

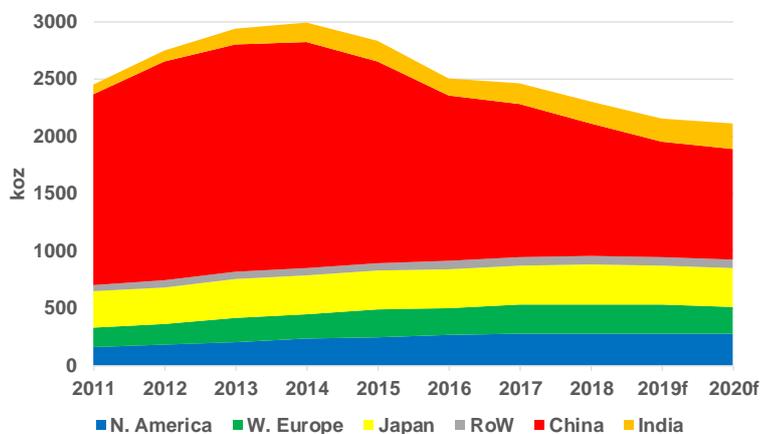
PLATINUM PERSPECTIVES

Weaker Chinese jewellery demand not offset by growth elsewhere, despite sustained low platinum price

Platinum jewellery demand has declined by over 800 koz over the past five years – almost entirely due to a steady decline in China (chart below left). While the nascent Indian platinum jewellery market (c. 200 koz pa) has shown strong growth, this market is still too small to make up for the loss of Chinese demand. Mature jewellery markets in Japan, Europe and the US have also shown limited growth to compensate for the decline in China over this period. This trend is forecast to extend into next year with Chinese jewellery demand expected to decline to below 1 moz for the first time this century.

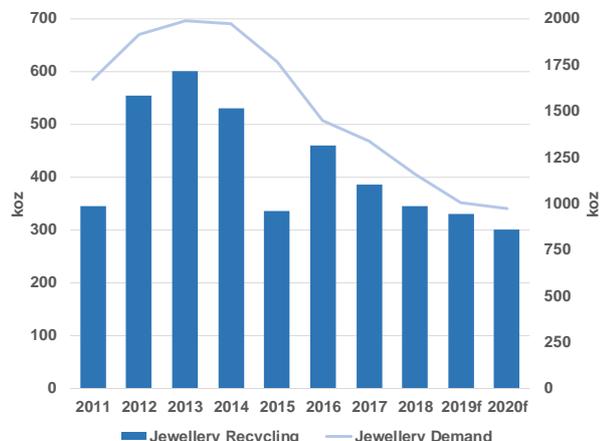
China's slowing GDP growth rate (6% in Q3'19) has seen weaker platinum jewellery sales as lower store traffic has impacted all jewellery sales adversely. China's net platinum imports declined by 2% YoY in the first three quarters of 2019 to 55 tonnes (or 1.77 moz). Hong Kong net platinum imports, an indication of unofficial imports for platinum used in jewellery, declined by 40% YoY to 9.6 tonnes (or 309 koz) in the first three quarters of 2019. Due to a decline in retail demand, platinum jewellery manufacturers reported a sharp decline in fabrication volume of over 30% YoY in the first three quarters. Gross Chinese jewellery demand is forecast (by SFA (Oxford)) to decline again in 2019 and in 2020 to fall below 1 moz, or at least 14% below the level of demand in 2018.

Platinum jewellery demand (gross koz per annum) – Chinese jewellery demand has declined by c. 1 moz over the past 5 years



Source: SFA (Oxford), WPIC Research

Platinum jewellery recycling (koz, lhs) tracks platinum jewellery demand in China (koz, rhs)



Source: SFA (Oxford), WPIC Research, Note: 2020f Chinese jewellery recycling estimate based on annual forecast of total jewellery recycling of 460 koz for next year.

Chinese jewellery recycling of c. 300 koz pa contributes c. 70% of total recycling (Figure 2, page 2). Net of recycling, that has tracked the declining trend in jewellery demand (chart above right), China still contributes c. 45% of total net annual jewellery demand (Figure 1, page 2). On this basis, **net Chinese jewellery demand is c. 800 koz lower than it was five years ago and is still trending downwards but at a slower rate.**

Total jewellery demand will remain largely dependent on a recovery in jewellery fabrication in China, which is not forecast to occur in the near term. Absent significant growth in other regions, jewellery demand remains the weakest element of the investment case for platinum, despite record price discounts to gold and to palladium (Figures 5 and 6, page 2). Consequently, the near-term investment thesis for platinum is reliant on growth in autocatalyst-, industrial- and investment- rather than jewellery demand. Please see our 2020 forecast ([Platinum Quarterly Q3'19](#)) for the outlook for these demand segments.

