



Publication of *Platinum & Palladium Survey 2005*

Jewellery Demand in China, Platinum Slumps as Palladium Takes Centre Stage

GFMS today released its *Platinum & Palladium Survey 2005*, the second edition of its annual survey of the world's platinum and palladium markets. The survey examines the supply and demand fundamentals of these markets and was launched today at events held in London, Johannesburg and Hong Kong. According to the report, jewellery fabrication has been a vital factor in the fortunes of both metals over the last year.

In 2004 jewellery fabrication played an important but contrasting role for both platinum and palladium. Platinum jewellery demand is estimated to have fallen by 25% last year to just over two million ounces, a fall of 667,000 ounces, equivalent to around 10% of annual mine supply. The key reason for the fall was, in contrast to just about every other commodity - precious or otherwise - poor demand in China. Whereas combined demand in Japan, Europe and North America fell by the miniscule amount of just 1,600 ounces, Chinese demand plummeted by more than one third and accounted for nearly all of the 667,000 ounce fall mentioned above. The main reasons behind such a poor performance in China were, in essence, two-fold. Firstly, the platinum price rose by 22% last year. However it was not just the rising price that was a problem but also the absolute price level reached; platinum jewellery simply became out of reach for many potential customers. The second major factor working against platinum has been the ongoing deregulation of the gold market and the aggressive marketing of 18 carat white gold jewellery. Such campaigns have been backed by all participants in the value chain, from manufacturers to retailers, because of the better margins they earn. As result, real inroads into platinum's market share were made in 2004.

In sharp contrast to the fate of platinum, last year saw global palladium jewellery demand almost double from 363,000 ounces to 713,000 ounces. The sole reason for this was the emergence of palladium jewellery in a big way in China. Whilst palladium has been used for many years around the world as an alloy in white gold and platinum jewellery, 2004 witnessed the beginning of high purity palladium jewellery (Pd950) being produced by Chinese manufacturers and entering the local distribution network. Encouraging levels of interest from consumers have so far been reported by those retailers stocking this new, niche entrant to the jewellery offering.

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Platinum & Palladium Survey 2005 contains 88 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 / 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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