

CIBJO
CONGRESS
2023

SPECIAL REPORT
PRECIOUS METALS COMMISSION



While precious metals retain their safe haven status, sustainability and responsibility more pressing issues

By Huw Daniel, President
CIBJO Precious Metals Commission

Since the last report in 2021, the profound impact of COVID-19 has continued to be felt and has caused fundamental changes in economic and consumption trends across the world. Additionally, the global economy was

affected by numerous shocks during 2022 and 2023 thus far, including the Russia-Ukraine war, supply chain issues, inflation and tightening monetary policy.

In light of all this, the group of precious metals has maintained its safe haven status, whilst the end of restrictive COVID measures in most countries has supported the recovery



Huw Daniel, President of the CIBJO Precious Metals Commission.

of consumer consumption, releasing pent-up demand for jewellery.

We continue to see innovations in gold and platinum jewellery that create appeal to a new generation of consumers. As jewellery industry trends continue to evolve, branded jewellery is expected to be a major growth engine in the coming years. Effective branding builds strong consumer relevance and connectivity, which younger consumers appreciate.

Sustainability and responsibility in supply chain management has also become a more pressing issue for the industry and among consumers across markets.

GOLD

The gold price

Precious metals investment benefited from a low nominal rate at the beginning of 2022, coupled with concerns over stagflation. The Russia-Ukraine war and the ensuing Western sanctions added new uncertainty to financial markets that had already endured a volatile start to the year.

On February 24, 2022, when Russia announced the “special military operation” in Ukraine, LBMA gold jumped to an over 17-month high of \$1,968/oz and reached a nearly 19-month high of \$2,039/oz on March 8, 2022, before persistent inflation and the U.S. Federal Reserve announced its sharpest rate increase since 2000, which caused the price of gold to fall during Q2.

As central banks later increased interest rates to combat inflation, the price of gold continued its downward trajectory to \$1,621/oz in early November 2022, followed by a rebound to \$1,812/oz by the year-end, allowing it to end the year without a loss.

Despite the headwinds from the strong U.S. dollar and seven rate hikes of a total of 425 basis points, gold showed its price resilience in 2022 and saw a record annual average LBMA price of US\$1,800/oz.

Price rallies were maintained in January on the back of a weaker dollar and lower yields, and were further powered in February by strong U.S. data. They were propelled by the March banking crisis, reaching \$2,048/oz in mid-April.

With the expectations that central banks in the developed world are close to ending their monetary tightening, and continued central bank purchasing, the gold price increased by 5.4 percent in H1 2023.

Gold demand

Since 2022 saw a record-level of central bank purchases and vigorous retail investor buying of 1,079 tonnes, annual gold demand (excluding OTC) jumped 17 percent to 4,706 tonnes, almost on a par with 2012.

Retail investment demand was strong in 2022, with global bar and coin demand increasing by 4 percent on the already healthy 2021 level, to a nine-year high. This trend was especially prominent in the second half, focusing on the safety of gold as a hedge against inflation.

In contrast, holdings of gold ETFs fell by 110 tonnes at 3,473 tonnes at the end of 2022, mainly driven by North American fund holdings, and by European and Chinese demand to a lesser extent.



Entering 2023, the fall in the U.S. dollar, declining treasury yields, and the needs for hedges against inflation resulted in an upbeat sentiment in the gold market and safe-haven buying. On top of that, the small-bank crisis in March also bolstered gold demand and its price increased by 9 percent in Q1.

Global bar and coin investment exceeded 300 tonnes for a third consecutive quarter, the first time since 2013, buoyed by a jump in Chinese retail investment demand. Global gold ETFs saw net inflows of \$1.9 billion in March, the first inflows for ten months, although the first quarter assets under management had a net outflow of \$1.5 billion as strong March inflows were not enough to reverse the negative trend in the first two months. March also saw a sizable rebound in COMEX gold futures' net longs, and total net longs in COMEX reached to 622 tonnes by the end of the first quarter, surpassing the 2022 average.

According to the World Gold Council (WGC), global gold jewellery demand softened slightly in 2022 to 2,090 tonnes, just below 2019 levels, despite a steep decline of 15 percent in mainland Chinese demand, over 100 tonnes below its 10-year annual average. Chinese consumption was affected throughout much of the year across major cities by zero-COVID policies and a slowing economy.

