
PRESS RELEASE

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Platinum surplus in 2021 and 2022 as stock unwind boosts supply and muted investment offsets otherwise strong demand

- High supply levels forecast in 2021 and 2022 as processing of semi-finished stock from 2020 boosts otherwise flat mine output
- Despite semiconductor chip shortage, platinum automotive demand forecast up 14% in 2021 and 20% in 2022 on substitution for palladium and tighter emissions legislation
- Bar and coin demand up 25% in Q3'21 and forecast up 10% in 2022 on global risk while ETF holdings and exchange stocks reduce

The World Platinum Investment Council (WPIC) today publishes its *Platinum Quarterly* for the third quarter of 2021, with a revised forecast for 2021 and first forecast for 2022.

Global platinum demand for the total of automotive, jewellery and industrial applications in Q3'21 continued the positive year-on-year growth trend seen in the previous three quarters, however, negative investment demand and near record refined supply drove the market balance into a surplus of 592 koz this quarter. The forecast for 2021 is now revised to a surplus of 769 koz, while 2022 is forecast to see a surplus of 637 koz.

Supply levels bolstered by unprocessed backlog

Mining supply continued to recover gradually from the COVID-19-related operational disruptions in 2020. In addition, processing of the 560 koz of semi-finished material, built up during last year's Anglo-American Platinum converter plant (ACP) shutdowns, accelerated during Q3'21 and boosted refined supply by around 140 koz. This resulted in total mine supply in the quarter increasing 13% (+185 koz) year-on-year to 1,569 koz. Even with a 9% (-46 koz) decline in global recycling in Q3'21, total supply this quarter was up 7% (+138 koz) year-on-year.

For 2021, total mine supply is expected to reach 6,137 koz, up 25% (+1,231 koz) on 2020, with total supply up by 19% (+1,292 koz) to 8,114 koz. In 2022, total supply is forecast to be almost flat on 2019 at 8,235 koz (+ 1%, +16 koz), despite including the benefit of the final tranche of 2020's semi-finished stock and after allowing for improved operational stability.

Automotive demand set to grow 14% in 2021, and a further 20% in 2022, despite semiconductor chip shortages

Due to the record lead-times in receiving semiconductor chips, automotive manufacturers dramatically revised their production forecasts downwards in Q3'21. Passenger car production is now forecast to be 77m, a mere 3% up on pandemic-impacted 2020, and around 10m fewer vehicles than originally forecast at the start of 2021.

Even in this context, however, automotive platinum demand is expected to grow by 14% (+340 koz) in 2021, supported by both higher platinum loadings in autocatalysts to meet tightening emissions legislation and the substitution of platinum for palladium, which is estimated to be just over 200 koz this year. These trends are set to continue into 2022 when automotive demand is forecast to increase 20% (+533 koz) despite vehicle growth of only 10% to 85m, well down from the original forecast of 93m.

Standout automotive demand increases in 2021 are forecast in North America, which will jump by 31% (+92 koz) driven by significant growth in hybrid and mild hybrid vehicle production, and a strategic focus from producers on SUVs and pick-up trucks over smaller vehicles; and in China where demand will grow by 42% (+118 koz) supported by the implementation of China 6a along with the phase-in of China VIa for heavy-duty vehicles. Platinum substitution for palladium in both regions is also a contributor to these significant gains.

ETF and exchange stock demand falls, while bar and coin demand grows

Investment demand was -246 koz in Q3'21, as exchange warehouse stocks declined by 173 koz and ETF holdings contracted by 195 koz. As seen in the previous quarter, the contraction in ETF holdings was driven by South African funds rotating to platinum mining equities to benefit from healthy dividend yields. Meanwhile, elevated lease rates during the quarter, probably due to strong imports into China, encouraged outflows from NYMEX depositories, which had declined to 541 koz by the end of Q3'21. Global ETF holdings are forecast to contract by 40 koz this year but rise by 50 koz in 2022.

Demand for bar and coin jumped 25% (+24 koz) in Q3'21 to 122 koz, reflecting investor concerns that global risk – including inflation – remains high. Bar and coin investment is expected to reach a robust 365 koz in 2021, albeit at a 38% decline on 2020's extremely high level. Demand in 2022 is expected to rise by 10% to 402 koz, driven predominantly by increased retail investor buying in North America and Japan. While this forecast of 402 koz is below the record of 586 koz in 2020, it is still over 50% higher than the annual average bar and coin demand for the seven years prior to the pandemic.

