
PRESS RELEASE

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Platinum demand outstrips supply with 1.2 moz deficit now expected in 2020

- 2020 forecast shows supply down 18%, demand down only 5% and deficit of -1,202 koz
- First 2021 forecast shows supply up 17%, demand up 2% and deficit of -224 koz
- Strong Q3 2020 recovery as lockdowns eased – supply up 48%, demand up 75%
- Record investment demand forecast in 2020 on high global risk and platinum's key role in the hydrogen economy
- Chinese jewellery demand for 2021 forecast to rise for the first time in seven years
- Third consecutive annual deficit for platinum expected in 2021

The World Platinum Investment Council (WPIC) today published the 25th edition of its *Platinum Quarterly* for the third quarter of 2020, which also includes the first forecast for 2021.

Despite the strong quarter-on-quarter recovery in mine and recycle supply, the stellar rebound in automotive demand and sustained strong investment demand for precious metals, including platinum, lifted Q3'20 platinum demand well above supply, leaving the quarter in a deficit of -709 koz. The deficit in 2020 is now expected to be just over 1.2 million ounces, with the outlook for 2021 a forecast deficit of -224 koz.

Overall, Q3'20 saw large sections of the market, both supply and demand, returning to near-pre-COVID-19 operational levels as global economic conditions improved compared to the first half of 2020.

Total platinum supply in Q3'20 was down by 5% from Q3'19; modest when compared to the 36% year-on-year fall in Q2'20. Total mine supply grew to within 4% (-66 koz) of the Q3'19 level as operations ramped up capacity over the quarter. However, the total mine supply forecast for 2020 sees a 21% fall (-1,300 koz) year-on-year with c.-400 koz due to COVID-19-related mine shutdowns and c.-900 koz due to the impact of the converter plant outage in the first half, compounded by the recent announcement of a similar outage in the last two months of 2020. The latest outage will alone reduce supply by c.-350 koz this year.

Platinum investment demand rockets and is set to remain high

Investment demand increased considerably in Q3'20, up year-on-year by 291% (+730 koz), with significant year-on-year rises in ETF demand (increase of +336 koz) and bar and coin demand (increase of +42 koz). This was aided by the increase in stocks held by exchanges (primarily NYMEX approved warehouse stocks) which rose by +351 koz year-on-year as market making banks continue to increase these stock levels. Investment demand is expected to grow by 32% (+406 koz) in 2020, as precious metals including platinum remain an attractive alternative investment, supported by platinum's deep discount to gold. A healthy 123% increase in bar and coin investment is forecast for 2020, and demand will continue to remain high by historical standards going into 2021.

Automotive demand bounces back 70% in Q3 quarter-on-quarter with 24% annual growth forecast in 2021

Despite COVID-19 workplace requirements in plants impacting capacity across the globe, pent-up vehicle demand and incentives in Europe and elsewhere drove growth in global automotive production levels. Consequently, automotive demand for platinum in Q3'20 was just 3% below Q3'19. The early adoption by some cities and provinces of China 6 legislation for light duty vehicles and the ramp-up of heavy duty vehicles' compliance requirements to China VI saw China platinum auto demand growth of 68% (+30 koz) year-on-year in Q3'20.

A 24% (+575 koz) annual increase in global automotive demand for platinum is forecast in 2021 as light duty vehicle production is set to increase 15%, and heavy-duty vehicle production grows by 5%. Increased loadings to meet more stringent emissions levels will also benefit the demand for platinum. So too will the potential for some platinum being used in place of palladium in gasoline autocatalysts and some shift from palladium to platinum in diesel after-treatment systems. Substitution in gasoline engines is expected mainly in China and North America in 2021. The price of palladium remains over \$1,000 per ounce above platinum, maintaining a high incentive for substitution, particularly as automaker profits suffer from lower sales.

Chinese jewellery demand forecast to rise in 2021 for the first time in seven years

Global platinum jewellery demand in Q3'20 bounced back by 27% quarter-on-quarter as pandemic-related restrictions eased, with a 14% (+29 koz) increase in China. Looking to 2021, global jewellery demand is forecast to gain 13% (+246 koz), with all regions seeing double-digit growth.

Low platinum prices prompted strong imports of platinum into China during the early months of the COVID-19 pandemic by jewellery manufacturers. As China's government is expected to maintain their successful virus containment protocols, consumption is expected to continue to improve, with platinum jewellery demand expected to increase in 2021 by 13% (+107 koz) - the first annual rise since 2013.

Paul Wilson, CEO of the World Platinum Investment Council commented: "Developments in quarter three, including the V-shaped recoveries in automotive markets, pandemic-related risk driving precious metal investment demand and severely reduced supply, have all contributed to the expected 1.2 million ounce deficit in 2020 and 224 koz deficit in 2021.