Even though demand was weaker in China, gold products dominate its jewellery market and consumers are paying increasing attention to gold jewellery as a financial asset.

As a result, quasi-investment 24K gold jewellery products with high price transparency and low labour charges gained popularity.

Gold jewellery has continued to see innovation in designs and technologies, with a new generation of premium products such as 3D hard gold, 5G gold and heritage gold sustaining their momentum and increasing their market share due to their creative designs and higher margins. On the other hand, 18K products continued to lose market share to pure gold products.

Gold jewellery had a strong performance in the first quarter of 2023 in China, as it is the traditional peak season for pure gold, along with investment purchases in jewellery. The sharp rise in gold prices resulted in many retailers and consumers taking a wait-and-see stand on whether the price will hold.

The rise in local gold prices during the year

Above and below: heritage gold.





Diamond-studded gold jewellery.

weighed on jewellery consumption in India, the other major gold consumer market, which saw a 2 percent decline in 2022, despite a strong absolute annual total. A strong growth was experienced in October during the Dhanteras and Diwali festival season, even off the robust base of Q4 2021, a historically robust quarter when sales surged following the easing of restrictions during the second wave of COVID-19.

During the first quarter of 2023, India's gold jewellery market witnessed a slowdown in sales, owing to volatile and rising gold prices, an inauspicious buying period and a financial year closing in March as consumers focused on tax savings and investment.

Gold jewellery demand in the United States remained high above pre-pandemic levels, although declines were seen in the second half of 2022, due to the lift of government support packages and higher consumer spending on services and hospitality. Concerns about recession have grown from the last quarter, affecting consumer spending on non-discretionary categories. Despite an increasingly challenging economic climate, demand is supported by continued strength in the job market and by a higher number of weddings taking place due to a post-COVID backlog.

PLATINUM

The platinum price

Platinum was the top-performing precious metal in 2022, up nearly 11 percent on the year, although its annual average price was lower than 2021 levels.

Prices largely followed gold in the beginning of the year, trending upward from the beginning of the year to \$1,119/oz on February 24, 2022, when the Russia-Ukraine war broke out and continued to \$1,151/oz on March 8, 2022, as concerns about the future of supply out of the second largest platinum producer intensified.

This rally was short-lived, however, as prices quickly fell back to the level of \$910/oz in late April and moved between \$900 and \$1,030 levels during May and June, before trading slightly lower through July and October.

Platinum prices gained over 20 percent in the last quarter, supported by tighter supplies and a potential end of market surpluses. It finished 2022 at \$1,065/oz.

Prices managed to stay above \$1,000 in January 2023 before sliding to a range of \$900 and \$1,000 in February-March, but then recovered to over \$1,000 in April following robust investment demand.

The platinum market is forecast to be in deficit after two consecutive years of significant surpluses, with supply well below pre-pandemic



Courtesy of Pt Moment® Collection (China)



Courtesy of Pt Moment® Collection (China)

levels and demand growth. According to the World Platinum Investment Council (WPIC), output from South Africa was down 16 percent year-on-year at 3.9 Moz in 2022, leading to a 10 percent year-on-year decline in total mining supply due to disruptions at smelting facilities. The country has also been facing serious power shortages due to a load shedding issue since 2022, and the national electricity provider Eskom has restricted domestic use of power.

WPIC forecasts a 1 percent loss in mined platinum production for 2023.

Recycling was also down by around 20 percent year-on-year in 2022, led by a reduction in auto-catalyst recycling, with the low availability of new vehicles and consumers using their cars for a longer time.

Platinum demand

Despite some resilience in platinum demand, a cooling climate conditions, higher inflation and interest rates, tighter cost of living conditions and the residual impact of the pandemic weighed on some demand segments. WPIC estimated that total platinum demand declined 8 percent year-on-year to 6.4Moz in 2022.

The strong 13 percent year-on-year rebound in automotive demand was not sufficient to offset the outflow of 558 koz in ETF holdings and 307 koz exchange stocks, as rising real interest rates have had a major bearing on platinum investment demand and pushed investors to sell non-yielding assets.

