



Publication of Platinum & Palladium Survey 2004 **Jewellery highlights**

Platinum jewellery offtake slips in 2003, palladium jewellery increases



GFMS today released its inaugural Platinum and Palladium Survey 2004. A summary of the findings of the survey was given in London and in Johannesburg this afternoon. According to the report, jewellery fabrication accounted for 35% of global net platinum demand in 2003, and for 5% of net palladium demand. Platinum jewellery offtake slipped in most regions in 2003, with the exception of North America, which was marginally higher, while global palladium offtake in jewellery increased by 8%.

The most important jewellery market for the platinum group metals is still China, with 55% of global net demand for jewellery in 2003. This proportion is down from 60% of global market share in 2002 and the report notes that while consumption of platinum in jewellery held up well in China last year, fabrication declined, with the key issue being inventory management. Jewellers strove to hold retail price points where possible and while purchases were healthy, margins came under severe pressure. Stock levels through the industry have also been relatively high historically and the combination of high stocks and low margins have meant that the risk-adjusted return of making platinum jewellery has been dropping. Fabricators are therefore looking to reduce their inventory levels and also to diversify into other white metals. While white gold is a notable beneficiary of this philosophy, palladium has also been making significant headway in the Chinese jewellery market in its own right, with some small/medium-sized fabricators in Shenzhen having switched their entire production to palladium.

Japanese fabrication of platinum jewellery fell again in 2003, although the overall drop in global demand meant that Japan's share of offtake was almost unchanged from 2002, at just over 22% of the total. While purchases of luxury goods were again reduced in Japan as a result of the weak economy, as in China there has been considerable pressure through the value chain. Local fabricators have also been struggling with relatively inflexible retail price points and consequently have borne much of the brunt of margin pressure in recent years. As a consequence, they are making lighter pieces than heretofore, and are also looking to white gold, where the profitability is considerably higher. GFMS expects that a further decline in offtake is to be expected, but emphasises that there is still a significant legacy effect among jewellery manufactures with respect to platinum and that its place in the Japanese jewellery market rests assured.

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Platinum & Palladium Survey 2004 contains 80 pages of statistics, commentary and analysis on all aspects of world platinum & palladium supply/demand and on PGM prices in various currencies. The publication can be ordered from GFMS for £265 or US\$495 / €395 per copy. For orders and to receive further product information please contact Ms L. Perrard on: Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: sales@gfms.co.uk, Web Site: www.gfms.co.uk

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