
PRESS RELEASE

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Platinum demand outstripped supply by record 932 koz in 2020, with third consecutive annual deficit expected in 2021

- Supply down 17% in 2020, while demand down only 7% and deficit of -932 koz – the largest on record
- Third consecutive annual deficit forecast for platinum in 2021
- Automotive platinum demand in 2021 forecast to increase 25% accelerated by Chinese heavy-duty vehicles
- Investment demand to remain strong as platinum's links with the hydrogen economy continue to attract investor interest, while platinum remains heavily undervalued compared to gold and palladium

The World Platinum Investment Council (WPIC) today published its *Platinum Quarterly* for the fourth quarter of 2020, which also includes a revised forecast for 2021.

For the third consecutive quarter, platinum posted a deficit in Q4 2020 of -170 koz, as strong demand in automotive, industrial and jewellery sectors and sustained strong investment demand for platinum outstripped constrained supply.

Overall, despite a year that saw the global economy contracting by 3.5%, the platinum market deficit in 2020 was -932 koz, the largest on record. While total demand dropped by 7% (-569 koz), the sharp decline in mining supply of 20% (-1,203 koz) and the fall in recycling of 10% (-210 koz) contributed to total supply being down 17% (-1,413 koz).

Against a backdrop of widespread vaccine programmes seeing economies return towards normal activity, platinum demand is forecast to increase by 3% (+254 koz) to 7,992 koz, while supply will recover 17% (+1,126 koz) to 7,932 koz resulting in a deficit of -60 koz in 2021, the third consecutive annual deficit. The demand growth in 2021 is expected to be driven predominantly by strong recoveries in automotive, jewellery and industrial demand, offsetting reduced yet very strong investment demand.

Resurgent automotive sector

Platinum automotive demand in Q4'20 grew 5% (+31 koz) year-on-year due to a healthy recovery in light-duty and heavy-duty vehicle production. North America in particular saw platinum demand increase 17% (+13 koz), including strong growth in light-duty diesel vehicles, helping to offset declines in other parts of the world. Heavy-duty vehicle production meanwhile saw a 7% increase globally, spearheaded by China increasing by 21%. Heavier PGM-loaded catalysts which are needed to fully comply with the fast-approaching China VI legislation, contributed to a 51% (+29 koz) increase in platinum demand from this region.

Light-duty vehicle production is expected to recover in 2021, reaching levels just below those seen in 2019. Despite this slight shortfall, there is expected to be a 25% (+606 koz) increase in automotive platinum demand, mainly due to higher vehicle production, increased loadings to meet tighter emissions regulations and substitution of platinum for palladium in gasoline after-treatment systems.

Platinum investment demand stays high

In Q4'20 investment demand was 63% (+51 koz) higher than Q4'19 despite being 86% (-827 koz) lower than in Q3'20, itself the highest quarterly total on record. Bar and coin net

purchases more than doubled year-on-year, growing 112% (+32 koz) while ETF holdings added 74 koz during the quarter, up 56% on the prior year.

Investors continue to be very interested in platinum: its key roles in the hydrogen economy, to produce green hydrogen and its use in fuel cell electric vehicles, the accepted views of significant near-term substitution of platinum for palladium, and the substantial discount to both gold and palladium suggest strong future fundamentals. While platinum investment, in bars and coins as well as ETFs, is expected to remain strong in 2021 – forecast to be above the 5-year average – it may not exceed the exceptional level seen in 2020. Platinum bar and coin demand is forecast to be 15% (-90 koz) lower, but still remain elevated. Overall, global net ETF investment holdings are expected to increase by 250 koz (c.50% below 2020).

Strong recovery underway in jewellery sector

Jewellery fabrication turned positive in Q4'20, up 7% (+32 koz), with notable increases in demand in North America – the first year-on-year quarterly increase in 2020 of 4% (+4 koz) – and in China – the third consecutive year-on-year increase since Q1'17 of 15% (+31 koz).

In 2021, total jewellery demand is expected to increase 13% (+234 koz) above 2020 levels, with improvements in every market as economic life returns and the worst of COVID-19 passes.

Paul Wilson, CEO of the World Platinum Investment Council commented: “In a year of extremes, as 2020 was, we became accustomed to the term ‘record level’ in what we saw and read. Platinum’s record annual deficit and record investment demand in 2020 highlight platinum’s precious attraction as a hard asset during periods of high global risk, because of its deep discount to gold and palladium and due to its significant short- and long-term demand growth potential.

“Having endured the dark days of the pandemic and global economic slowdown, we are now considering the possibility of the world returning to normal. The positive momentum in economic recovery of the latter part of 2020 is exhibited in the fact that activity has restarted, and platinum demand has rebounded in the automotive, industrial, and jewellery sectors.