Physical investment of bar and coins was positive, although lower than 2021 levels, and industrial demand declined by 12 percent from a high base in 2021.

Total platinum demand in 2023 is likely to jump by 28 percent to 8.2Moz, due to continuous recovery from three demand segments: automotive, industrial and investment. Automotive platinum demand is expected to have the third year rebound by 12 percent year-on-year, as the implementation of tighter emissions



Courtesy of Pt Moment® Collection (China)

regulations is driving higher catalyst loadings, coupled with a further boost from platinum for palladium substitution in catalysts.

Capacity expansion plans in China is forecast to boost glass industry platinum demand by 76 percent underpinning record annual industrial demand of 2.6Moz. Global ETF holdings are expected to have net inflows in 2023, whilst bar and coin demand is expected to nearly double in 2023.

Jewellery demand experienced a slight decrease of 3 percent year-on-year in 2022 to 1.9Moz, as the Chinese market saw market disruptions with a decline of 31 percent year-on-year due to widespread COVID infections and zero-COVID policies and lockdowns for prolonged periods during the past year.

The strong recovery in India, North America and Japan were not enough to compensate for lower Chinese demand. China still ranks first among all jewellery markets in the world, but 2022 was an extremely challenging year for the Chinese economy and consumers, with approximately two fiscal quarters of stifled business activity.

Uncertainty remains in 2023, despite some recent recovery, but in the long term, the introduction of premium platinum products will create appeal to both consumers and the jewellery trade.

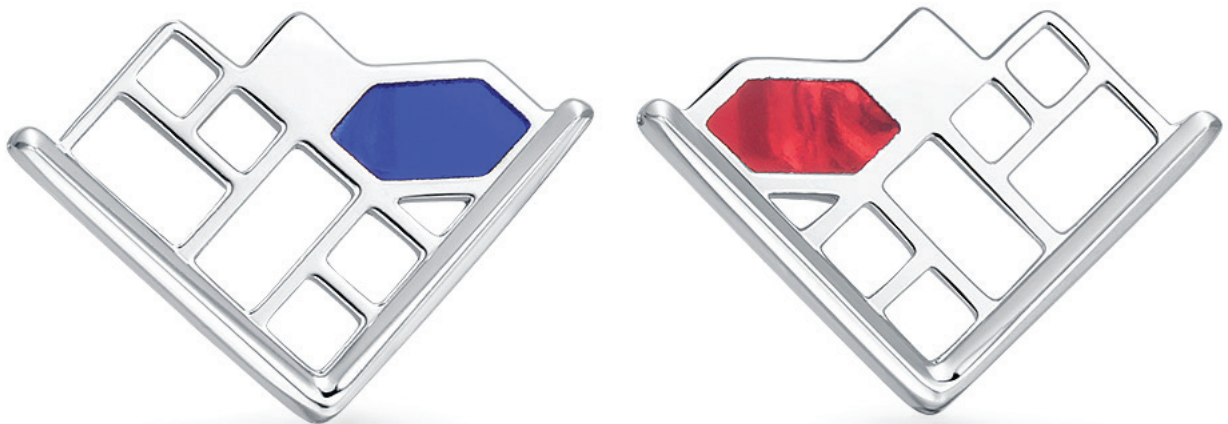
Powered by design innovations and new technologies, branded collections such as PGI's

Pt Moment, all leading Chinese retailers have contributed to the post-COVID recovery in China and will continue in the future.

Japan has the highest per capita consumption of platinum jewellery representing a quarter of all jewellery unit sales in 2022. According to PGI, retail ounce sales grew by 6.2 percent year-on-year and are expected to remain positive, thanks to a recovery in consumer sentiment and the return of tourists shopping for jewellery.

While Japan is an aging society, it also has a substantial cohort of young consumers, primed to embrace platinum. Platinum Woman, introduced by PGI and four top-of-class retail partners, is the platinum brand that addresses the needs of the next generation of platinum jewellery buyers through its affordable and youthful collection.

