

Shanghai Platinum Week 2024: Key take aways from China's dynamic platinum market

The WPIC co-hosted the fourth annual Shanghai Platinum Week (SPW) last week. This report highlights details of the conference and site visits, as well as some key take aways from the presentations.

SPW overview: The conference was held over two days with two further days allocated to site visits. The conference was attended by more than 500 delegates with an aggregate of over 770 thousand online viewers, who watched 42 presentations and panel discussions. Topics ranged from the challenges facing PGM supply (mining and recycling) to current and future demand drivers (autocatalysts, green hydrogen and future technologies). **SPW reiterated platinum's strong investment case as challenges weigh on supply while demand finds support across a diverse number of end-uses.** Our key take aways are highlighted below, which emphasise some of the dynamic trends within the local PGM market, and our research team is available to discuss these and other findings in more detail.

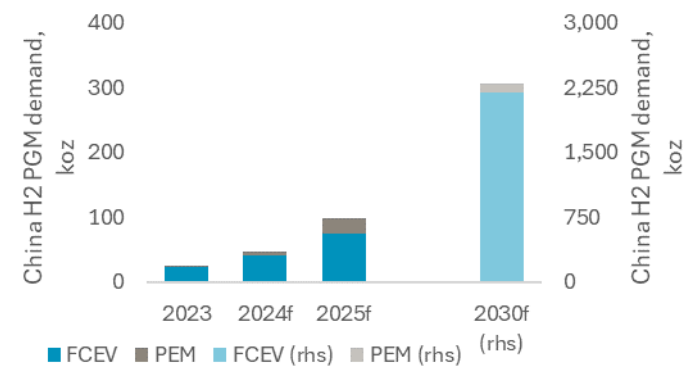
The **Guangzhou Futures Exchange** announced contract details for China's first platinum and palladium futures contracts. These RMB derivatives will enable domestic users to manage price risk. Notably, China's prior inability to locally manage price risks led to volatile platinum import volumes that were inversely correlated to prices (Fig. 1). WPIC expects Chinese platinum jewellery and investment demand to benefit from fabricator price risk management, which will allow for reduced sales premiums and buy-back discounts, likely to help consumers regain confidence in platinum products versus gold alternatives (Fig. 3).

Figure 1: China's platinum purchasers are price sensitive



Source: Bloomberg, WPIC research

Figure 2: China's hydrogen economy could rapidly scale



Source: The Orange Group

China looks set to lead the global hydrogen economy push with a March 2024 Government report calling to expedite the technology. SPW visited several firms in the hydrogen value chain which have shown strong growth. However, there were signs of underutilised plants as the nascent sector ramps up. The Orange Group forecasts that declining costs will drive future scaling. It expects cumulative China hydrogen PGM demand of ~2.3 Moz by 2030f (Fig. 2) as total domestic fuel cell and PEM electrolyser markets reach 1.2m units and 3.8 GW respectively (WPIC: ~1.2 Moz).

Headwinds to both primary and secondary platinum supply were discussed at SPW. The key challenge faced by PGM miners is the weak basket price, which is pushing them to cut costs to minimise losses but will likely increase the risk of lower mine supply over the medium-term (Fig. 7). In terms of recycling supply from China, tax experts discussed China's new reverse invoicing policy which aims to generate tax from a historically cash based transaction between upstream scrap collectors and recycling enterprises. Industry participants cited the 3% tax as onerous on a sector typically operating at <1% margins and suggested it will result in downward pressure to recycling PGM supply.

SPW 2024 statistics:

- 37 exhibitors
- 42 presentations
- >500 delegates
- >770k online views aggregated over two days

China's dynamic PGM market is looking to lead in green hydrogen, and separately to introduce platinum and palladium futures contracts to manage price risks but is constrained by newly enacted tax legislation that disincentivise recycling.

Edward Sterck

Director of Research
+44 203 696 8786

esterck@platinuminvestment.com

Wade Napier

Analyst

wnapier@platinuminvestment.com

Jacob Hayhurst-Worthington

Associate Analyst

jworthington@platinuminvestment.com

Brendan Clifford

Head of Institutional Distribution
+44 203 696 8778

bclifford@platinuminvestment.com

World Platinum Investment Council

www.platinuminvestment.com

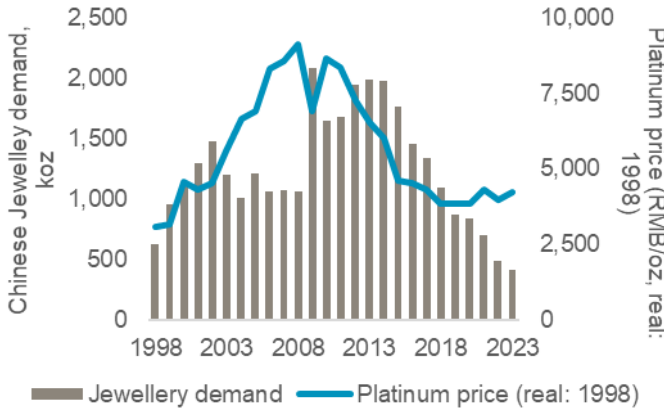
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Platinum's attraction as an investment asset arises from:

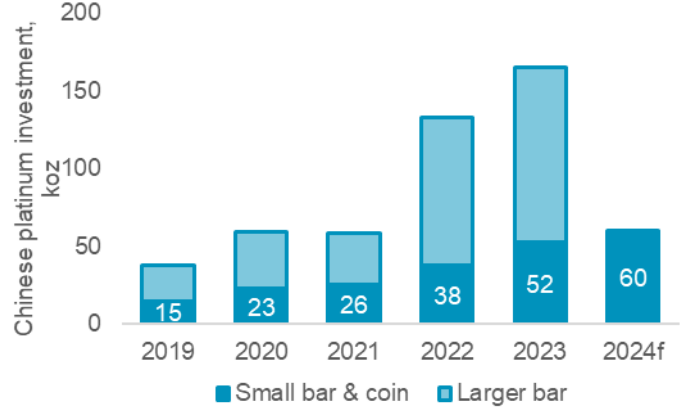
- WPIC research indicates the platinum market is in a period of sustained deficits from 2023.
- Platinum supply remains challenged, hampered by production challenges in South Africa and with recycling supplies.
- Higher-for-longer ICE and hybrid vehicle production will support automotive demand for platinum.
- Growing off a small base, hydrogen will be a major source of platinum demand in the future.
- The platinum price remains historically undervalued and significantly below that of gold.

