

Platinum producers launch trade body to attract asset investors

The world's top platinum producers have joined forces to launch an industry promotional body on Tuesday in an effort to increase demand for the precious metal as an investment asset.

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The World Platinum Investment Council will be based in London and funded by Anglo American Platinum, Impala, Lonmin and three smaller mining companies.

The launch comes at a time when the industry is grappling with rising costs and a weak price environment, which is in part blamed on oversupply in the market coupled with increased recycling.

“They [the producers] would like more investment demand [and] they would like to diversify the sources of demand for their product even more than it is at the moment,” Paul Wilson, the council's chief executive, told the Financial Times.

“There's a general feeling that improved understanding of the platinum market is something that investors would appreciate.”

Platinum is trading at about \$1,202 an ounce, its price dropping even as Amplats, Impala and Lonmin, the top producers, recovered from an unprecedented five-month wage strike in South Africa.

The country is home to about 80 per cent of the planet's proven reserves and accounts for more than two-thirds of the world's primary production.

The new council plans to publish quarterly data and analysis on supply and demand, as well as the size and liquidity of above-ground stocks. Mr Wilson said the council would also look to work with banks and asset managers to help fill “gaps” in an effort to make more platinum-focused investment vehicles available globally.

8.7m ounces
Amount of platinum
consumed last year

Platinum's main use is for vehicle catalytic converters and jewellery, which together accounted for about 70 per cent of the 8.7m ounces consumed last year, when just 900,000 ounces went to investment.

The number of exchange traded funds holding platinum has been

growing in recent years and in total 13 ETFs hold about 2.8m ounces, valued at about \$3.5bn, Mr Wilson said.

Platinum was a “very good investment asset that has been underappreciated and somewhat ignored in recent years”.

Mr Wilson, previously an advisory partner of Bain & Company, the consulting firm, said China would be a key market. The council would look to open an office in Asia, which could be in either Singapore or Shanghai, “soon”. That would be followed by an office in New York.

The council hopes to build on the work done by the Platinum Guild International, which markets the metal to the jewellery industry and has enjoyed success in Asia, Mr Wilson said.

He said the council would target investors ranging from “the middle class in China who might be interested in an accumulation plan leading to possession of a physical bar or a coin, through to high net worth people in Europe . . . and sophisticated investors; pension schemes, sovereign wealth funds etc”.