In India, chain retailers and the organised trade are set to lead the jewellery industry's growth, and platinum creates significant value by addressing the needs of the young consumer and driving bottom line growth for the partners. Platinum was the top-performing jewellery category in India last year, as this category continued to help drive conversion and margins. At the retail level, PGI partners reported an increase of 26 percent in 2022 compared to the previous year. PGI expects the strong growth in platinum jewellery to continue in 2023, helped by platinum's unique margin opportunities and



Courtesy of Pt Moment® Collection (China)

strengthening consumer demand.

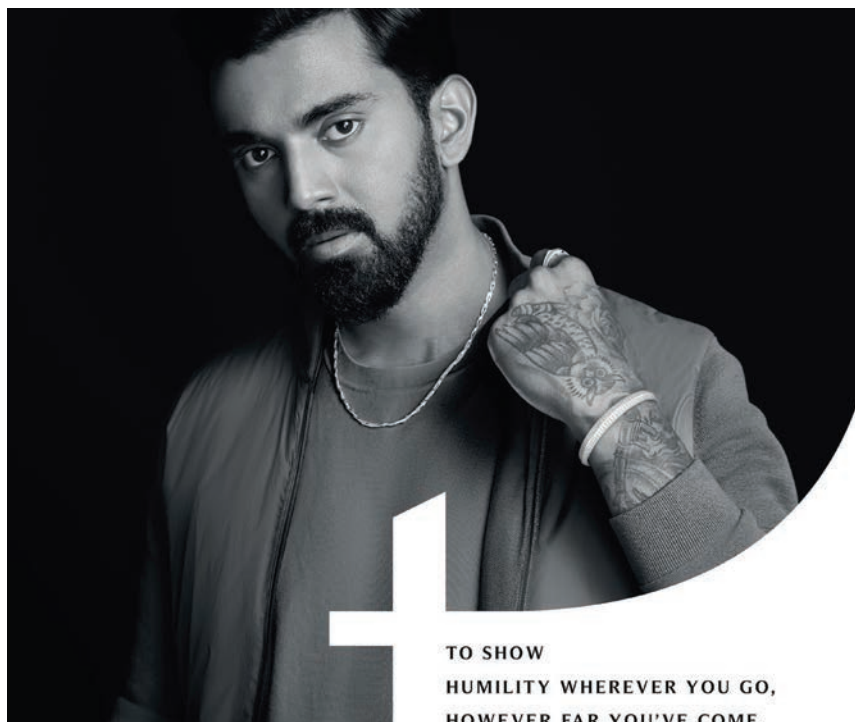
Beyond the love-gifting brand Platinum Days of Love and the women's jewellery brand Platinum Evara, PGI created Men of Platinum to meet the aspirations of over 12 million young, affluent, urban Indian men, recognising their evolving values and aspirations in ways no other jewellery brands currently capture.

After reaching record sales levels in 2021, the U.S. platinum jewellery industry saw another year of noteworthy performance. Retail sales in platinum jewellery increased a further 9 percent year-on-year, despite facing multiple challenges in 2022, including inflation, global supply chain issues, the war in Ukraine, and resulting sanctions.

The outlook for the United States remains positive for 2023, as consumer spending remains robust and high gold prices make platinum a favourite for the price-sensitive trade.

Historically, only a limited range of platinum jewellery was available outside the bridal market in the United States. Platinum Born, the metal-only platinum brand, brings a fashion-forward jewellery collection that helps empower younger women seeking unique designs to express their individuality and expanded platinum into distribution channels that have had limited platinum offerings, including high-end department stores.

As consumers shopping for yellow gold have benefited from its relentless pace of innovation, unlocking the potential of platinum depends on improving the design and technology of platinum jewellery pieces to benefit both consumer and producers, such as creating finer, more diversified, and lighter pieces or products that are strong yet scratch-resistant, and made with processes that improves the efficiency and reduces wastage. Making improvements in those



TO SHOW
HUMILITY WHEREVER YOU GO,
HOWEVER FAR YOU'VE COME.

A MAN OF CHARACTER KNOWS EXACTLY
WHERE HE'S COME FROM. HE NEVER FORGETS
HIS JOURNEY, NO MATTER HOW SUCCESSFUL
HE'S BECOME. HIS HUMILITY REMAINS
A CONSTANT IN AN EVER-CHANGING WORLD.

