
PRESS RELEASE

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Impact of COVID-19 on platinum market less than expected

- 2020 demand down 18% but supply down 13%
- Forecast 2020 surplus of 247 koz only 128 koz higher than previously forecast
- Investors act on price fall as demand for bars and coins surges to 19% of total demand in Q1 2020 from 2% in previous quarter
- Smelting process failure and more stringent auto emissions legislation major factors that limit surplus

The World Platinum Investment Council (WPIC) today published its *Platinum Quarterly* for the first quarter of 2020, which also includes a revised 2020 forecast.

While the COVID-19 pandemic has had a major negative effect on the platinum market — including price, demand and supply — the results for Q1 2020 show the net effect is less than feared, and the outlook for 2020 is better than expected.

The platinum price fell together with that of most equities and metals during March; suffering falls of between 10% and 35%. Platinum demand in China reduced early in the quarter. However, a smelting process failure in South Africa, unrelated to the pandemic, as well as mine closures to reduce the spread of the virus significantly reduced quarterly platinum supply.

Total demand in Q1 2020 declined by 5% (-94 koz) to 1,649 koz from the previous quarter. Meanwhile, total supply decreased by 19% (-410 koz) to 1,773 koz from Q4 2019. This resulted in a surplus of 124 koz for Q1 2020.

WPIC now forecasts that 2020 will have a surplus of 247 koz, which is only 128 koz higher than its previous forecast despite the impacts of COVID-19. Demand in 2020 is expected to be 18% lower than in 2019 mainly on weak automotive and jewellery sales and lower investment demand. Supply is forecast to be down 13%, year-on-year, on the material impact of the smelting outage and pandemic related mine stoppages.

Strong investment demand for bars and coins

First-quarter bar and coin investment surged to 312 koz in Q1 2020 – up over 300% on the quarterly average of 70 koz in 2019. This was driven by a jump in bar and coin demand in both Japan and the US, while demand in Europe also increased albeit from a low base. The increase was largely driven by bargain-hunting following the price fall in March. Bar and coin investment demand is expected to surge by 115% to 605 koz in 2020.

This comes at a time when the platinum price remains at historic discounts to itself, to gold and to palladium.

Implementation of more stringent automotive emissions legislation is likely to drive demand in 2020

Automotive demand in Q1'20 was down 17% (-132 koz) to 634 koz, year-on-year, as COVID-19 induced plant closures led to a rapid drop in manufacturing output and an unprecedented fall in sales. These stoppages, first in China but soon thereafter globally, reduced demand for platinum during the quarter.

While total automotive platinum demand is forecast to fall by 14% (-413 koz) in 2020, automotive demand in China is expected to increase by 14%, despite the effects of COVID-19. The phasing in of China VI standards for heavy-duty vehicles drives an increase in loadings that outweighs the expected decline in units produced. Similarly, the implementation in India of the Bharat VI legislation in April 2020, is also likely to increase demand for platinum, despite the lockdown restrictions that are currently in place.

Paul Wilson, CEO of World Platinum Investment Council commented: “Without warning, and almost overnight, COVID-19 has presented an unparalleled situation for the platinum market, with serious and

negative direct effects on demand and supply. However, while these will be the focus of attention for many months to come, we must not forget the other shifting plates that also have the potential to increase demand for, and the value of, platinum. In fact, this demand growth potential is likely to remain long after the COVID-19 pandemic has been resolved. Reducing CO₂ emissions remains a global imperative and automotive manufacturers in Europe have been preparing for this for several years. In 2020, we are likely to see increased platinum demand as automaker CO₂ strategies include the wide range of diesel and diesel hybrid vehicles already on sale and which have higher platinum loadings. Palladium demand growth, unrelated to COVID-19, and its high price maintains the need for platinum to replace palladium in autocatalysts in the world's two largest passenger car markets, China and North America.

“Our close relationships with product partners around the world have proved particularly valuable as the pandemic unfolded, keeping us close to market developments and providing us with additional insights. Through them, we are acutely aware of the response in China to the low platinum price, with sales of platinum on the Shanghai Gold Exchange (SGE) up from an average of 171 koz per quarter in 2019 to 455 koz in Q1'2020. We believe this to be a prudent value response by long-standing manufacturing participants in platinum, industrial and jewellery, increasing stock levels for short- or long-term benefit. Similarly, WPIC product partners in the US and Japan reported a surge in consumer buying of platinum bars and coins. Our working with these partners has increased awareness of platinum and it is exciting to see such exceptionally strong bar and coin performance. We are pleased to see reflected in the numbers we publish today, the boom that they are witnessing first-hand in the field.”

