



PRESS RELEASE

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CPM Group Releases **Platinum Group Metals Long-Term Outlook**

New York, NY, 25 January 2017. CPM Group released the 2016 edition of its annual **Platinum Group Metals Long-Term Outlook** report. This 300-page study focuses on critical trends in above-ground platinum group metal (PGM) inventories, investment demand, mine production, secondary supply, and fabrication demand, all of which are central to understanding price prospects for PGMs over the next 10 years.

PGM market observers have expressed confusion that platinum and palladium prices have been cut in half over the past few years while the PGM statistics they use show persistent long-term deficits in these markets. A truism in all financial markets is that if your statistics do not agree with the price of an asset, chances are more likely that your statistics are inaccurate rather than the market is mispricing the asset. CPM Group's data shows persistent long-term surpluses over the past several years, which correlate with the decline in prices.

Investors are expected to play the most important role in determining the course of prices. The first several years of the projected period are expected to be characterized by continued surpluses for both platinum and palladium. These surpluses are larger for platinum than for palladium and are expected to add metal to the already large stocks of above ground inventories. At the end of 2016 it is estimated that cumulative above ground inventories for platinum reached around 13 million ounces; meanwhile those for palladium reached 25 million ounces. When stocks are 'at rest' they have a neutral impact on price. It is when they are in motion, being bought or sold, that they have an impact on price. **A majority of these inventories are held by investors. Investors are expected to continue absorbing the surpluses forecast in this report, however, the weakness in supply and demand fundamentals are expected to require lower prices for investors to be induced to buy these metals for addition to their already sizeable holdings.**

The relative weakness in prices during the initial years of the projected period is expected to have a meaningful negative impact on **mine supply** during the out years of the forecast period. A lack of investment in new and expansion projects, following years of weak prices, coupled with

higher operating costs especially in South Africa, and concerns regarding future demand are all factors expected to weigh on the volume of metal available for extraction in the later years of the forecast period. That said, mine supply in the near term is expected to be mostly flat.

Trends for platinum and palladium **secondary supply** are expected to **diverge**, with platinum supply from this source continuing the declining path that has been in place for most of the time since 2010 and palladium supply rising over the projected period.

Fabrication demand is forecast to rise for both platinum and palladium, with strength in palladium demand nearly twice that of platinum. **Contrary to popular market belief, alternative automotive technology, which either destroys PGM demand entirely (electric vehicles) or propels higher the use of platinum (fuel cells), is not expected to have any meaningful influence on the forecasts PGM demand in this report's base case scenario. While some of these technologies are expected to grow in importance over the course of the projected period, and affect demand, they are not expected to gain sufficient traction during this time frame to be able to derail or propel demand sharply higher or lower and are expected to be more of a fringe influence. Beyond the 10 years covered in CPM's report they are expected to have more dynamic affects on platinum demand; anticipation of such longer term trends emerging will affect investment demand during the coming 10 years, reducing investor interest in platinum.**

About CPM Group:

CPM Group is an independent commodities research, consulting and corporate advisory company headquartered in New York. The company is considered the foremost authority on markets for precious metals, and provides detailed and highly regarded research on specialty and base metals, energy, and agricultural markets. CPM Group provides advisory services relating to commodity risk management and asset management as well. The group has produced annual reports on gold and silver since 1971, and annual surveys of the platinum group metals markets since 1981.

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