What's Hot: Platinum – Tight supply meets broadening use

Published 20 June 2025

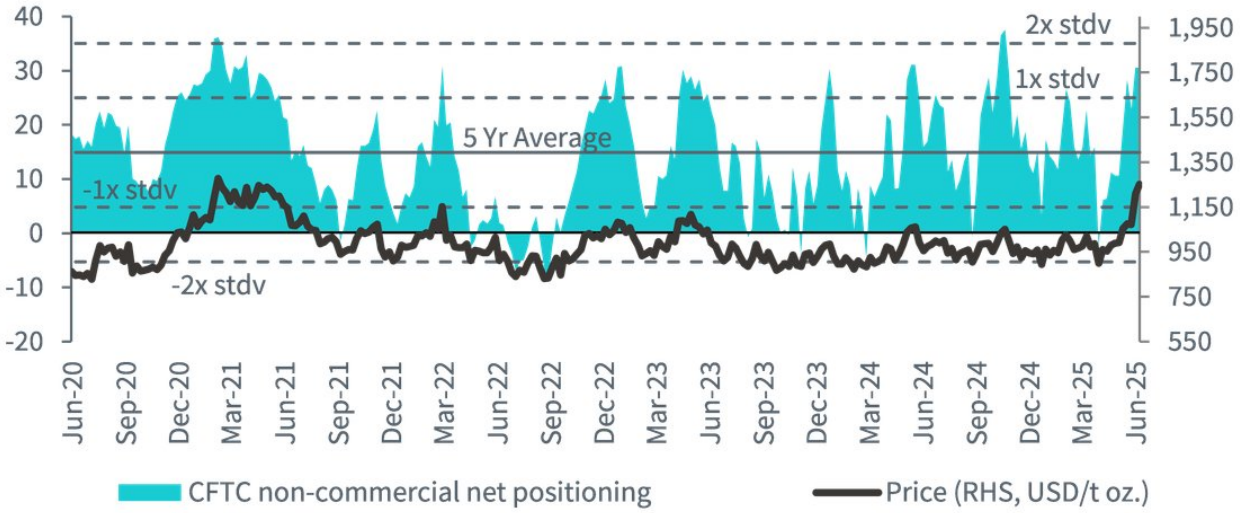
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Key Takeaways

- Platinum remains markedly cheaper than gold, creating an appealing entry point for investors seeking precious-metal exposure.
- Jewellery substitution and hydrogen-linked PEM electrolysers are offsetting softer traditional industrial use.
- The platinum market is expected to remain in a deficit for the third year in a row.

Platinum rose to US$1200 per troy ounce mark for the first time in four years[1] with a rise of 45.6%[2] Year to Date. While the platinum market has been tight for years, prices have only sporadically reflected the imbalance. Over the prior month, however, net speculative positioning in platinum has risen 186% and is more than 1 standard deviation (stdv) above the 5-year average, on the back of a 43% increase in long positioning reflecting an improvement in sentiment towards the industrialised precious metal.

Figure 1: Historical Comparison – Platinum Futures price vs positioning



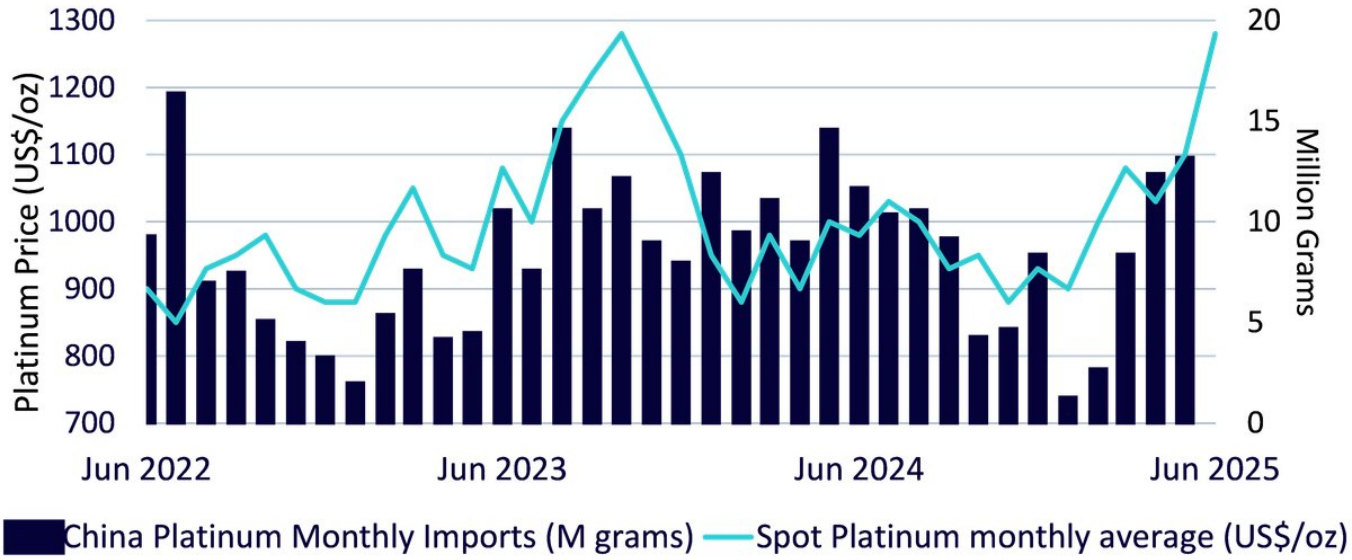
Source: Bloomberg, Commodity Futures Trading Commission from 16 June 2020 to 10 June 2025. **Historical performance is not an indication of future performance and any investments may go down in value.**

