

Politics and policy changes could further benefit the investment case for platinum

Although unrelated events, recently announced US and EU tariffs on Chinese vehicle imports and changes to the European and South African political landscape, could drive changes that further support the positive investment case for platinum. Automotive PGM demand could remain higher for longer if BEV tariffs and weaker green legislation slow BEV uptake in the large US and EU vehicle markets. While SA PGM mine supply may reduce further from economic liberalisation and reforms that a government of national unity could provide.

In May 2024, the US increased tariffs on Chinese BEVs from 25% to 100% and in June 2024 the EU did likewise from 10% to between 27% and 48% (Fig. 1). China exported nearly five million vehicles in 2023 (Fig. 2), with the US and EU its largest and third largest markets respectively. Western tariffs are intended to allow domestic automakers time to improve their cost competitiveness to rival China's BEV offerings. However, these tariffs will also keep BEV prices uncompetitive vs. ICE (China manufactured 22% of the EU's 2023 BEVs), likely exacerbating the ongoing slowdown in BEV market share gains in the US and EU (Fig. 3). Each 1% less of LV market share would increase annual medium-term 2E PGM automotive demand by 21 koz and 29 koz in the US and EU respectively, if tariffs lead to higher-for-longer ICE and hybrid sales (vs. base case -1.3% CAGR between 2023 and 2028f, Fig. 5).

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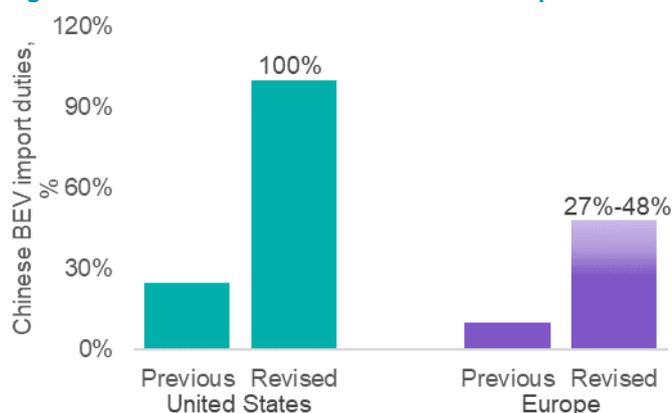
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Figure 1: The US and EU raised Chinese EV import tariffs



Source: USITC, TARIC, WPIC Research

Figure 2: China is now the world's largest car exporter



Source: Bloomberg, WPIC research

The outlook for automotive PGM demand beyond 2030 may also be higher than expected due to right leaning political parties gaining seats in the EU parliamentary elections. Voters cited restrictive green regulation as weighing on the EU's manufacturing and farming competitiveness. Less onerous legislation could slow platinum demand growth in the nascent hydrogen economy, but conversely increase automotive PGM demand if Europe's 2035 ban on the sale of new ICE vehicles is delayed (Fig. 6).

Turning to South Africa's elections and the formation of a government of national unity (GNU) that includes the ANC, DA, IFP, PA and GOOD (Fig. 7). The DA's inclusion may promote economic liberalisation alongside reforms to Eskom, Transnet, and the labour act. Reducing SA's international risk profile could strengthen the currency and reduce SA PGM miner's margins (54% of global supply). However, regulatory liberalisation would allow miners to be more reactive to market conditions, in both up and down cycles. Platinum's muted price action to deficits between 2023 to at least 2028f (Fig. 8) may be reflective of a current inability to flex output in response to underlying market conditions. Improved SA governance and higher for longer automotive demand are separately or together both supportive of platinum's investment case.

Tariffs could deter BEVs purchases and prolong ICE and hybrid vehicle demand leading to slower PGM automotive demand erosion

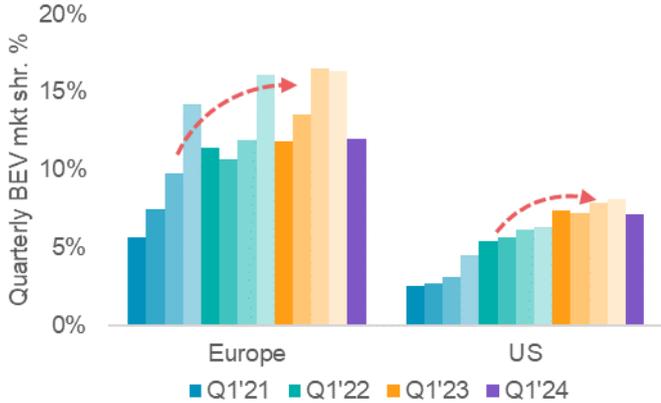
South African PGM supply could reduce further on positive political developments

Platinum markets are forecast to record sustained annual deficits to at least 2028f

Platinum's attraction as an investment asset arises from:

