

# Palladium Reserves Down, Price Rising 15%

By [The Moscow Times](#)

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LONDON — Russia, the world's biggest palladium producer, is shipping the smallest amount of the metal to Switzerland in 15 years, a sign of declining state stockpiles that may drive prices as much as 15 percent higher by December.

Cargoes to Switzerland, one of Europe's two main hubs for storing and trading precious metals, fell 12 percent to about 500,000 ounces last year and compare with a two-decade average of 1.3 million ounces, Swiss customs data show. Fewer shipments of the metal used in almost every catalytic converter may mean shortages. Analysts forecast prices as high as \$940 an ounce in 2011.

While Russian stockpiles are a state secret, Johnson Matthey, a London-based trader, says they were the fourth-largest source of supply in 2010. Norilsk Nickel, the biggest producer, said in December that it expects "insignificant" amounts from reserves, and Standard Bank Group forecasts stocks will be depleted as early as this year.

Sales of Russian stockpiles dropped to 1.01 million ounces in 2010 from as much as 1.49 million in 2007, the data show. Inventories were built up from excess output in the 1970s and 1980s and may have declined to less than 1 million ounces last year, said David Davis, a mining investment analyst at Standard Bank's SGB Securities in Sandton, near Johannesburg.

"The palladium market, excluding any Russian stockpiles coming in, is going into an ever-increasing deficit," Davis said.

Prices for the metal hit a record \$1,125 in 2001 when shipments were disrupted. Palladium jumped more than fourfold since the end of 2008, reaching a 10-year high of \$862.25 on Feb. 21.

Mine output will fall 5.4 percent to 6.8 million ounces and demand from carmakers will climb 6.7 percent to about 5.5 million ounces in 2011, Barclays Capital estimates. Demand rose 15 percent last year to the highest in a decade while supply, excluding recycling, was steady, and without Russian reserve sales there would have been a shortage, Johnson Matthey said.

Palladium accounts for 90 percent to 95 percent of precious metals used in gasoline catalytic converters and about 25 percent in diesel devices, according to Johnson Matthey.

Russia mined 2.7 million ounces of palladium in 2010, worth \$1.4 billion at last year's average price, Johnson Matthey data show. Recyclers recovered 1.32 million ounces from spent auto catalysts.

Any rise in car sales and palladium may be curbed by energy prices after oil in New York jumped 27 percent from a year ago.

"Everybody's suddenly nervous about high oil prices reducing the amount of distance that people are driving and pushing back the likelihood of people buying cars, and therefore it could impact on palladium consumption in the short term," said David Wilson, an analyst at Societe Generale in London.

But "palladium is likely to be the star performer of precious metals again in 2011," said Anne-Laure Tremblay, a London-based analyst at BNP Paribas.

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