

## Electricity shortages may elevate platinum’s historic January/February positive price seasonality in 2023

Over the past 25 years, the platinum price has shown the strongest positive price seasonality in January and February. Electricity supply shortages in South Africa could exacerbate refined mine production challenges in the first quarter of 2023, potentially accentuating platinum price seasonality.

An analysis of monthly platinum price returns over the past 25 years shows that the platinum price has on average performed most strongly over the months of January and February (see table below and figure 1 overleaf). The average compound return over those two months has been 7.7% with only two of the 25 years resulting in negative returns over the first two months of the year. In contrast, platinum’s price performance seasonality has been more lacklustre through the middle of the year before picking up again in the final months of the year.

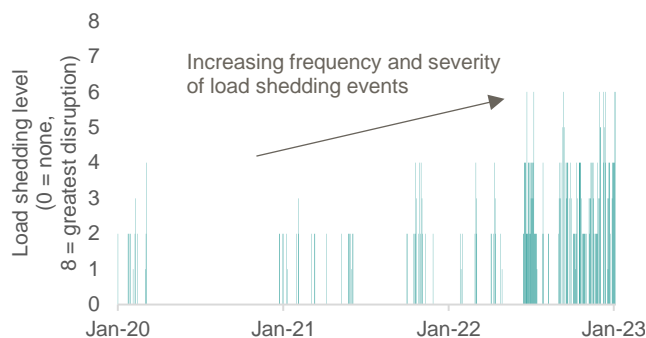
As shown in figure 3 overleaf, refined mine production is highly seasonal, with the first quarter of the year typically being the lowest in terms of output. This likely reflects the challenges in restarting operations in South Africa after the Christmas/summer break. It therefore seems probable that **the seasonally low levels of refined mine production in the first quarter of each year may be a material factor in consistently strong platinum price performance in January and February.**

*Platinum price performance is seasonally strong during January and February, possibly due to refined mine production being hampered by the restarting of South African operations after the Christmas/summer break.*

*The historic negative refined mine production seasonality in 2023 could be exacerbated by electricity shortages in South Africa which are worsening despite power demand typically lowest in the summer months.*

25 Yr Avg. platinum price monthly returns	Jan	Feb	Mar	Apr
	4.11%	3.50%	-1.95%	0.90%
	May	Jun	Jul	Aug
	0.24%	-1.49%	0.55%	-0.22%
Sep	Oct	Nov	Dec	
-2.23%	0.15%	1.26%	1.68%	

Source: Bloomberg, WPIC Research



Source: WPIC Research

Looking ahead, it is possible that the historic negative production seasonality could be even more acute in 2023 due to the deteriorating availability of electricity in South Africa restricting the power available for mining, smelting and refining operations. The power shortage is reflected by the increasing frequency and severity of load shedding events in South Africa (see above right and figure 3). Load shedding is one of the mechanisms used by the state power utility Eskom, to try to balance the electrical grid during periods of electricity supply shortages.

Whilst power shortages could further limit refined mine supply and provide additional upward support for platinum prices, it is worth remembering that higher platinum prices could in turn reduce the volume of excess platinum purchases into China, and may act to slightly mute any potential price appreciation. As we have shown previously, buyers in China have been price opportunistic in their excess purchases, and indeed import data shows a drop off in purchases in November in response to higher platinum prices.

