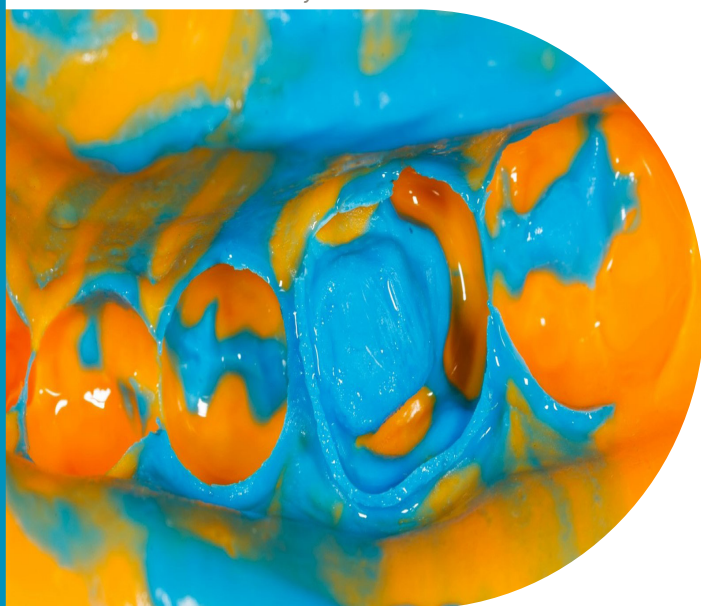


Silicones are produced using platinum catalysts.
Picture credit: Johnson Matthey



INDUSTRIAL DIVERSITY

Diverse end-uses ensure that industrial platinum demand benefits from economic recovery

Platinum industrial demand has exhibited strong growth in recent years, at a compound annual growth rate (CAGR) of 6 per cent between 2013 and pre-pandemic 2019. This is significantly above the CAGR of two key industrial benchmarks, being more than double that of global GDP (gross domestic product) and triple that of industrial production as measured by the OECD (Organisation for Economic Co-operation and Development), over the same period.

In 2021, platinum industrial demand is expected to account for almost 40 per cent of total platinum demand, net of recycling supply; unlike automotive and jewellery demand, consumption of platinum in industrial applications is usually expressed on a net basis, that is the gross demand less the supply of 'closed-loop' recycled metal. As economic activity driving platinum's industrial uses recovers, forecasts indicate that it will rebound by 25 per cent year on year, to 2.4 moz. Significantly, this is also 13 per cent higher than demand in pre-pandemic 2019.

China continues to be a major contributor to platinum's industrial growth. For example, Chinese petroleum refining capacity has almost tripled over the last 20 years to keep pace with the rapid growth in domestic energy demand. Latterly, the ambition for self-sufficiency in petrochemicals, a key part of China's long-term social and economic policies, has

seen strong demand for platinum catalysts in not only petroleum refining but also in the production of bulk chemicals such as paraxylene, propylene and hydrogen peroxide.

Globally, demand for platinum in the chemical and petroleum sectors is expected to recover well this year, rising by 11 per cent and 65 per cent respectively after the pandemic-related curtailment of activity in 2020.

Multiple applications

Aside from the petrochemical industries, platinum has a multitude of well-established other end-use segments including glass manufacture, medical and electrical.



Picture credit: Johnson Matthey

Platinum demand across its industrial uses arises from three main categories: industrial catalysts, including manufacturing silicones and the production of nitric acid as a feedstock for fertiliser; platinum components, such as those used in medical devices (stents, pacemakers, neuromodulation devices) or sensors; and relatively small top-up requirements as industrial catalysts and manufacturing equipment wear out, with much larger amounts of metal required when new process plant capacity is built.

Some new capacity build-out in the glass sector planned for 2020, delayed due to the pandemic, is being added to the capacity expansion already planned for 2021, resulting in a major increase in demand this year, up by 70 per cent or 260 koz.

Platinum's diverse industrial uses leave it well-positioned to benefit from economic growth as the world recovers from the effects of the COVID-19 pandemic. As economic activity steps up, assisted by large scale government stimulus funding, investors are recognising an increased need for commodities, including industrial metals, and are acting on the upside this brings to the investment case for platinum.

So far this year, investors in North America and Europe alone have increased their holdings in physically-backed platinum ETFs by over 200 koz.

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