“However, as we re-emerge from the pandemic, we now consider the role platinum has to play in global decarbonisation – one of the clearest global imperatives to emerge during the pandemic. Platinum is key to the production of green hydrogen and in fuel cells for electric vehicles, and this understanding among investors is rapidly increasing. As hydrogen availability rises and its production cost falls, due to accelerated global investment in decarbonisation, fuel cell vehicles are likely to require over a million more ounces of platinum per annum within 10 years. In addition, platinum’s rapidly accelerating substitution for palladium in autocatalysts will require over a million more ounces of platinum per annum within four years.

“The combination of this substantive demand growth, combined with the rally in recent months, could well drive increased investment demand, for investors with both short- and long-term investment horizons. We continue to see an increase in the number of investors, who had not previously considered platinum, attracted by the strategic underpins to demand for this unique metal. When these investors take a closer look, they see that platinum’s deep discount to gold and palladium and compelling demand growth potential greatly enhance the likelihood of investment demand growth.”

Platinum Supply-demand Balance (koz)	2018	2019	2020	2021f	2020/2019 Growth %	2021f/2020 Growth %	Q4 2019	Q3 2020	Q4 2020
SUPPLY									
Refined Production	6,125	6,095	4,969	5,899	-18%	19%	1,580	1,491	1,299
South Africa	4,470	4,402	3,269	4,198	-26%	28%	1,189	1,056	867
Zimbabwe	465	455	476	463	5%	-3%	106	121	120
North America	345	356	337	374	-5%	11%	94	70	82
Russia	665	716	704	690	-2%	-2%	149	197	182
Other	180	165	183	174	11%	-5%	41	47	47
Increase (-)/Decrease (+) in Producer Inventory	+10	2	-75	0	N/A	N/A	48	-109	-43
Total Mining Supply	6,135	6,097	4,894	5,899	-20%	21%	1,627	1,381	1,256
Recycling	1,935	2,122	1,911	2,033	-10%	6%	531	482	576
Autocatalyst	1,420	1,587	1,433	1,517	-10%	6%	395	347	426
Jewellery	505	476	422	456	-11%	8%	121	121	134
Industrial	10	58	56	59	-3%	5%	15	14	15
Total Supply	8,070	8,219	6,806	7,932	-17%	17%	2,158	1,864	1,832
DEMAND									
Automotive	3,075	2,868	2,394	2,999	-17%	25%	695	639	726
Autocatalyst	2,930	2,868	2,394	2,999	-17%	25%	695	639	726
Non-road	145	†	†	†	†	†	†	†	†
Jewellery	2,245	2,099	1,820	2,054	-13%	13%	497	510	529
Industrial	1,940	2,086	1,976	2,183	-5%	10%	429	510	613
Chemical	575	702	594	605	-15%	2%	195	124	176
Petroleum	235	219	115	179	-47%	56%	55	23	38
Electrical	205	145	130	126	-10%	-3%	36	33	35
Glass	245	189	406	444	115%	9%	-65	136	163
Medical	240	249	235	252	-5%	7%	62	59	59
Other	440	583	496	578	-15%	16%	146	135	142
Investment	15	1,253	1,549	756	24%	-51%	82	960	133
Change in Bars, Coins	280	283	586	496	107%	-15%	29	97	60
Change in ETF Holdings	-245	991	504	250	-49%	-50%	47	522	74
Change in Stocks Held by Exchanges	-20	-20	458	10	N/A	-98%	6	342	0
Total Demand	7,275	8,307	7,738	7,992	-7%	3%	1,702	2,619	2,002
Balance	795	-88	-932	-60	N/A	N/A	455	-756	-170
Above Ground Stocks	3,365	3,562**	2,630	2,569	-26%	-2%			

Source: Metals Focus 2019 - 2021, SFA (Oxford) 2018

Notes:

1. ** Above Ground Stocks 3,650 koz (114 t) as of 31 December 2018 (Metals Focus)
2. † Non-road automotive demand is included in autocatalyst demand
3. Data from Metals Focus and SFA (Oxford) may not have been prepared on the same or directly comparable basis
4. Prior to 2019 SFA data is independently rounded to the nearest 5 koz

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Notes to Editors:

The record platinum market deficit of -932 koz and the record annual investment demand of 1,549 koz in 2020 are both the largest annual values published by either Johnson Matthey from 1975 to 2020 or by WPIC from 2013 to 2020.

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, Royal Bafokeng Platinum and Sedibelo 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 72% and 77% 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 31% and 43% of total demand in the last five years. Platinum's diverse non-automotive industrial uses account on average for 24% of total global demand (five-year average). Over the same period, global annual jewellery demand has averaged 28% of total platinum demand. Investment demand is the most variable category over the past five years, ranging between 0% and 20% of total demand (excluding movements in unpublished vaulted investor holdings).

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