



SHIFTING SANDS, WINDS OF CHANGE.

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A key dynamic in the PGM is the extent to which palladium's date with disaster can be delayed, or averted completely. The electrification of the vehicle fleet has been hanging over palladium like a Damocletian sword, given that roughly 80% of demand is in the auto sector. The prospect of lost demand, compounded by recycling of internal combustion engine vehicles, suggested that palladium was walking into the metals markets' equivalent of a black hole.

The situation is less bleak now, partly because of the changed leadership of the United States, while consumer resistance and price discovery have meant that automotive companies have shelved some of their electric vehicle programmes and also taken financial hits accordingly.

In April Nornickel opened the world's first palladium laboratory, looking to develop palladium usage in renewable

energy and microelectronics, (e.g. solar cells in the former and substitution for gold in the latter) as well as advancing industrial AI. This is part of the company's Palladium Centre – a \$100 million plan to develop additional uses for palladium, with the target of 100 new products for a range of industries. For now it looks as if the metal has had a stay of execution but the long-term still hangs in the balance.

The longer-term prospects for platinum are also clouded, but to a lesser extent as the emission control sector accounts for ~45% of platinum demand.

The crisis in the Gulf will not help PGM offtake; the International Energy Agency reported in mid-May that "close to 30% of cars sold in 2026 are set to be electric as countries and consumers respond to energy crisis", with sales approaching 23 million. Last



year electric cars enjoyed 25% global market share.

On the supply side platinum producers are concentrating on maintaining / strengthening balance sheets. Re-rated PGM prices in 2025 mean that all operators appear to be in the black. Even so, some medium term reduction in output is likely, although probably not by much.



Palladium is a by-product of platinum in South Africa and of nickel in Russia; output from these two countries are more or less matched, but Nor Nickel just has the edge. There has been some delay in proposed expansion plans, partly because of the need to change the logistics of supply within Russia due to sanctions and the lack of access to the SWIFT banking system has meant that local industries have been paying high interest charges when borrowing domestically.

Meanwhile we remain faced with the Gulf crisis. As we write in late May there is still little clarity about negotiations and the risk of escalation cannot yet be discounted. The knock-on effect of rising petrol prices (with the psychologically critical US\$5/gallon close on the horizon) is likely to see luxury brands under pressure while smaller more efficient vehicles gain market share.

In addition, the loss of over 3Mtpa Gulf aluminium capacity through bombing activity, material that is most unlikely to be fully back on stream for at least a year, has seen European auto companies scrambling for alternative sources. If auto production suffers then that will affect the PGM.

Europe's auto sector accounts for an annualised 0.9M ounces of platinum (31% of auto demand and 12% of global offtake), and 1.6M ounces of palladium (20% of auto demand and 17% of global).

We have looked at two medium-term potential Hormuz scenarios. In the first (settlement in June), it is arguable that we would see a lag in auto sector recovery as higher fuel prices impinge on disposable income, financing costs rise, fleets defer replacement cycles, while emerging markets suffer from currency weakness and higher import bills.



The consumers affected most would be ASEAN, Europe, India and oil-importing emerging markets. The US and China are relatively insulated, the former as an exporter, the latter through strategic reserves.

In the worse scenario (crisis persists through to 2027) major oil importers would encounter heavy pressure on their balance of payments and supply chains would be further disrupted while logistics costs would rise.

If Hormuz were to reopen in 2027 then we could see an auto market recovery, but not enough to offset 2026 losses.

In the electronics sector palladium would be at more risk than platinum with 8% market share vs 2%, but production declines would be expected to be much shallower in the electronics sector overall.

One bright spot is the launch of platinum and palladium contracts on the Guangzhou Futures exchange; This has helped to bolster China imports; platinum imports in H2 2025 were 83% higher than in H1, although there was barely any change in palladium. As we write, warehouse receipts are 2.4t of platinum and 2.9t of palladium. An exciting development!