Trevor Raymond
Director of Research
+44 203 696 8772
traymond@platinuminvestment.com

Brendan Clifford
Manager, Investor Development
+44 203 696 8778
bclifford@platinuminvestment.com

World Platinum Investment Council
www.platinuminvestment.com
64 St James's Street
London SW1A 1NF

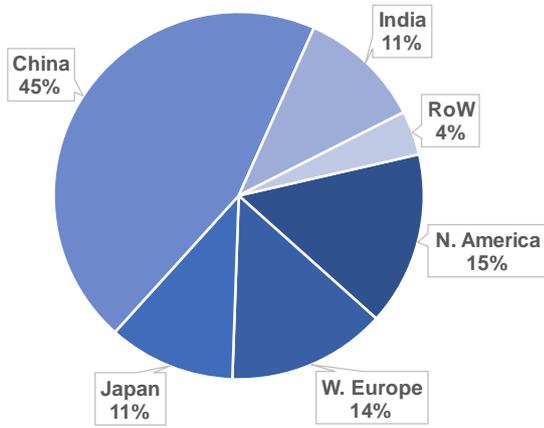
December 2019

Chinese platinum jewellery fabrication continued to weaken in the first three quarters of 2019

Platinum's attraction as an investment asset arises from:

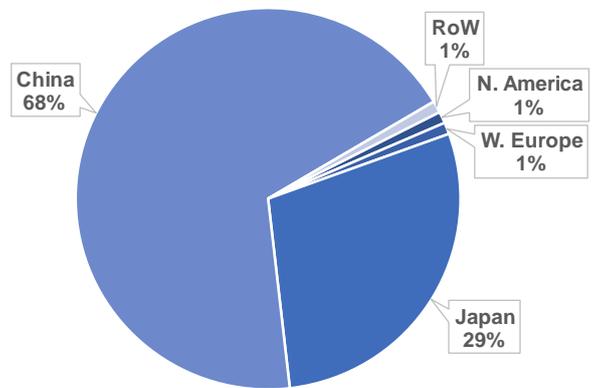
- Supply is relatively constrained with limited investment in new platinum group metal (PGM) mines
- Platinum price is at all-time lows relative to gold and to palladium
- Total PGM demand growth should continue due to increasingly restrictive emissions rules
- Market balance mismatches between palladium and platinum argues for substitution
- Investment demand has surged as institutions begin to factor low price and positive fundamental outlook

Figure 1: Net platinum jewellery demand by region in 2018 (1.8 moz) – Chinese market dominant



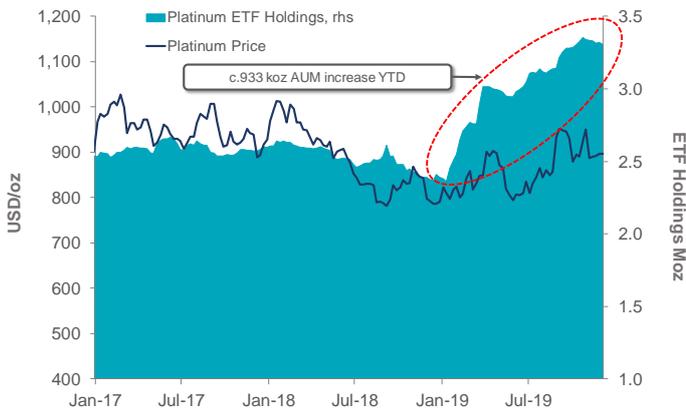
Source: SFA (Oxford), WPIC Research

Figure 2: Platinum jewellery recycling (2018, 510 koz) by region – almost all from China



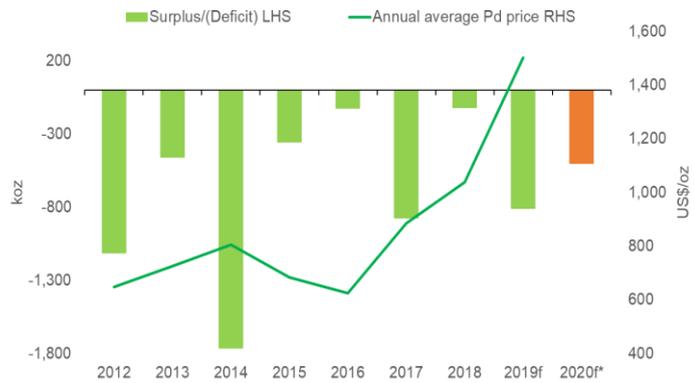
Source: SFA (Oxford), WPIC Research

Figure 3: Platinum ETF holdings up 933 koz year-to-date as long-term investors act on demand growth potential



Source: Bloomberg, WPIC Research, as at 12 December 2019

Figure 4: Palladium entering ninth consecutive annual deficit. Palladium price at record +\$1,900/oz now



