalyst	1,590	1,442	1,464	1,418	2%	-3%	384	333	299
Jewellery	476	422	422	422	0%	0%	118	102	99
Industrial	69	66	67	69	1%	3%	16	17	17
Total Supply	8,213	6,836	8,156	7,781	19%	-5%	1,953	2,109	1,695
DEMAND									
Automotive	2,869	2,402	2,643	3,055	10%	16%	724	680	725
Autocatalyst	2,869	2,402	2,643	3,055	10%	16%	724	680	725
Non-road	†	†	†	†	†	†	†	†	†
Jewellery	2,099	1,820	1,923	1,886	6%	-2%	479	499	437
Industrial	2,127	1,978	2,508	2,109	27%	-16%	707	624	533
Chemical	694	596	688	613	15%	-11%	119	200	111
Petroleum	219	109	172	193	58%	12%	37	57	44
Electrical	144	130	135	127	4%	-6%	33	32	30
Glass	236	407	715	331	75%	-54%	318	121	138
Medical	249	235	244	257	4%	5%	57	67	65
Other	584	500	555	588	11%	6%	143	147	144
Investment	1,237	1,544	-45	104	N/A	N/A	159	-108	-167
Change in Bars, Coins	266	578	332	254	-43%	-23%	21	95	60
Change in ETF Holdings	991	507	-238	-50	N/A	N/A	105	-155	-169
Change in Stocks Held by Exchanges	-20	458	-139	-100	N/A	N/A	33	-48	-58
Total Demand	8,331	7,743	7,029	7,155	-9%	2%	2,069	1,695	1,528
Balance	-119	-908	1,128	627	N/A	-44%	-116	413	167
Above Ground Stocks	3,531**	2,624	3,752	4,379	43%	17%			

Source: Metals Focus 2019 - 2022

Notes:

1. **Above Ground Stocks 3,650 koz as of 31 December 2018 (Metals Focus).
2. † Non-road automotive demand is included in autocatalyst demand.

For media requests, please contact Elephant Communications

Guy Bellamy / Jim Follett / Charlotte Raisbeck
wpic@elephantcommunications.co.uk

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Notes to Editors:

About Platinum Quarterly

Platinum Quarterly is the first independent, freely available, quarterly analysis of the global platinum market. Platinum Quarterly is a World Platinum Investment Council publication. It is largely based upon research and detailed analysis commissioned with, and conducted by, Metals Focus, an independent authority on the platinum group metals markets.

About the World Platinum Investment Council

The World Platinum Investment Council Ltd. (WPIC) is a global market authority on physical platinum investment, formed to meet the growing investor demand for objective and reliable platinum market intelligence. WPIC's mission is to stimulate global investor demand for physical platinum through both actionable insights and targeted product development. WPIC was created in 2014 by the leading platinum producers in South Africa. WPIC's members are: Anglo American Platinum, Impala Platinum, Northam Platinum, Royal Bafokeng Platinum, Sedibelo Platinum and Tharisa.

For further information, please visit www.platinuminvestment.com

WPIC's offices are located at: World Platinum Investment Council, Foxglove House, 166 Piccadilly, London, W1J 9EF

About Metals Focus

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About Platinum

Platinum is one of the rarest metals in the world with distinctive qualities making it highly valued across a number of diverse demand segments. Platinum's unique physical and catalytic properties have established its value in industrial applications. At the same time, its unique precious metal attributes have made it the premier jewellery metal.

Platinum's supply comes from two main sources: primary mining output, and recycling, which typically comes from end-of-life auto catalysts and jewellery recycling. Over the last five years, between 73% and 76% of total annual platinum supply (in refined ounces) has come from primary mining output.

Global demand for platinum is robust and becoming more diverse. There are four core segments of platinum demand: automotive, industrial, jewellery and investment demand.

Platinum demand from autocatalysts has equated to between 31% and 42% of total demand in the last five years. Platinum's diverse non-automotive industrial uses account on average for 28% of total global demand (five-year average). Over the same period, global annual jewellery demand has averaged 28% of total platinum demand. Investment demand is the most variable category over the past five years, ranging between -1% and 20% of total demand (excluding movements in unpublished vaulted investor holdings).

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