	2017	2018	2019	2020f	2020f/ 2019 Growth %	Q1 2019	Q4 2019	Q1 2020
Platinum Supply-demand Balance (koz)								
SUPPLY								
Refined Production	6,125	6,120	6,094	5,287	-13%	1,320	1,579	1,283
South Africa	4,380	4,470	4,402	3,649	-17%	874	1,189	879
Zimbabwe	480	465	455	438	-4%	113	106	118
North America	365	350	356	352	-1%	85	94	93
Russia	720	665	716	683	-5%	204	149	150
Other	180	170	164	166	1%	44	41	43
Increase (-)/Decrease (+) in Producer Inventory	+30	+10	+2	+0	-100%	+12	+48	+0
Total Mining Supply	6,155	6,130	6,097	5,287	-13%	1,332	1,627	1,283
Recycling	1,890	1,930	2,165	1,910	-12%	549	556	490
Autocatalyst	1,325	1,420	1,630	1,508	-7%	413	420	406
Jewellery	560	505	477	345	-28%	121	121	70
Industrial	5	5	58	57	-2%	15	15	13
Total Supply	8,045	8,060	8,262	7,197	-13%	1,881	2,183	1,773
DEMAND								
Automotive	3,325	3,100	2,894	2,481	-14%	766	703	634
Autocatalyst	3,185	2,955	2,894	2,481	-14%	766	703	634
Non-road	140	145	†	†	†	†	†	†
Jewellery	2,460	2,245	2,100	1,785	-15%	540	510	401
Industrial	1,685	1,910	2,184	2,080	-5%	549	447	534
Chemical	565	570	692	608	-12%	138	191	162
Petroleum	100	235	219	122	-44%	55	55	34
Electrical	210	205	145	141	-3%	35	36	32
Glass	180	245	303	478	58%	114	-26	132
Medical	235	240	249	229	-8%	62	47	59
Other	395	415	577	503	-13%	145	145	115
Investment	275	15	1,252	605	-52%	794	82	79
Change in Bars, Coins	215	280	281	605	115%	111	28	312
Change in ETF Holdings	105	-245	991	0	-100%	687	47	-213
Change in Stocks Held by Exchanges	-45	-20	-20	0	100%	-4	6	-20
Total Demand	7,745	7,270	8,430	6,950	-18%	2,649	1,742	1,649
Balance	300	790	-168	247	247%	-768	441	124
Above Ground Stocks	4,140*	2,370	3,160	3,482**	7%			

Source: Metals Focus 2019 – 2020, SFA (Oxford) 2013 – 2018.

Notes: 1. Prior to 2019 numbers have been independently rounded to the nearest 5 koz.

2. Above Ground Stocks: *As of 31st December 2012 (SFA (Oxford)). ** 3,650 koz as of 31 December 2018 (Metals Focus).

3. Non-road automotive demand: † 2019 and 2020 included in autocatalyst.

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Notes to Editors:

About Platinum Quarterly

Platinum Quarterly is the first independent, freely available, quarterly analysis of the global platinum market. Platinum Quarterly is a World Platinum Investment Council publication. It is largely based upon research and detailed analysis commissioned with, and conducted by, Metals Focus from 2019, an independent authority on the platinum group metals markets.

About the World Platinum Investment Council

The World Platinum Investment Council Ltd. (WPIC) is a global market authority on physical platinum investment, formed to meet the growing investor demand for objective and reliable platinum market intelligence. WPIC's mission is to stimulate global investor demand for physical platinum through both actionable insights and targeted product development. WPIC was created in 2014 by the leading platinum producers in South Africa. WPIC's members are: Anglo American Platinum, Impala Platinum, Northam Platinum and Royal Bafokeng Platinum.

For further information, please visit www.platinuminvestment.com

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About Metals Focus

Metals Focus is one of the world's leading precious metals consultancies. They specialise in research into the global gold, silver, platinum and palladium markets producing regular reports, forecasts and bespoke consultancy. The Metals Focus team, spread across eight jurisdictions, has an exhaustive range of contacts across the world. As such, Metals Focus is dedicated to delivering world-class statistics, analysis and forecasts for the precious metals markets.

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About Platinum

Platinum is one of the rarest metals in the world with distinctive qualities making it highly valued across a number of diverse demand segments. Platinum's unique physical and catalytic properties have established its value in industrial applications. At the same time, its unique precious metal attributes have made it the premier jewellery metal.

Platinum's supply comes from two main sources: primary mining output, and recycling, which typically comes from end-of-life auto catalysts and jewellery recycling. Over the last five years, between 76% and 78% of total annual platinum supply (in refined ounces) has come from primary mining output. Global demand for platinum is robust and becoming more diverse. There are four core segments of platinum demand: automotive, industrial, jewellery and investment demand.

Platinum demand from autocatalysts has equated to between 36% and 43% of total demand in the last five years. Platinum's diverse other industrial uses account on average for 23% of total global demand (five-year average). Over the same period, global annual jewellery demand has averaged 31% of total platinum demand. Investment is the smallest category of platinum demand and also the most variable over the past five years, ranging between 0% and 15% of total demand (excluding movements in unpublished vaulted investor holdings).

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