Industrial demand expected to surge 26% in 2021 with 2022 to be above 2019 level

Industrial demand in Q3'21 was 20% higher (+98 koz) year-on-year, and despite some slowing expected in the final quarter, full-year demand is expected to increase by 26% (+514 koz) on 2020. This growth is driven by expected surges in petroleum demand of 65% (+71 koz) as economic activity continues to improve, and glass demand of 72% (+303 koz), from new fibreglass and LCD tank capacity installations in China.

While petroleum capacity additions in 2022 will increase platinum demand, platinum's use in glass fabrication will be over 50% lower as the significant capacity expansions in 2020 and 2021 are not repeated, as to be expected following large scale capacity additions. Despite this dramatic reduction, platinum industrial demand overall will remain above the 2019 level.

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

"The global economy continues to recover with the IMF projecting a growth rate of 5.9% in 2021, with platinum poised to benefit as a result. Residual pandemic effects, such as the semiconductor shortages, will continue to inhibit platinum demand in 2021 and 2022, both of which would otherwise be far higher. 2022 will be a crucial year in which the dust from 2020 settles and the remaining portion of the semi-processed material built up in 2020 is released. The speed at which demand inhibitors get resolved will have a major impact on the platinum market balance and we could see a fascinating outcome in 2023.

"For investors, platinum continues to offer an alternative investment during this extended period of heightened global risk. The 25% jump in demand for bar and coin this quarter is a reflection of investors acting on heightened risk, and this looks set to continue next year. Similarly, the switching seen by various funds from ETFs to mining equities is not a loss of faith in the asset class, but rather a reflection of how investors are currently securing returns. Set against the backdrop of a change in investment demand of over a million ounces within a year, the investment demand forecast for 2022 is understandably conservative, at 302 koz.

"As highlighted at COP26, world leaders are increasingly convinced of the importance of the role of green hydrogen as part of the best route to decarbonisation. Because platinum is used in both electrolyzers to produce green hydrogen and in hydrogen fuel cells, which can power

fuel cell electric vehicles, it has a key strategic role in unlocking hydrogen's crucial contribution to achieving global net zero targets."

Platinum Supply-demand Balance (koz)	2019	2020	2021f	2022f	2021f/2020 Growth %	2022f/2021f Growth %	Q3 2020	Q2 2021	Q3 2021
SUPPLY									
Refined Production	6,100	4,989	6,187	6,203	24%	0%	1,496	1,568	1,597
South Africa	4,399	3,298	4,552	4,514	38%	-1%	1,062	1,180	1,213
Zimbabwe	458	448	467	465	4%	-1%	115	125	111
North America	356	337	314	356	-7%	13%	71	75	73
Russia	716	704	644	666	-8%	3%	196	136	149
Other	170	202	209	202	3%	-3%	52	52	50
Increase (-)/Decrease (+) in Producer Inventory	+2	-84	-50	+0	N/A	N/A	-112	+18	-28
Total Mining Supply	6,102	4,906	6,137	6,203	25%	1%	1,384	1,587	1,569
Recycling	2,117	1,916	1,977	2,032	3%	3%	527	494	490
Autocatalyst	1,584	1,438	1,495	1,559	4%	4%	391	382	361
Jewellery	476	422	424	414	1%	-2%	121	98	104
Industrial	57	56	58	59	3%	1%	14	14	15
Total Supply	8,219	6,821	8,114	8,235	19%	1%	1,911	2,081	2,049
DEMAND									
Automotive	2,836	2,365	2,704	3,237	14%	20%	638	653	617
Autocatalyst	2,836	2,365	2,704	3,237	14%	20%	638	653	617
Non-road	†	†	†	†	†	†	†	†	†
Jewellery	2,099	1,820	1,914	1,890	5%	-1%	510	461	483
Industrial	2,127	1,987	2,501	2,169	26%	-13%	505	664	603
Chemical	694	585	649	608	11%	-6%	124	214	157
Petroleum	219	109	179	194	65%	8%	21	45	45
Electrical	144	130	138	138	6%	0%	33	35	36
Glass	236	423	726	348	72%	-52%	131	169	164
Medical	249	239	247	254	4%	3%	60	59	62
Other	585	501	561	627	12%	12%	137	141	139
Investment	1,253	1,554	225	302	-86%	34%	962	189	(246)
Change in Bars, Coins	283	586	365	402	-38%	10%	97	109	122
Change in ETF Holdings	991	509	-40	50	N/A	N/A	523	31	-195
Change in Stocks Held by Exchanges	-20	458	-100	-150	N/A	N/A	342	49	-173
Total Demand	8,315	7,726	7,345	7,598	-5%	3%	2,615	1,967	1,457
Balance	-96	-904	769	637	N/A	-17%	-704	114	592
Above Ground Stocks	3,554**	2,650	3,419	4,056	29%	19%			

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

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

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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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