



RELATIVE VALUE

Platinum's current discount relative to other precious metals could prove a boost to the post-COVID 19 recovery of the platinum jewellery market

Lower platinum prices, triggered by the economic uncertainty caused by the COVID-19 pandemic, are proving to be an attractive entry point for some investors. Platinum's price is currently near all-time lows relative to gold, and near record lows relative to its sister metal palladium.

Sales of platinum bullion products – retail bars and coins – surged to record highs in the first three months of 2020, with purchases made in the period totalling 312 koz*. Annualised, this represents a rate that is five times higher than that experienced in any other year in the last forty years.

The opportunity presented by the prevailing spot platinum price did not go unnoticed in other quarters either. Imports of platinum into China also rose significantly in the first three months of the year, at 834 koz compared to a quarterly average of 574 koz during 2019. The Shanghai Gold Exchange – the major regional commodities and precious metals trading exchange – saw sales increase from an average of 171 koz per quarter in 2019 to 455 koz for the first quarter of 2020.

It is widely understood that this increased demand came from savvy industrial and manufacturing buyers – including jewellery fabricators – exercising a value-led response and taking the opportunity to increase stock levels.

Price and future jewellery demand

It is no secret that the platinum jewellery market was experiencing headwinds prior to the global pandemic, especially in its major China market which is seeing strong competition from gold.

However, the most recent Platinum Jewellery Business Review conducted by Platinum Guild International (PGI), a worldwide marketing organisation dedicated to creating, expanding and strengthening consumer and trade markets for platinum jewellery, indicates that the relatively lower price of platinum when compared to other precious metals could well be a factor that assists with a post-COVID 19 recovery across a number of markets.

For example, in China, although the effects of COVID-19 have severely impacted overall economic growth and jewellery demand, PGI believes that



Jewellery images from the new Platinum Moments Collection, launched recently in China by PGI

manufacturers and retailers took advantage of the low platinum price to increase stock levels in anticipation of future growth and to support the development of new product lines.

PGI also anticipates that, while platinum business in the US declined in quarter one 2020, current metal prices will continue to position platinum favourably against its main rival, 18 karat white gold.

In the mature Japanese market, PGI is hopeful that, despite weaker demand in the first three months of the year, platinum jewellery might fare better during the recovery from the effects of the COVID-19

pandemic, as the platinum price remains low and consumer demand is supported by a high level of consumer affinity with the metal.

The platinum jewellery market in India suffered more than other markets as steps to reduce the impact of the pandemic caused the cancelling of important festivals and the key wedding season in quarter one. However, PGI believes that, looking ahead, the platinum jewellery market here is also well-positioned to take advantage of low metal prices, as well as benefit from possible industry consolidation.

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