**Seasonally weak refined mine production in the first quarter of each year could be a factor in seasonally strong platinum prices in January and February. This could be exacerbated in 2023 by the ongoing electricity supply challenges facing South Africa.**

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## Platinum's attraction as an investment asset arises from:

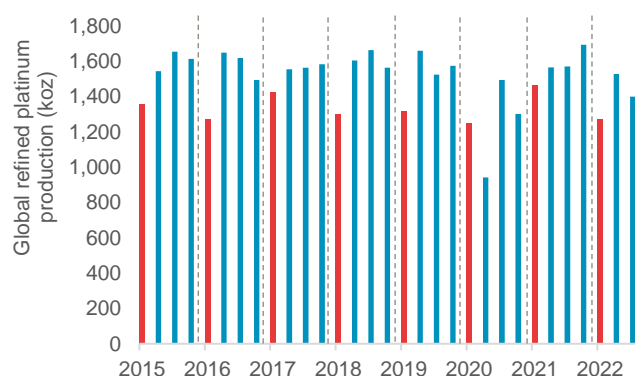
- Supply remains challenged, despite some new investment in mining capacity
- Automotive platinum demand growth should continue due principally to substitution in gasoline vehicles
- The platinum price remains historically undervalued and significantly below both gold and palladium
- Significant excess imports into China are resulting in significant physical tightness and high lease rates
- WPIC research indicates the platinum market entering sustained, growing deficits from 2023

Figure 1: Monthly returns for platinum price performance. The platinum price has exhibited strong seasonality over the past 25 years with compounded average returns of almost 8% for January and February combined.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>25 Yr Avg.</b>	<b>4.11%</b>	<b>3.50%</b>	<b>-1.95%</b>	<b>0.90%</b>	<b>0.24%</b>	<b>-1.49%</b>	<b>0.55%</b>	<b>-0.22%</b>	<b>-2.23%</b>	<b>0.15%</b>	<b>1.26%</b>	<b>1.68%</b>
<b>2022</b>	5.48%	2.50%	-5.84%	-4.76%	3.15%	-7.45%	0.30%	-5.61%	1.78%	7.71%	11.45%	3.57%
<b>2021</b>	0.55%	10.67%	-0.47%	1.34%	-1.10%	-9.64%	-2.22%	-3.40%	-4.76%	5.66%	-8.13%	3.16%
<b>2020</b>	-0.57%	-9.86%	-16.53%	7.47%	7.83%	-1.02%	9.13%	2.94%	-4.14%	-5.12%	14.21%	10.77%
<b>2019</b>	3.31%	5.94%	-2.46%	4.56%	-10.64%	5.17%	3.59%	7.98%	-5.43%	5.63%	-3.93%	7.87%
<b>2018</b>	7.95%	-1.84%	-5.24%	-2.95%	0.27%	-5.91%	-1.72%	-6.06%	3.57%	2.58%	-4.64%	-0.31%
<b>2017</b>	10.18%	2.94%	-7.22%	-0.44%	0.40%	-2.54%	1.59%	6.22%	-8.72%	0.80%	2.56%	-1.56%
<b>2016</b>	-2.25%	4.91%	4.48%	10.32%	-9.01%	4.59%	12.12%	-8.40%	-2.35%	-4.42%	-7.07%	-1.03%
<b>2015</b>	2.78%	-4.25%	-3.94%	0.32%	-2.90%	-3.01%	-8.86%	2.66%	-10.13%	8.58%	-15.62%	7.25%
<b>2014</b>	0.46%	5.01%	-1.98%	0.57%	1.84%	2.35%	-1.71%	-2.49%	-8.65%	-4.96%	-2.88%	0.59%
<b>2013</b>	8.92%	-5.63%	-0.79%	-4.06%	-3.23%	-8.02%	7.35%	5.77%	-7.78%	3.23%	-5.89%	0.51%
<b>2012</b>	13.81%	8.29%	-2.41%	-4.38%	-9.67%	2.28%	-2.24%	8.81%	7.92%	-5.63%	2.14%	-3.87%
<b>2011</b>	1.36%	0.78%	-2.21%	5.94%	-2.18%	-5.98%	3.36%	3.71%	-17.41%	4.89%	-2.53%	-10.55%
<b>2010</b>	2.87%	2.48%	6.58%	5.84%	-10.09%	-1.95%	2.58%	-3.12%	8.66%	2.81%	-2.44%	6.56%
<b>2009</b>	5.72%	8.65%	5.12%	-1.82%	7.67%	-1.38%	3.06%	2.14%	4.80%	2.14%	9.71%	0.57%
<b>2008</b>	13.93%	23.04%	-7.51%	-3.43%	4.23%	2.99%	-14.91%	-15.56%	-31.99%	-18.60%	7.11%	6.01%
<b>2007</b>	3.87%	5.93%	-0.56%	3.46%	-0.43%	-0.62%	1.34%	-1.71%	9.31%	4.47%	-0.55%	6.01%
<b>2006</b>	11.41%	-2.75%	1.09%	8.51%	7.98%	-1.45%	0.24%	1.02%	-8.25%	-5.26%	9.97%	-4.40%
<b>2005</b>	1.10%	-0.69%	0.29%	0.35%	-0.98%	2.32%	1.59%	-0.61%	4.49%	0.75%	4.16%	-0.61%
<b>2004</b>	2.95%	5.37%	2.38%	-11.62%	4.88%	-5.73%	3.86%	5.55%	-0.58%	-3.02%	4.04%	-0.78%
<b>2003</b>	12.60%	1.18%	-5.56%	-5.27%	5.07%	3.42%	3.31%	3.42%	-0.49%	5.94%	2.27%	6.27%
<b>2002</b>	-5.24%	8.29%	6.02%	4.04%	0.74%	-1.29%	-1.10%	6.57%	-0.71%	2.45%	2.72%	1.33%
<b>2001</b>	-1.47%	1.91%	-8.54%	5.96%	2.27%	-7.88%	-15.14%	-6.40%	-3.03%	-2.89%	6.43%	6.82%
<b>2000</b>	11.30%	-3.86%	0.83%	4.95%	7.27%	2.93%	3.20%	1.38%	-1.90%	0.12%	5.80%	0.25%
<b>1999</b>	-5.26%	10.46%	-5.29%	-2.35%	2.83%	-3.92%	-0.93%	0.87%	12.75%	6.86%	4.04%	1.14%
<b>1998</b>	6.89%	-0.90%	5.46%	-0.37%	-8.56%	-2.38%	4.05%	-4.85%	-2.38%	-3.87%	5.67%	3.16%
<b>1997</b>	-5.74%	12.38%	-6.42%	1.14%	8.61%	5.45%	2.47%	-6.65%	7.37%	-7.03%	-5.86%	-5.10%