WHEN CHARACTER SHOWS HUMILITY THAT
INSPIRES, IT'S RARE. IT'S PLATINUM.




— MEN OF —
PLATINUM

A print ad from PGI's Men of Platinum campaign in India.

areas has allowed platinum to grow its appeal to a new generation of consumers.

To drive awareness and innovation around the future of platinum in the jewellery industry, as well as improve the production process and influence the business ecosystem, PGI launched PlatinumABC in 2022. The YouTube and WeChat-based platform offers an integrated arena for different sectors within the jewellery industry to share novel and important ideas and practices, allowing various voices and messages from industry experts to share knowledge through

videos. Through sharing design trends, reviewing the manufacturing process, participating in offline workshops and a series of other activities, the platform provides inspirations for creativity, and explores new R&D capacities that lead the ways for platinum jewellery development.

PGI and its partners have also tapped into the metal's supply chain beyond jewellery to make semi-finished products more accessible to jewellers.

By identifying better quality pre-mixed alloys and extracting casting grains, rods, wires, tubes and sheets, these semi-finished products enable downstream jewellers such as gem-setters and producers to work with platinum more easily by utilising automated manufacturing such as chain-making and CNC.

These new hard alloys unlock product and design opportunities alongside other services, such as vacuum-melting and hot isostatic pressing, which can enhance product quality and efficiency.

Looking ahead, exciting new technology and innovation efforts in the pipeline are expected to address issues such as porosity, alloys and hardness and creating new appeal to consumers. One of them is direct metal printing, as 3D-printing offers a new exploration of designs that were previously unimaginable, such as hollow structures and interlocking components that create movement.

3D-printing will also cater to the customisation trend of jewellery and a greener form of production that reduces waste and carbon footprint.

Another highly anticipated development is the introduction of amorphous platinum. Platinum bulk metal glass has been developed in Germany but not yet implemented in jewellery, but amorphous Pt850 offers novel metal attributes, such as super high hardness, higher strength and durability, lower melting points for production, and higher yield strength which endows the metal with greater elasticity, which in turn enables new structural designs.



Courtesy of Pt Moment® Collection (China)

PALLADIUM

The palladium price

Given the dominance of Russia's supply, palladium prices in 2022 were mostly driven by fears of supply constraints caused by the Russia-Ukraine war, monetary tightening and weaker demand.

The LPPM palladium price extended its rally to a record high to \$3,339/oz on March 7, 2022, and total palladium ETP holdings reached a two-year high that month, caused by the immediate concerns over Russian supplies.

Prices hovered above \$2,000/oz until May 11, 2022, then retreated to under \$1,900 on June 13, 2022, after the focus shifted to inflation and interest rate hikes.

With easing worries over supply-side issues and monetary tightening, palladium prices slid in June before recovering some ground to above \$2,000/oz in July. However, a more prominent sell-off took place later in the year, and palladium prices trended lower from the level of \$2,200/oz in early October to \$1,490 by the end of Q1 2023.

Improved supplies, weakened demand, well-stocked OEMs and unfavourable macro conditions led investors to maintain their bearish position

on palladium throughout the rest of 2022 and in 2023, as ETP holdings recorded a 90 koz decline from a relatively low level, and much of the year saw a net short in CME.

Palladium demand

Metals Focus estimated that the palladium mine production declined 6 percent year-on-year, as production losses from South Africa and the U.S. were partially offset by improvement in Russia.

Supply in 2023 is forecast to decline at a lower rate, due to smelter maintenance in Russia. Recycling also fell by 17 percent year-on-year in 2022, mainly due to a fall in the recovery of palladium from spent auto-catalyst and is likely to remain suppressed in 2023.

Total demand was flat in 2022 and maintained the same level in the automotive sector versus 2021, although thrifting and substitution of some palladium with platinum affected demand. Industrial demand for palladium was lower in electronics and dental as a result of substitutions with cheaper alternative materials due to the high palladium price and its volatility. With total palladium demand expected to have a small decline in 2023, this means the physical palladium market will remain in structural deficit in 2023.

In contrast to other demand sectors, palladium demand in jewellery is estimated to have risen modestly in 2022 to over 200 koz, driven by the use of white gold alloys by high-end jewellery and watch brands in the West. However, it remained at a relatively low level and less than half of its 2014 market size.