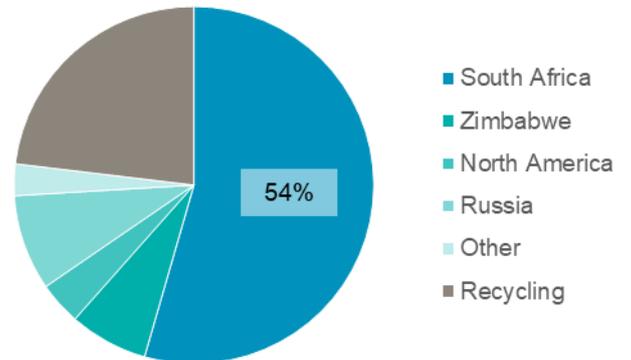
- WPIC research indicates the platinum market is in a period of sustained deficits from 2023.
- Platinum supply remains challenged, hampered by production challenges in South Africa and with recycling supplies.
- Higher-for-longer ICE vehicle production will support automotive demand for platinum.
- Growing off a small base, hydrogen will be a major source of platinum demand in the future.
- The platinum price remains historically undervalued and significantly below gold.

Figure 3: BEV market share gains are slowing due to price and utility being a headwind to adoption



Source: ACEA, Bloomberg, WPIC research

Figure 4: South Africa accounts for over 50% of total annual platinum supply globally (2023: 7.2 Moz)



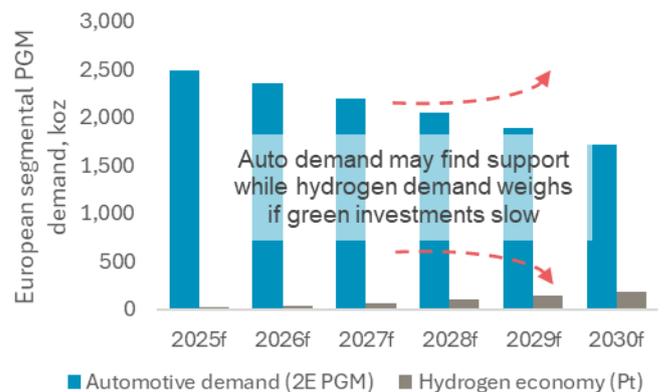
Source: Metals Focus, WPIC Research

Figure 5: Hybridisation of the drivetrain and slowing BEV market share gains underpins our expectations for automotive PGM demand resilience



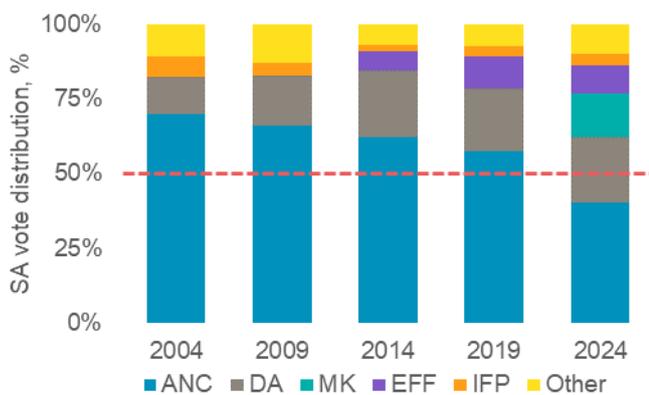
Source: Metals Focus (Pt to 2024f, Pd to 2023), WPIC research thereafter

Figure 6: Weaker green legislation in the EU would be net positive for near- and medium-term PGM demand since hydrogen is smaller than automotive demand



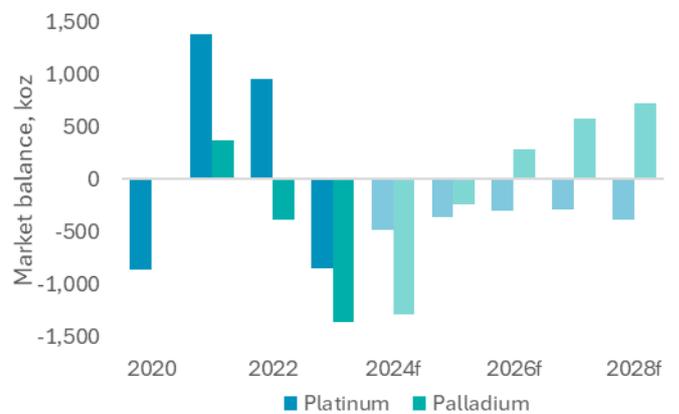
Source: WPIC research

Figure 7: The ANC lost its outright majority in South Africa's 2024 national elections



Source: South Africa IEC, WPIC Research

Figure 8: Platinum deficits could be deeper than our base case and palladium could take longer to enter surplus should slower BEV adoption rates persist



Source: Metals Focus (Pt to 2024f, Pd to 2023), WPIC research thereafter

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