

Global Platinum Shortage Sees Production Surge And Palladium Sidelined

HOUSTON--JULY 10, 2002--Researched by *Industrialinfo.com* (Industrial Information Resources, Incorporated; Houston, Texas).

After peaking at \$1094 an ounce and then falling to around \$400 an ounce in the last 12 months, Platinum seems now to be on an upward trend moving up to and near the \$550 an ounce mark. Angloplat (Anglo American Platinum) (JSE) (Johannesburg), along with other producers, plan to boost production by 1.5 million ounces by 2006 bringing the company's total output to 3.5 million ounces by 2006. This is in response to surging demand from automakers.

Platinum has outstripped palladium, which is an effective catalyst only in petrol engines and cannot match platinum's dual effectiveness in petrol and diesel engines. **As diesel and diesel derivatives are seen as the fuels of the future this gives platinum a strong edge.** Other regions with high urban densities are following tougher environmental auto exhaust emission standards set by the U.S. and the European Union.

Angloplat, the world's biggest producer, predicts that the current planned increases in production would not match a global deficit in platinum where, in addition to the automakers, demand is good from the Chinese jewelry market and Japanese brides maintain their love affair with the metal. Established industrial demand has been stable, based in silicone production and computer hard disks. Palladium meantime has suffered from the fall-off of the multi-layer ceramic capacitors market and the substitution of base metals in electronics manufacture.

The price scenario in the medium term for platinum is seen to be reasonably firm based on demand, having taken note of uncertain economic conditions, Russian sales and platinum sourced from stockpiles by Ford and other automakers.

In a recent report from Johnson Matthey (LSE)(London), the refiners, platinum demand in 2001 surpassed supply by 290 000 oz, rising 8% year on year to 6.15 million ounces. The report also forecast that the deficit defied an 11% rise in global mine output. South Africa boosted production to a record 4.1 million ounces in 2001 and is forecast to grow output by another 10% in 2002 led by Angloplat.

As all platinum group metals, including palladium, are found in the ore bodies being mined, South Africa's increased production will see it overtake Russia as the world's leading palladium producer which at present provides about 60% of the world's output.

Although Russia is secretive about platinum sales and stockpiles, Angloplat sees them as having been consistent sellers despite having pulled out of the spot market last year when prices were around \$433 an ounce. As the world's second biggest producer it is not seen to be in Russia's interests to disrupt the market and it is unlikely that they are in a position to do so. Similarly, if as the world's leading supplier of palladium, the Russians attempted to manipulate the market price, users might be diverted and choose other metal based technologies.

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