SILVER

The silver price

Like gold, silver benefited from a low yield and the uncertainties caused by the Russia-Ukraine war in the beginning of 2022, with the LBMA silver price rising to \$26/oz on 8 March.

Prices were under pressure from mid-April to mid-October, as aggressive rate hikes pushed the U.S. dollar and treasury yields higher.

The gold:silver ratio moved strongly to 95 as of September, the highest level since July 2020. Managed money positioning saw its net longs falling from a two-year high of 243Moz on March 8, 2022, and the net shorts widened in September following hawkish Fed comments.

A recovery pushed silver prices back to around \$24/oz towards the end of 2022 amid expectations that the Fed would slow its pace of rate hikes, followed by a weaker performance in the beginning of 2023.

Prices rebounded in early March after the collapse of small banks and reached to \$26/oz in April, before retreating in the rest of H1.

Silver demand

The World Silver Institute reported silver demand continued its recovery and increased by 18 percent year-on-year with a solid industrial base, which posted another record in 2022, partially driven by applications from the green economy, especially in photovoltaics and the electrification in the automotive industry and other power generation and distribution,



Photo: Alexey Demidov on Pexels

such as a rise in 5G network investments.

Its use as a catalyst in the production of ethylene oxide, a key ingredient in many plastics used in everything from masks and gloves to protective screens also increased. It is expected to see another year of growth in silver industrial demand in 2023, boosted by applications such as solar panels.

The immediate aftermaths of the Russia-Ukraine war boosted interest in silver, however, it quickly faded. Silver ETP recorded their largest annual outflows since 2011, with the bulk concentrated from May to September. The combined holdings were down 11 percent to 1,006Moz by the year end, as the strong U.S. dollar increased worries over a slower economy undermined the investor sentiment.

Exchange trading volumes also experienced notable losses. However, physical investment remained bullish last year, rising for a fifth consecutive year, led by the significant growth in India, where investors increased their stock ahead of an anticipated duty hike.

Silver jewellery remains a category that is affordable for most consumers, offering a broad range of styles and price points. Silver jewellery demand jumped 29 percent year-on-year to a record high of 234Moz in 2022, mostly driven by pent-up demand post COVID and restocking by retailers in India.

China saw demand disrupted by the pandemic controls and slowed economy. In 2023, silver jewellery demand is likely to retreat to pre-COVID levels.

U.S. REGULATORY UPDATE

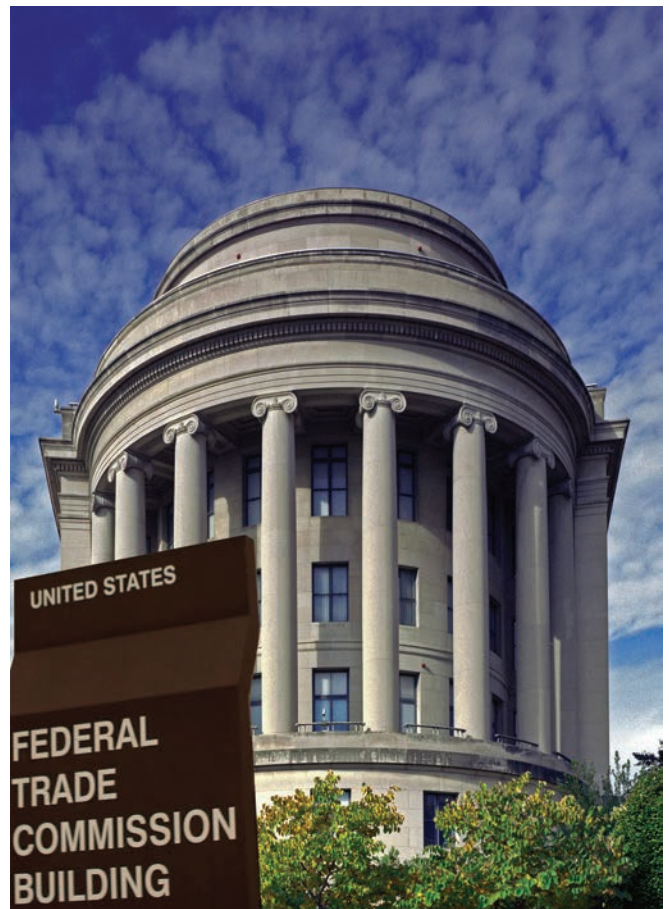
FTC Green Guides Revision

The U.S. government's Federal Trade Commission's Green Guides review began in December 2022 and is proceeding as expected. The first round of comments were submitted April 21, 2023. The Jewelers Vigilance Committee submitted along with 16 additional signatories, including CIBJO, proposals intended to strengthen

the jewelry industry's position on the importance of truth and fairness in environmental marketing claims.

Of note in the JVC submission included feedback on the definition of "recycled", which currently only applies to products intentionally diverted from the waste stream. From the JVC submission:

"The inherent value of the products used in the jewelry industry means that almost all of the component parts used to make fine jewellery are reused in the jewelry lifecycle. Fine jewellery components, including gemstones and precious metal, are holders of wealth (and sometimes treated as commodities); there are thousands of years of tradition of reusing, recycling, and passing down jewelry through generations. Rarely does this material get discarded. Precious metals and gemstones will be refined, recut, and reused



The U.S. Federal Trade Commission building in Washington, D.C.

over and over again; the continued popularity of estate jewelry alone as its own market indicates the value in reusing and reselling these products. Jewellery is the slowest fashion of all: nothing is wasted, and everything is reused because of the sheer amount of value contained therein. Fast fashion products end up in the ground; jewelry products start in the ground and stay out."

As no entity in the industry is in the business of throwing away precious metals, JVC asked specifically for the FTC to either refine their definition of recycled, or provide the industry with alternative terminology, such as "repurposed", "reprocessed" or "reclaimed".

In May, the FTC held an in-person workshop in Washington, D.C., on the term "recycled," which included mostly plastics and paper industry representatives. One potential area for reform that aligned with jewelry industry efforts regarded the use of the term "reused" in plastics as a possible complement to "recycled." This indicated that the FTC staff working on the project is attuned to this nuanced difference and may show a possible roadmap forward for precious metals as well.

JVC is hopeful that the FTC will respond to the first round of comments by the end of the year.

African gold trade and sanctions compliance

On June 27, 2023, the U.S. departments of State, the Treasury, Commerce, Homeland Security, Labor, and the United States Agency for International Development (USAID) issued an advisory in light of increasingly concerning reporting related to the role of illicit actors in the gold trade, including the Wagner Group, which has been involved in the fighting in Ukraine. It was meant to highlight the opportunities and specific risks raised by the gold trade across sub-Saharan Africa and encourage industry

participants to adopt and apply strengthened due diligence practices to ensure that such malign actors are unable to exploit and benefit from the sector, which remains essential to the livelihoods of millions of people across sub-Saharan Africa.

The report stated that the gold sector is critical to the economies and communities of many sub-Saharan African countries, but that there are numerous risks that are directly and indirectly connected to the mining, refining, trading, and selling of gold.

Without adequate due diligence and appropriate mitigating measures, an industry participant may inadvertently contribute to one or more of these risks, including conflict and terror financing, money laundering activities, sanctions evasion, human rights and labor rights abuses and environmental degradation.

The advisory stated that the U.S. government remains committed to addressing the relationship between gold and the illicit revenue streams that contribute to and fund conflicts, corruption, and other concerns in sub-Saharan Africa.

U.S. businesses were advised to carefully review the risks noted in the advisory and ensure they conduct enhanced due diligence to address the risks as appropriate. However, the advisory also noted that nothing in it should be construed as discouraging continued investment in the communities affected by the gold sector.

The United States continues to focus on gold in sanctions policy. Additional entities in the gold sector were added to the Office of Foreign Assets Control's Specially-Designated Nationals list at the same time of the advisory.

Sources: CIBJO, JVC, World Gold Council, Platinum Guild International, World Platinum Investment Council, Silver Institute, Metals Focus, SFA (Oxford), Johnson Matthey



COVER PHOTO CREDIT
Sabriana on Unsplash.

ALL RIGHTS RESERVED

© The World Jewellery Confederation (CIBJO) 2023

www.cibjo.org