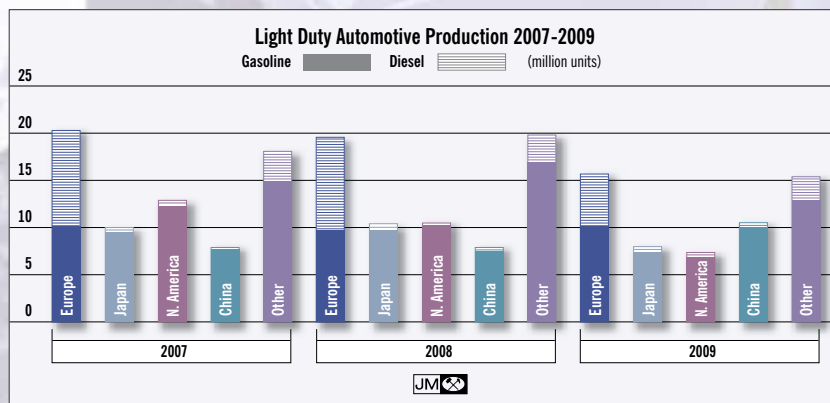


THE GLOBAL AUTOMOTIVE MARKET IN 2009

Demand for all of the platinum group metals for use in catalytic converters is expected to fall for the second successive year in 2009. The slowdown in vehicle production began in North America and spread to Europe, Japan and elsewhere during the final months of 2008. This year has therefore seen the full effect of the weak global economy on the automotive sector.



production by more than the decrease in sales in nearly every region. As a result, global light duty vehicle production is expected to fall by 16.1 per cent to 57.2 million units in 2009, depressing platinum group metal demand.

GOVERNMENT INCENTIVES

However, a number of schemes have been put in place in order to support the automotive industry.

The Chinese Government has reduced sales taxes on smaller cars and moved to make finance for vehicle purchasers more readily available. As a result, Chinese domestic light duty vehicle production is set to grow by 27.6 per cent to 10.6 million units. In Brazil, a reduction in industrial wholesale tax on vehicles with engines below 2.0 litres has cut the price of smaller cars and boosted sales accordingly.

Incentives to trade in old cars for new models have been introduced in many countries too. In the USA, the "Cash for Clunkers" scheme subsidised almost 700,000 sales. The German scrappage scheme was even more successful, driving sales to a ten-year high. Anecdotal evidence suggests that these incentives generated some new buying but also brought a large

number of sales forward. These accelerated purchases would normally have taken place in 2010 and this will therefore delay the speed of recovery in these markets over the short to medium term.

CHANGES IN VEHICLE TYPE

While incentive schemes have supported production levels, they have been most beneficial for smaller models. In some cases, as in Brazil and China, this has been explicitly driven by the incentives themselves. In other markets, consumers have opted to purchase smaller vehicles due to worries over their personal finances. This has led to a decrease in average engine size and a decline in catalyst size. Therefore, in areas where no new emissions rules have been introduced, the average pgm content of a vehicle has decreased.

With the very smallest models mainly gasoline-fuelled, the market share of the diesel vehicle in Europe has also fallen, hitting platinum demand particularly hard. A reduction in European fleet sales of primarily diesel vehicles will also weaken platinum demand. Palladium demand in Europe will, however, benefit from the increased production of gasoline vehicles.

Figures courtesy of IHS Global Insight.

The economic slowdown has hit vehicle production around the world this year despite government incentives which have boosted the domestic markets in countries such as China, Germany and Brazil.

FALLING SALES

As the global economy slowed in late 2008, discretionary consumer spending contracted sharply. This is evident in vehicle sales where consumers simply kept their cars longer before replacing them or bought second-hand vehicles rather than new ones. A decrease in the availability of credit in North America and Europe also played its part in driving sales lower. Companies operating fleets of vehicles have opted to delay repurchasing, hitting sales too. In Western Europe, for example, light duty vehicle sales slipped 9.7 per cent lower in the first half of 2009 compared to one year earlier.

With sales slow, inventories of unsold vehicles ballooned and auto makers were forced to cut

Although the total weight of platinum group metals used in the autocatalyst sector will fall in 2009, palladium demand will be supported by a short term increase in market share of the gasoline engine within Europe and by increased Chinese production.

