
PRESS RELEASE

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Physical platinum market tightness persists in 2022 despite increased surplus

- Pointing to a tight physical market, platinum lease rates remain at almost record highs
- Automotive, jewellery and industrial sectors remain resilient despite strong headwinds
- Total supply forecast down 8% in 2022
- Platinum ETF holdings and exchange stocks fall as excess China imports rise

The World Platinum Investment Council (WPIC) today publishes its *Platinum Quarterly* for the second quarter of 2022, with a revised full year forecast for 2022.

Despite resilience in the automotive, jewellery and industrial sectors, combined with reduced mining and recycling supply, a reduction in ETF holdings and exchange stocks saw a platinum surplus in Q2'22 of 349 koz, and the forecast 2022 surplus increase to 974 koz.

However, despite the surplus, physical market tightness continued throughout the second quarter and remains ongoing. Q2'22 saw the resurgence of exceptionally strong import volumes into China, significantly above identified demand, which were met largely by sizeable flows from platinum ETFs and exchange stocks. These excess imports into China, which are not captured in published supply and demand data, resulted in physical platinum market tightness. This is evidenced by elevated lease rates, that have remained high, peaking at 10% in May, higher even than those seen at the peak of the pandemic and significantly above the ten-year average. This physical market tightness also incentivised the movement of platinum held by exchanges into the spot market to help meet the China import volumes.

Total supply forecast to decline 8% in 2022

Total platinum supply in 2022 is forecast to decline 8% (-626 koz) year-on-year to 7,514 koz. Mining supply in Q2'22 was down 4% as an increase in Russian output, following a recovery from flooding in 2021, offset year-on-year declines in all other producing countries. The issues in the second quarter, combined with the depletion of semi-finished inventory that boosted refined volumes in 2021, will see total mine supply in 2022 decline 7% (-409 koz) year-on-year.

The recycling of platinum from spent autocatalysts fell by a noteworthy 20% year-on-year (-82 koz) in Q2'22, with automotive recycling forecast to be down 15% (-210 koz) in 2022. Driving this was the ongoing semiconductor chip shortage and its impact on new car availability, resulting in consumers being forced to run existing vehicles for longer, thereby reducing the supply of scrapped autocatalysts.

Resilience in automotive, jewellery and industrial sectors

Automotive demand for platinum grew 8% (+50 koz) year-on-year in Q2'22. Although the semiconductor shortage is ongoing, it is easing and the year-on-year increase reflects higher vehicle production volumes, higher platinum loadings on heavy-duty vehicle (HDV) aftertreatment systems, particularly in China and increased use of platinum in place of palladium in light-duty gasoline vehicles. In China, however, the strict lockdowns that endured during the first six weeks of the quarter weighed on vehicle production. For full-year 2022, platinum automotive demand is expected to increase by 14% (+376 koz) to 3,015 koz.

Jewellery demand improved by 5% (+26 koz) in Q2'22, with most markets aside from a COVID-impaired China, continuing to grow. This was bolstered, in part, by considerable demand in

North America and Europe due to more weddings and platinum's price remaining well below the price of gold. Platinum jewellery demand for 2022 is forecast to be 1,959koz – a slight increase on 2021.

Industrial demand saw growth in the petroleum (+17%, +7 koz), medical (+8%, +5 koz), and other industrial (+16%, +21 koz) sectors during the quarter, all of which are forecast to grow in 2022 as a whole. The growth in these sectors is masked within the overall industrial demand forecast for 2022 (-15%, -375 koz), as capacity expansions seen in 2021 in the glass and chemical sectors are not repeated this year.

Mixed investment demand obscured by physical metal flows

Global bar and coin demand strengthened quarter-on-quarter to 70 koz in Q2'22, driven by North American demand which is set to post a new post-COVID high in 2022 of 292 koz. However, in Japan, high yen-denominated platinum prices continued to encourage profit-taking among investors for the second consecutive quarter – albeit at a lower level to the previous quarter. Full-year total bar and coin investment is forecast to reduce by 14% (-47 koz).

For ETF holdings, recessionary fears, rising interest rates and weaker commodity prices were visible this quarter – mirroring the net sales trends seen in gold and silver ETFs. ETF holdings contracted by 89 koz, albeit significantly less than in the previous quarter. Following this trend, ETF holdings are expected to continue to fall in 2022, declining by a total of 550 koz.

Meanwhile, NYMEX and TOCOM warehouse stocks fell by a combined 123 koz over the quarter. This reduction helped meet the flow of physical metal from Western markets to China, and compensate for the reduced availability of refined Russian ingot due to key Russian refineries' loss of London Good Delivery status preventing its typical use. Exchange stocks are forecast to decline by 300 koz for the full year as the physical market tightness and resulting high lease rates, seen in the second quarter, are expected to persist for the rest of the year.

