



Publication of *Platinum & Palladium Survey 2009*

Platinum Forecast to Remain in Surplus in 2009 despite Jewellery Easing Autocatalyst Gloom, but Palladium to Struggle in the Absence of Price Responsive Cushioning factors

At briefings today in London and Johannesburg, GFMS launched its *Platinum & Palladium Survey 2009*. This is the sixth major report on these markets by GFMS, the independent precious metals consultancy. The following sets out some of the highlights of the survey from the briefing given at the London launch by Peter Ryan, senior consultant of GFMS.

The main finding of this year's survey as regards **platinum** is that its gross surplus more than tripled to over 260,000 ounces in 2008. Much of this the consultancy ascribe to autocatalyst fabrication (around half of all demand) being hit by weaker vehicle production, which has since fallen severely in the early months of 2009. Last year's decline in platinum demand for autocatalyst applications was its first this decade. A second key factor was the slump of over 10% in platinum jewellery fabrication, primarily due to exceptionally high prices in the first half of the year. However, the report also highlights a brighter note for jewellery - a marked recovery in the second half of 2008 (and continuing into 2009) after the price collapsed from July of last year.

Last year, global mine production of platinum suffered a hefty decline for the second year in succession. Global mine production fell by 7% in 2008, mainly due to South Africa (the world's largest producer) where a power crisis and the flooding of a major mine early in the year compounded the legacy of skills shortages and enhanced safety management, which had already damaged production in 2007. These events were concentrated in the early part of the year, stimulating especially strong investor interest (notably in ETFs) and driving the platinum price to an all-time high of US\$2,376 in March. Behind the scenes, however, this also triggered exceptionally heavy sales of old platinum jewellery as private individuals (especially in Japan) cashed in on these elevated prices. Together with further gains in the recycling of scrapped autocatalysts, this injected a considerable volume of platinum back into the market, compensating for the fall in mine production and averting what might otherwise have been a supply crisis.

In contrast, GFMS estimate that **palladium's** gross deficit almost doubled to nearly 650,000 ounces in 2008, due chiefly to a drop in mine supply, one that was proportionately larger than for platinum. Ryan added, "It is all too easy to forget that South Africa is a major palladium producer and Russia, the world number one, didn't escape, suffering a more than 10% fall". In contrast, autocatalyst scrap was reported to have risen by almost a quarter.

On the demand side, the survey notes that palladium benefited from further substitution from platinum in autocatalyst uses but thrifting and lower vehicle output still meant a 6% drop in this area was recorded in 2008. Demand for palladium in jewellery was slightly higher, with offtake in the all-important Chinese market up marginally and useful gains in the United States market where palladium jewellery remains at an early stage of development. Much of the gains were in carat jewellery, although the report noted losses for its use in the production of white gold alloys. Despite these apparently supportive developments, GFMS believe that the fact that the annual average palladium price fell last year was due to generous above-ground stocks of the metal and a rise in inventory sales by the Russian government, which left palladium with a residual surplus of almost 260,000 ounces. However, investment was not seen to be lacking, with for example palladium's two ETFs seeing significant gains in 2008 and proving more resilient to liquidations in comparison to platinum.

GFMS believe the precious metals in general will continue to attract investors in 2009 against a background of weak stock markets and long-term inflation worries as they seek shelter in these products for wealth preservation. With little support from autocatalyst and industrial demand (where heavy declines are expected), the key factors, especially for platinum, will be the price elastic areas of jewellery and retail investment. In 2009, GFMS expect platinum prices to remain sufficiently benign to yield not only a rise in gross jewellery fabrication but also, and perhaps more importantly, a significant decline in supply from the recycling of old jewellery scrap after last year's spike, although these positives could be partly dissipated by lower retail investment (2008 was exceptional). As for palladium, GFMS expects that moderate prices should in a limited way have similar effects in jewellery (both fabrication and scrap) and retail investment, although with considerably less dynamism in these areas (and lower absolute volumes), palladium is unlikely to benefit by nearly as much. However, for both metals, these forces are unlikely to overcome the expected fall in autocatalyst demand and weakness elsewhere, leading to sizeable reductions in overall demand. Nevertheless, with continued if volatile investor interest, GFMS see platinum trading in a range of \$900 to \$1,375 over the remainder of 2009, with palladium prices ranging from \$170 to \$325 per ounce.





© **Copyright GFMS Limited - April 2009.**

Whilst every effort has been made to ensure the accuracy of the information in this document, GFMS Ltd cannot guarantee such accuracy. Furthermore, the material contained herewith has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient or organisation. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any commodities, securities or related financial instruments. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. GFMS Ltd does not accept responsibility for any losses or damages arising directly, or indirectly, from the use of this document.

Platinum & Palladium Survey 2009 contains 84 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 £325 / US\$595 / €440 per copy. For orders and to receive further product information please contact Elena Patimova

Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: sales@gfms.co.uk, Web Site: www.gfms.co.uk,
Online Shop: <http://shop.gfms.co.uk>

Note to Editors about GFMS Limited:

GFMS Limited is the world's foremost precious metals consultancy, specialising in research into the global gold, silver, platinum and palladium markets. GFMS is based in London, UK, but has representation in Australia, China, India, Spain, Germany, France and Russia, and a vast range of contacts and associates across the world.

Press Contacts: Peter Ryan, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK,
tel: +44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: info@gfms.co.uk, web site: www.gfms.co.uk