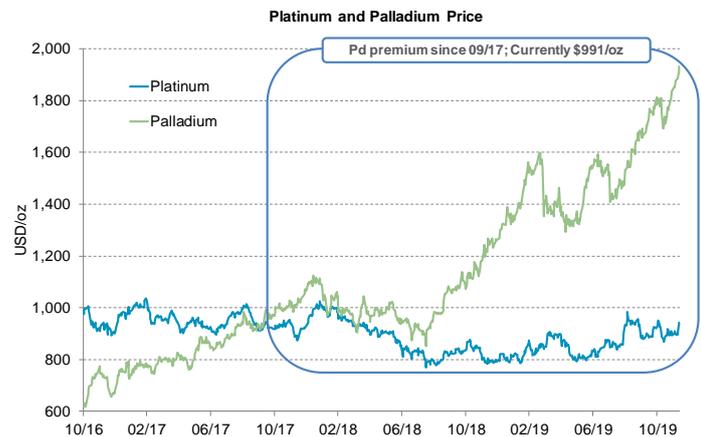
Source: Johnson Matthey, Bloomberg, 2020* Norilsk Nickel, WPIC research

Figure 5: Platinum's deep discount to gold remains historically extraordinary



Source: Bloomberg, WPIC Research, as at 12 December 2019

Figure 6: Palladium's price premium to platinum reflects a tight market and highlights the incentive for substitution



Source: Bloomberg, WPIC research, as at 12 December 2019

IMPORTANT NOTICE AND DISCLAIMER: This publication is general and solely for educational purposes. The publisher, The World Platinum Investment Council, has been formed by the world's leading platinum producers to develop the market for platinum investment demand. Its mission is to stimulate investor demand for physical platinum through both actionable insights and targeted development: providing investors with the information to support informed decisions regarding platinum; working with financial institutions and market participants to develop products and channels that investors need.

This publication is not, and should not be construed to be, an offer to sell or a solicitation of an offer to buy any security. With this publication, the publisher does not intend to transmit any order for, arrange for, advise on, act as agent in relation to, or otherwise facilitate any transaction involving securities or commodities regardless of whether such are otherwise referenced in it. This publication is not intended to provide tax, legal, or investment advice and nothing in it should be construed as a recommendation to buy, sell, or hold any investment or security or to engage in any investment strategy or transaction. The publisher is not, and does not purport to be, a broker-dealer, a registered investment advisor, or otherwise registered under the laws of the United States or the United Kingdom, including under the Financial Services and Markets Act 2000 or Senior Managers and Certifications Regime or by the Financial Conduct Authority.

This publication is not, and should not be construed to be, personalized investment advice directed to or appropriate for any particular investor. Any investment should be made only after consulting a professional investment advisor. You are solely responsible for determining whether any investment, investment strategy, security or related transaction is appropriate for you based on your investment objectives, financial circumstances and risk tolerance. You should consult your business, legal, tax or accounting advisors regarding your specific business, legal or tax situation or circumstances.

The information on which this publication is based is believed to be reliable. Nevertheless, the publisher cannot guarantee the accuracy or completeness of the information. This publication contains forward-looking statements, including statements regarding expected continual growth of the industry. The publisher notes that statements contained in the publication that look forward in time, which include everything other than historical information, involve risks and uncertainties that may affect actual results. The logos, services marks and trademarks of the World Platinum Investment Council are owned exclusively by it. All other trademarks used in this publication are the property of their respective trademark holders. The publisher is not affiliated, connected, or associated with, and is not sponsored, approved, or originated by, the trademark holders unless otherwise stated. No claim is made by the publisher to any rights in any third-party trademarks

WPIC Research MiFID II Status

The World Platinum Investment Council (WPIC) has undertaken an internal and external review of its content and services for MiFID II. As a result, WPIC highlights the following to the recipients of its research services, and their Compliance/Legal departments:

WPIC research content falls clearly within the Minor Non-Monetary Benefit Category and can continue to be consumed by all asset managers free of charge. WPIC research can be freely shared across investment organisations.

1. WPIC does not conduct any financial instrument execution business. WPIC does not have any market making, sales trading, trading or share dealing activity. (No possible inducement).
2. WPIC content is disseminated widely and made available to all interested parties through a range of different channels, therefore qualifying as a "Minor Non-Monetary Benefit" under MiFID II (ESMA/FCA/AMF). WPIC research is made freely available through the WPIC website. WPIC does not have any permissioning requirements on research aggregation platforms.
3. WPIC does not, and will not seek, any payment from consumers of our research services. WPIC makes it clear to institutional investors that it does not seek payment from them for our freely available content.

More detailed information is available on the WPIC website: