

## Positive ETF investment resumes: Growing investor appetite for platinum could deepen market deficit

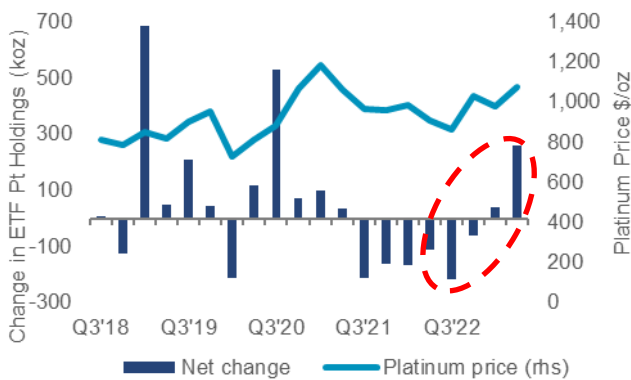
South African investors have expanded their platinum ETF holdings by 430 koz year-to-date, as they see attractive upside for the metal in a market [forecast to be in deficit by almost 1 Moz](#). In contrast, North American and European investors have continued to dispose of ETF holdings, reducing the net positive inflows to 300 koz versus only 30 koz included in the current outlook. As knowledge of the forecast record platinum deficit spreads, it is possible that ETF investor flows will turn positive in North America and Europe, exacerbating the deficit.

A [hunt for yield and a backwardated forward curve](#) drove significant platinum ETF investment outflows over 2021-2022, totalling almost 800 koz. Whilst 2023's outlook is more positive, real interest rates have continued to rise, resulting in a cautious forecast of only 30 koz of ETF inflows in 2023, as published in our *Platinum Quarterly*. This reflects more positive sentiment amongst South African investors which is largely offset by continued disposals in North America and Europe. However, South African platinum ETF buying has now accelerated beyond expectations, with Q1 and Q2 being dominated by inflow's of +160 koz and +280 koz respectively, reversing trends of outflows over the previous six quarters.

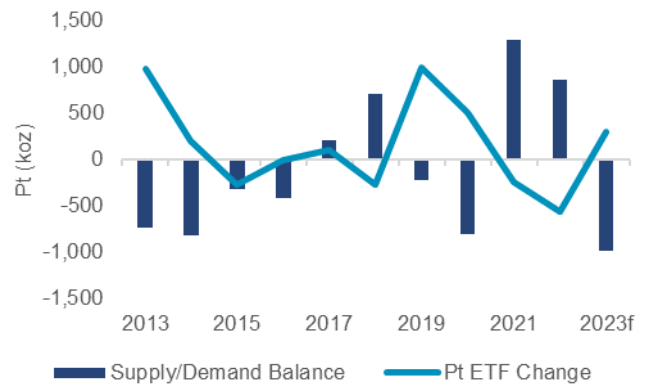
Why are South African investors more positive than those in North America, Europe and Japan? Located in the world's biggest producer of PGMs, South African investors could be regarded as some of the most informed in the platinum market, being more acutely aware of the potential impact of the forecast 1 Moz deficit, as well as the external headwinds facing the PGM miners from the national electricity crisis and inflationary pressures. It would appear that in a reversal of the 2021-22 trend of preferring the miners over the metal.

*Positive net investment demand for ETF products returns after a period of muted appetite.*

Platinum ETFs investment inflows have typically risen during market deficits.



Source: Metals Focus, Bloomberg, WPIC Research



Source: Metals Focus 2019-2023f, SFA (Oxford) 2013-2018, Bloomberg, WPIC Research

Sentiment in other geographies is starting to improve, with platinum ETF investment flows turning positive (quarter-to-date) in the US and Japan in the past couple of weeks, and the UK also showing signs of moving into positive territory. Positive data was also observed in bar & coin with net demand tracking in line with the forecast for 2023 as a whole during Q1.

Net year-to-date platinum ETF inflows are more than 300koz, including disposals in North America and Europe. If the platinum ETF inflows seen year-to-date are sustained through the rest of the year (versus the 30 koz in current estimates), then it would potentially increase the deficit to almost 1.3 Moz.

*Prior to 2021 investors in the US & UK took large positions in platinum ETF products, adding 450 koz and 620 koz in 2019 and 2020, respectively. Should investment from these geographies rise towards historic highs the forecast record 1 Moz deficit could deepen meaningfully.*

Edward Sterck  
Director of Research  
+44 203 696 8786  
[esterck@platinuminvestment.com](mailto:esterck@platinuminvestment.com)

Wade Napier  
Analyst  
[wnapier@platinuminvestment.com](mailto:wnapier@platinuminvestment.com)

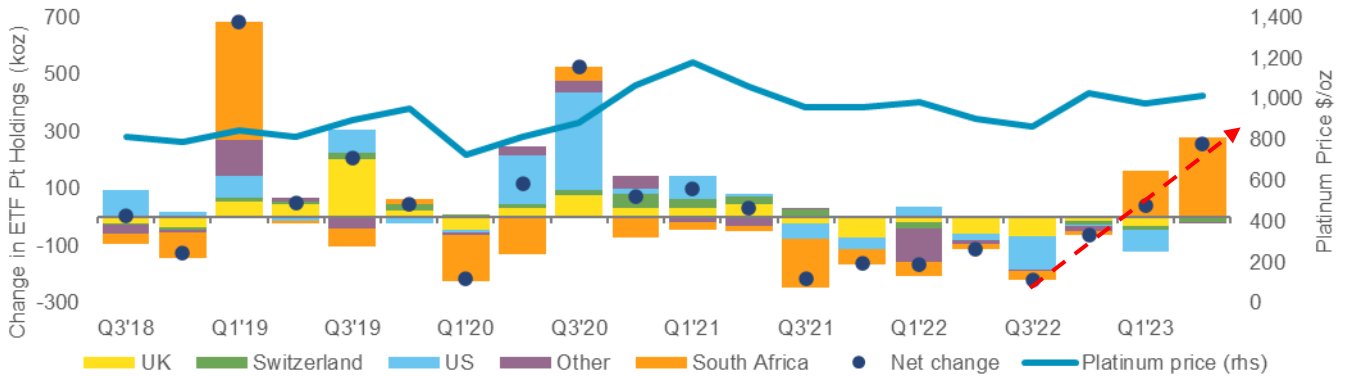
Jacob Hayhurst-Worthington  
Associate Analyst  
[jworthington@platinuminvestment.com](mailto:jworthington@platinuminvestment.com)

Brendan Clifford  
Head of Institutional Distribution  
+44 203 696 8778  
[bclifford@platinuminvestment.com](mailto:bclifford@platinuminvestment.com)

World Platinum Investment Council  
[www.platinuminvestment.com](http://www.platinuminvestment.com)  
166 Piccadilly,  
London, W1J 9EF

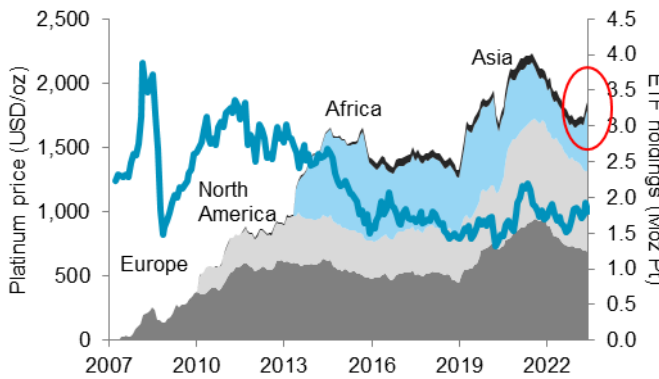
June 2023

Figure 1: Platinum ETF product demand has seen a spike in H1 2023. South Africa led a reversal from net outflows to net inflows, gaining +280koz of demand in Q2 2023 alone. This could be driven by regional investors wanting to gain exposure to the metal whilst it enters a forecast deficit. It remains to be seen whether US & European investors will follow suit, further increasing the demand for platinum. At current rates of investment, demand for ETF products will exceed our latest annual forecast.



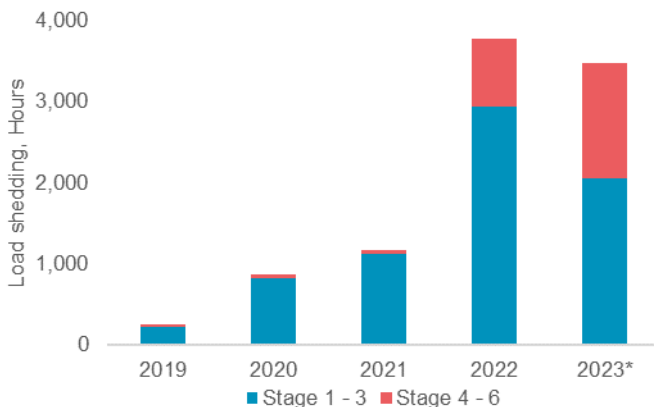
Source: Bloomberg, WPIC Research

Figure 2: Over 300 koz of platinum have been added to ETF holdings since momentum turned positive, which represents a ~10% increase in total holdings to almost 3.4 Moz.



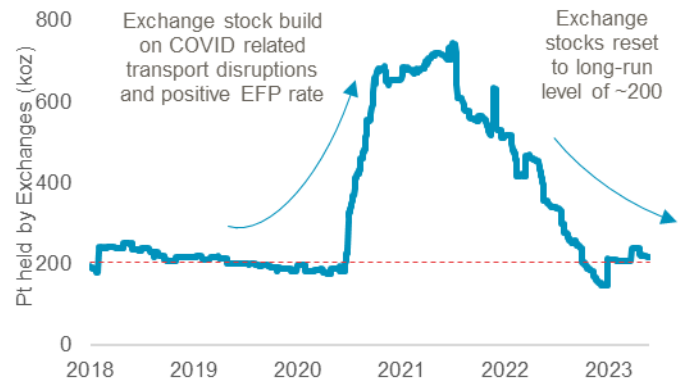
Source: Bloomberg, WPIC Research

Figure 4: Access to reliable power in South Africa continues to deteriorate as load shedding increases in intensity and frequency. Further power disruptions present additional downside risk to mine supply, potentially as much as 15% or even greater.



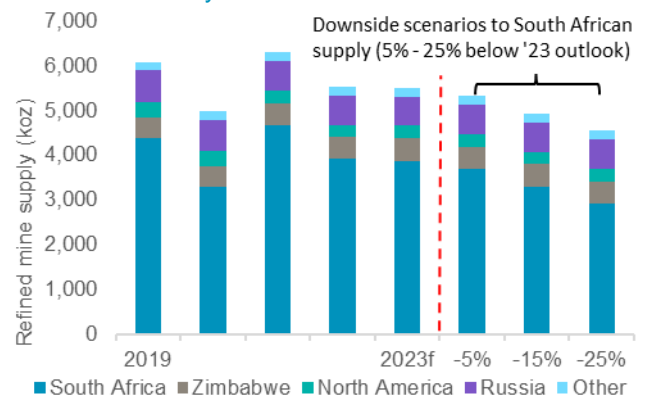
Source: Eskom Se Push, WPIC Research, \*year-to-date loadshedding

Figure 3: Exchange stocks built up rapidly in 2021 on fears of COVID related transport disruptions. Exchange stocks now appear to have normalised to long-run levels and we believe there will be no further significant outflows, which have acted as a supply to the market.



Source: Bloomberg, WPIC Research

Figure 5: The current 2023 mine supply forecast is flat YoY but is facing significant downside risks due to the South African electricity shortages and other external challenges facing the mining companies at present. Downside of 15% would further widen the forecast 1 Moz 2023 deficit by an estimated 580 koz.



Source: Metas Focus 2019-2022f, SFA (Oxford) 2013-2018, Bloomberg, WPIC Research

**IMPORTANT NOTICE AND DISCLAIMER:** This publication is general and solely for educational purposes. The publisher, The World Platinum Investment Council, has been formed by the world's leading platinum producers to develop the market for platinum investment demand. Its mission is to stimulate investor demand for physical platinum through both actionable insights and targeted development: providing investors with the information to support informed decisions regarding platinum; working with financial institutions and market participants to develop products and channels that investors need.

This publication is not, and should not be construed to be, an offer to sell or a solicitation of an offer to buy any security. With this publication, the publisher does not intend to transmit any order for, arrange for, advise on, act as agent in relation to, or otherwise facilitate any transaction involving securities or commodities regardless of whether such are otherwise referenced in it. This publication is not intended to provide tax, legal, or investment advice and nothing in it should be construed as a recommendation to buy, sell, or hold any investment or security or to engage in any investment strategy or transaction. The publisher is not, and does not purport to be, a broker-dealer, a registered investment advisor, or otherwise registered under the laws of the United States or the United Kingdom, including under the Financial Services and Markets Act 2000 or Senior Managers and Certifications Regime or by the Financial Conduct Authority.

This publication is not, and should not be construed to be, personalized investment advice directed to or appropriate for any particular investor. Any investment should be made only after consulting a professional investment advisor. You are solely responsible for determining whether any investment, investment strategy, security or related transaction is appropriate for you based on your investment objectives, financial circumstances and risk tolerance. You should consult your business, legal, tax or accounting advisors regarding your specific business, legal or tax situation or circumstances.

The information on which this publication is based is believed to be reliable. Nevertheless, the publisher cannot guarantee the accuracy or completeness of the information. This publication contains forward-looking statements, including statements regarding expected continual growth of the industry. The publisher notes that statements contained in the publication that look forward in time, which include everything other than historical information, involve risks and uncertainties that may affect actual results. The World Platinum Investment Council name and logo and WPIC are registered trademarks of the World Platinum Investment Council. All other trademarks are the property of their respective trademark holders. World Platinum Investment Council is not affiliated, connected, or associated with, and is not sponsored, approved, or originated by, the trademark holders unless otherwise stated. No claim is made by it to any rights in any third-party trademarks.

#### WPIC Research MiFID II Status

The World Platinum Investment Council - WPIC - has undertaken an internal and external review of its content and services for MiFID II. As a result, WPIC highlights the following to the recipients of its research services, and their Compliance/Legal departments:

WPIC research content falls clearly within the Minor Non-Monetary Benefit Category and can continue to be consumed by all asset managers free of charge. WPIC research can be freely shared across investment organisations.

1. WPIC does not conduct any financial instrument execution business. WPIC does not have any market making, sales trading, trading or share dealing activity. (No possible inducement).
2. WPIC content is disseminated widely and made available to all interested parties through a range of different channels, therefore qualifying as a "Minor Non-Monetary Benefit" under MiFID II (ESMA/FCA/AMF). WPIC research is made freely available through the WPIC website. WPIC does not have any permissioning requirements on research aggregation platforms.
3. WPIC does not, and will not seek, any payment from consumers of our research services. WPIC makes it clear to institutional investors that it does not seek payment from them for our freely available content.

More detailed information is available on the WPIC website:

<http://www.platinuminvestment.com/investment-research/mifid-ii>