"As we now consider the economic cost of the pandemic, platinum has a role to play in providing other solutions. Questions are being raised about how quickly we transition from the internal combustion engine to electric vehicles, and the vast sums needed to support the associated infrastructure. As combatting climate change remains a fundamental priority, the focus on the cost of reducing CO₂ has convinced 70 countries, plus the EU and China, to recognise green hydrogen as the best route to decarbonisation. We have now reached the point where decarbonisation and hydrogen are mentioned in the same breath, with strategies and policies being implemented to ensure the hydrogen economy will be driven forward over the next 15 years.

"Platinum plays a key role in the production of green hydrogen and in fuel cells for electric vehicles. Material demand growth from this will be realised in the 5 to 10 year period. However, the interest of many investors, who had not previously considered platinum, has been piqued by this strategic underpin to the long-term demand for this unique metal. When these investors take a closer look, they see that platinum's deep discount to gold and palladium and the cost effectiveness and low CO₂ of the mild-hybrid diesel powertrain greatly enhance the likelihood of investment demand growth.

“The response of the platinum price to address its discount to gold and palladium has been slower than most expected this year. We believe that the hiatus that happened in the platinum futures market, initially caused by pandemic-related transport restrictions, has contributed to this numbed response.

“Another indirect consequence of COVID-19 can be seen in the forecast of growth for platinum jewellery in China. Jewellery manufacturers in China recall the benefit in 2009 of their metal purchases to increase their stocks when the platinum price collapsed. They increased stock levels during the March pandemic-driven price fall. Producing, promoting and selling platinum jewellery locks in the value of that discount, offering better margins than gold to manufacturers and retailers. With platinum jewellery demand falling every year for the past seven years, the fact it is forecast to increase in 2021 is good news indeed.

“Today’s report is the 25th edition of our Platinum Quarterly and represents a milestone in our organisation’s history. The commitment we made in 2014 to provide actionable insights to investors has certainly been put to the test in 2020, and we look forward to providing meaningful and valued insight to all concerned for the next 25 editions and beyond.”

Platinum Supply-demand Balance (koz)	2018	2019	2020f	2021f	2020f/2019 Growth %	2021f/2020f Growth %	Q3 2019	Q2 2020	Q3 2020
SUPPLY									
Refined Production	6,125	6,094	4,777	5,772	-22%	21%	1,530	938	1,493
South Africa	4,470	4,402	3,100	4,092	-30%	32%	1,122	514	1,056
Zimbabwe	465	455	472	463	4%	-2%	116	117	121
North America	345	356	352	369	-1%	5%	79	87	70
Russia	665	716	672	682	-6%	2%	174	176	200
Other	180	164	181	167	10%	-8%	40	44	46
Increase (-)/Decrease (+) in Producer Inventory	+10	+2	+20	+0	≥±300%	-100%	-30	+34	-58
Total Mining Supply	6,135	6,097	4,797	5,772	-21%	20%	1,501	972	1,435
Recycling	1,935	2,165	1,941	2,093	-10%	8%	540	419	505
Autocatalyst	1,420	1,630	1,486	1,573	-9%	6%	410	309	378
Jewellery	505	477	398	462	-16%	16%	116	97	113
Industrial	10	58	57	57	-3%	1%	14	13	14
Total Supply	8,070	8,261	6,738	7,865	-18%	17%	2,041	1,391	1,940
DEMAND									
Automotive	3,075	2,885	2,421	2,996	-16%	24%	678	389	660
Autocatalyst	2,930	2,885	2,421	2,996	-16%	24%	678	389	660
Non-road	145	†	†	†	†	†	†	†	†
Jewellery	2,245	2,100	1,826	2,072	-13%	13%	515	393	498
Industrial	1,940	2,112	2,033	2,276	-4%	12%	563	352	509
Chemical	575	698	587	678	-16%	15%	163	114	124
Petroleum	235	219	115	158	-47%	37%	55	20	23
Electrical	205	145	136	135	-6%	-1%	38	29	37
Glass	245	224	478	497	113%	4%	102	26	138
Medical	240	249	235	254	-6%	8%	62	59	59
Other	440	577	483	556	-16%	15%	143	104	129
Investment	15	1,253	1,659	745	32%	-55%	251	381	981
Change in Bars, Coins	280	283	629	485	123%	-23%	54	120	96
Change in ETF Holdings	-245	991	530	250	-47%	-53%	207	122	543
Change in Stocks Held by Exchanges	-20	-20	500	10	N/A	-98%	-10	138	342
Total Demand	7,275	8,350	7,940	8,089	-5%	2%	2,006	1,515	2,648
Balance	795	-89	-1,202	-224	N/A	N/A	35	-124	-709
Above Ground Stocks	3,165	3,561**	2,360	2,135	-34%	-10%			

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:

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

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

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.

For more information go to: www.metalsfocus.com

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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