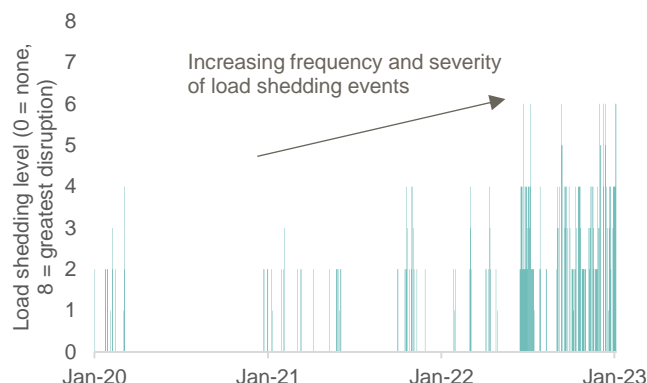
Source: Bloomberg, WPIC Research

Figure 2: Refined mine supply is typically seasonally lowest in the first quarter of each year. This reflects the impact of restarting operations after the Christmas/summer break in South Africa and may be the driving factor behind the seasonality in the platinum price.



Source: Metas Focus 2019-2022f, SFA (Oxford) 2013-2018, Bloomberg, WPIC Research

Figure 3: Seasonally low first quarter refined mine production could be exacerbated in 2023 by electricity shortages in South Africa which are worsening despite power demand being lowest in the summer months. Load shedding reflects grid management of shortages.



Source: EskomSePush, WPIC Research

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