Figure 3: Platinum jewellery fabricators are exposed to increased price risk in a falling price environment, requiring higher premiums that negatively impacts demand



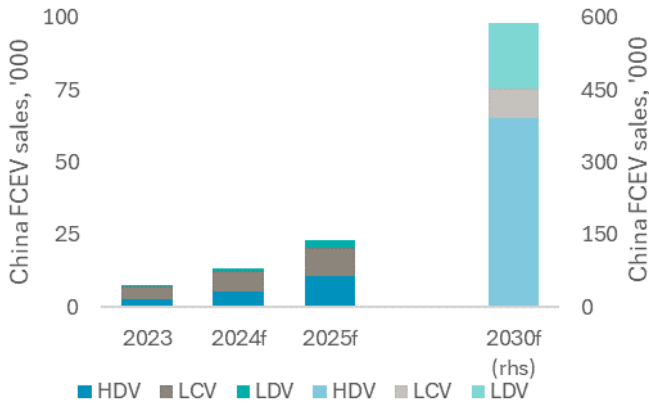
Source: Johnson Matthey, SFA (Oxford), Metals Focus, Bloomberg, WPIC research

Figure 4: Chinese bar and coin investment demand could benefit with lower premiums and sellback discounts, as allowed for with the availability of price risk management through derivatives



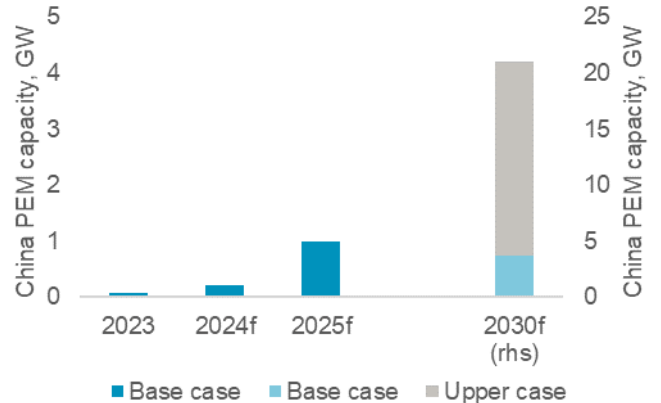
Source: Metals Focus, WPIC Research

Figure 5: Chinese fuel cell demand is forecast for exponential growth reaching annual sales of ~500k units by 2030f



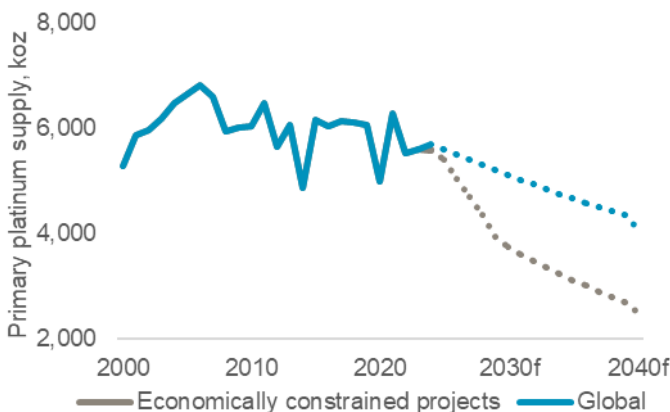
Source: The Orange Group

Figure 6: China's PEM electrolyser installed capacity is forecast to increase by 62% CAGR between 2024 to 2030, with upside if Iridium thriving efforts are successful



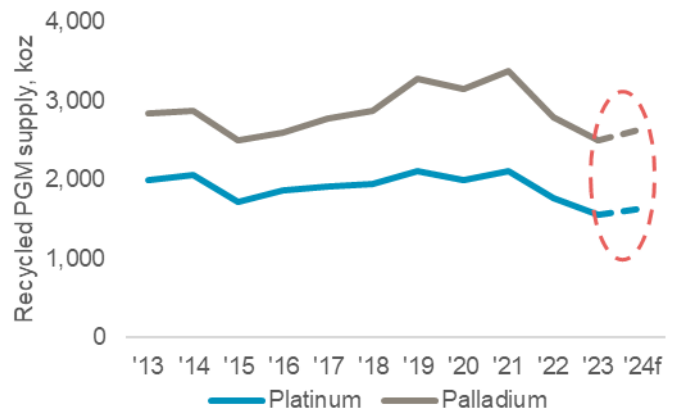
Source: The Orange Group

Figure 7: Low prices are forcing producers to cut costs to minimise losses which may reduce mine development and weigh on the mine supply outlook



Source: History: Johnson Matthey, Mine supply outlook: Northam Platinum

Figure 8: The forecast recovery to 2024f PGM recycling supply faces risks due to overcapacity, regulatory headwinds, a feedstock shortage, and hoarding



Source: Metals Focus (Pt to 2024f, Pd to 2023), WPIC research thereafter

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