Paul Wilson, CEO of the World Platinum Investment Council, commented:

“The surplus we are forecasting for 2022 must be seen within the context of exceptionally strong imports of platinum into China, which are well above identified Chinese demand and were a feature once again in Q2'22. Importantly, the definition of demand in our projections does not include speculative positions outside of bar and coin, ETFs and exchange stocks, therefore this additional ‘demand’ from China is not captured in our published demand data. The details of the split for this material between speculative and other demand segments is still yet to become clear, however we anticipate that this will become more apparent over the next 12 months.

“Significantly, the sustained high platinum lease rates we have been seeing throughout 2022 - the highest in ten years and higher even than those seen during the peak of the pandemic when moving materials was extremely challenging - are a clear indication of shortages of physical metal in the market. Furthermore, this already tight market is underpinned by constrained mine and recycle supply, as shown in our published data.

“Despite considerable headwinds in 2022, pockets of platinum demand strength, particularly in the automotive, jewellery and industrial sectors are promising in both the near- and long-term. Platinum's role in unlocking hydrogen's crucial contribution to achieving global net zero targets is becoming widely known, and offers an option to investors looking for exposure to this area. The drive in Europe to reduce gas imports from Russia, as well as the recent passing of the US's Inflation Reduction Act, places greater importance on the need for green hydrogen and provides further incentive for investment in the sector, which benefits platinum directly.”

Platinum Supply-demand Balance (koz)	2019	2020	2021	2022f	2021/2020 Growth %	2022f/2021 Growth %	Q2 2021	Q1 2022	Q2 2022
SUPPLY									
Refined Production	6,075	4,989	6,297	5,794	26%	-8%	1,566	1,269	1,546
South Africa	4,374	3,298	4,678	4,203	42%	-10%	1,175	873	1,144
Zimbabwe	458	448	485	465	8%	-4%	125	117	124
North America	356	337	273	275	-19%	1%	75	66	65
Russia	716	704	652	646	-7%	-1%	137	163	161
Other	170	202	208	205	3%	-1%	53	49	52
Increase (-)/Decrease (+) in Producer Inventory	+2	-84	-93	+0	N/A	N/A	+18	-26	-21
Total Mining Supply	6,077	4,906	6,204	5,794	26%	-7%	1,584	1,243	1,525
Recycling	2,137	1,929	1,936	1,720	0%	-11%	523	445	437
Autocatalyst	1,589	1,440	1,448	1,238	1%	-15%	409	329	327
Jewellery	476	422	422	412	0%	-2%	98	98	92
Industrial	72	67	67	70	0%	4%	17	17	17
Total Supply	8,214	6,834	8,140	7,514	19%	-8%	2,106	1,688	1,961
DEMAND									
Automotive	2,867	2,401	2,638	3,015	10%	14%	657	744	708
Autocatalyst	2,867	2,401	2,638	3,015	10%	14%	657	744	708
Non-road	†	†	†	†	†	†	†	†	†
Jewellery	2,106	1,830	1,953	1,959	7%	0%	470	469	496
Industrial	2,144	2,018	2,507	2,132	24%	-15%	546	510	551
Chemical	695	626	651	632	4%	-3%	195	114	158
Petroleum	219	109	172	184	58%	7%	39	42	46
Electrical	144	130	135	119	4%	-12%	35	30	27
Glass	236	407	744	359	83%	-52%	83	109	100
Medical	266	246	256	265	4%	4%	62	68	68
Other	584	501	551	572	10%	4%	131	147	152
Investment	1,237	1,544	(45)	(565)	N/A	N/A	187	(165)	(142)
Change in Bars, Coins	266	578	332	285	-43%	-14%	107	61	70
Change in ETF Holdings	991	507	(238)	(550)	N/A	N/A	31	(169)	(89)
Change in Stocks Held by Exchanges	(20)	458	(139)	(300)	N/A	N/A	49	(58)	(123)
Total Demand	8,353	7,794	7,053	6,540	-9%	-7%	1,860	1,558	1,612
Balance	-139	-959	1,087	974	N/A	-10%	247	130	349
Above Ground Stocks	3,511**	2,552	3,638	4,612	43%	27%			

Source: Metals Focus 2019 - 2022

Notes:

1. **Above Ground Stocks 3,650 koz as of 31 December 2018 (Metals Focus).
2. † Non-road automotive demand is included in autocatalyst demand.

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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, an independent authority on the platinum group metals markets.

About the World Platinum Investment Council (WPIC®)

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, Sedibelo Platinum and Tharisa.

For further information, please visit www.platinuminvestment.com

WPIC's offices are located at: World Platinum Investment Council, Foxglove House, 166 Piccadilly, London, W1J 9EF

About Metals Focus

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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 73% and 76% 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 42% of total demand in the last five years. Platinum's diverse non-automotive industrial uses account on average for 28% 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 -1% and 20% of total demand (excluding movements in unpublished vaulted investor holdings).

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