The strength of gold's rally has a strong role to play in the improvement of sentiment on the platinum market. Rising gold prices widened the price gap between platinum and gold, which rose to more than US$2400 at times in April 2025. This rendered gold three and a half times more expensive than platinum, for the first time since exchange trading in platinum began almost 40 years ago. The anomaly has prompted investors to recast platinum as the undervalued alternative to bullion.

Platinum's discount to gold incentivises demand

Platinum benefits from a diversified demand profile with the automotive sector now accounting for less than 50% of total demand. While platinum is likely to continue to face headwinds from the auto industry, other sectors are likely to keep demand supported. Jewellers are the second biggest demand drivers of platinum after the auto industry. The perception that platinum offers a cheaper alternative to gold is becoming more apparent in the Jewellery sector. Last month, China recorded its highest platinum imports in a year, spurred by the metal's relative price stability and its significant discount to gold.

Figure 2: Chinese platinum imports rise the most in a year



Source: China General Administration of Customs, Bloomberg as of 18 June 2025. **Historical performance is not an indication of future performance and any investments may go down in value.**

Chinese platinum jewellery fabrication returned to growth in Q4 2024 and there are strong indications that fabrication again expanded by around 50% in Q1 2025[3]. Current gold prices are starting to bite into jewellers' margins. Precious metals refiner Heraeus reported that "with high gold prices now posing a serious threat to gold jewellery demand, wholesalers are beginning to look more favourably on platinum. A number are reportedly increasing stock in showrooms throughout the country"[4].

Industrial demand pauses, but hydrogen steps in

After last year's burst of semiconductor and glass capacity, traditional industrial demand is easing. What replaces it is the hydrogen build-out. Historically, alkaline water electrolysis (AEL) has been dominant, but Proton Exchange Membrane electrolysis (PEM), which is platinum-intensive, has gained traction. This is partly because the platinum-intensive PEM technology is particularly suitable for hydrogen production from intermittent renewable power, as it can start up quickly and needs less warm-up time. The global pipeline of electrolysers is on track to reach 230GW by 2030[5], and more than half of the announced projects favour PEM technology—each megawatt contains about 0.3kg of platinum. While alkaline electrolysers, which do not contain PGMs, are still the industry staple (around 60% of installed capacity in 2023), more than half of projects to be commissioned by 2030 rely on PEMs. Platinum is likely to benefit from the hydrogen economy, with demand potentially topping 600koz BY 2030, assuming PEMs account for 50% market share[6].

Weak global supply on the platinum market

Supply remains fragile. South Africa still delivers about 70% of primary output. Production issues in South Africa have led to tightening on the platinum market. Flooding, power cuts and plant maintenance pushed its mined output 12 % lower year-on-year in the first quarter 2025. Owing to which refined platinum output from both Valterra and Impala Platinum contracted by 65%YoY and 3%YoY respectively between January and March. Mine production in South Africa, by far the most important producing country, is expected to fall to its lowest level in five years. Low platinum prices have led to mine closures. Production in North America is also expected to decline to its lowest level in 30 years on the back of production shutdowns. While recycling supply is expected to increase by 3%, it will only partially offset the significant decline in mine supply.

Platinum market expected to remain undersupplied

The World Platinum Investment Council (WPIC) forecasted the global platinum market supply deficit to extend to 966koz in the current year from its previous expectations of 848koz back in March, amid strained mine supply and stable automotive demand. If realised, this would mark the third consecutive year in which the platinum market has remained in a supply deficit. Over this period, the deficit accumulates to 2.85mn ounces, which corresponds to global mine production of just over 6 months or is almost as high as demand from the automotive industry in a year. Above-ground platinum stocks are therefore expected to fall to 2.16mn ounces. The last time stocks and the stock-to-consumption ratio were this low was eight years ago.

Conclusion

With demand broadening, supply constrained and visible stocks eroding, platinum is finally starting to price in its fundamentals. The metal remains historically cheap relative to gold and compares favourably with other precious metals on both cyclical and structural metrics. Unless South African output rebounds sharply or the hydrogen build-out stalls, the market is likely to remain in deficit for the medium term. For investors seeking exposure to a precious metal that couples industrial growth with decarbonisation themes, platinum offers a compelling proposition.

[1] Bloomberg, 9 June 2025
[2] Bloomberg from 31 December 2024 to 18 June 2025
[3] Platinum Guild International Reporting, 31 March 2025
[4] Precious Appraisal, weekly market note as of 26 May 2025
[5] International Energy Agency (IEA), “Global Hydrogen Review 2024”, as of 2 October 2024
[6] International Energy Agency (IEA), International Renewable Energy Agency (IRENA), 22 June 2023

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