

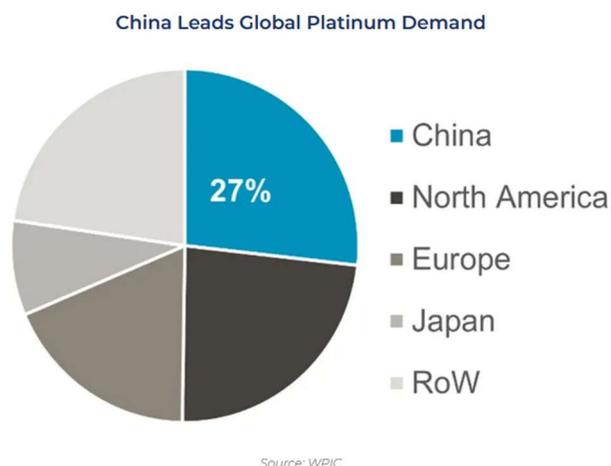
## Platinum Group Metals: A New Era for China

By WEIBIN DENG, Regional Head of Asia Pacific, World Platinum Investment Council

**China leads global platinum demand, and its significance was further consolidated in late 2025 with two key developments that have elevated the impact of China's demand on platinum's market value globally.**

The launch of platinum and palladium futures and options contracts on the Guangzhou Futures Exchange (GFEX) has given domestic industrial users and fabricators a direct, regulated tool to hedge against the metals' price volatility. Previously, many were exposed to this price risk without an efficient hedging mechanism. This development is expected to boost consumer confidence and support demand growth, while also encouraging a more robust domestic recycling ecosystem.

### China Leads Global Platinum Demand



Source: WPIC

The listing of platinum and palladium derivatives was preceded by another significant development that also heralded a step-change in China's platinum market, paving the way for the GFEX launch. The Chinese Ministry of Finance, the General Administration of Customs, and the State Taxation Administration announced amendments to Value-Added Tax (VAT) policies, including the cancellation of the 13% VAT exemption on platinum and platinum products at the import stage, effective 1 November 2025.

While the change in VAT treatment for platinum imports could be perceived as disadvantageous to the platinum market in China, it in fact forms part of a broader set of measures aimed at levelling the playing field between imported platinum and domestic supply (from recycling or mining). Separately, gold's VAT exemption has been removed, with the exception of gold purchased through the Shanghai Gold Exchange (SGE) for investment purposes, which may increase platinum's relative attractiveness within jewellery markets.

### GFEX's launch of platinum and palladium contracts

Both platinum and palladium futures and options began trading on GFEX in November 2025, offering domestic participants increased ability to hedge price risk and offering financial participants an alternative

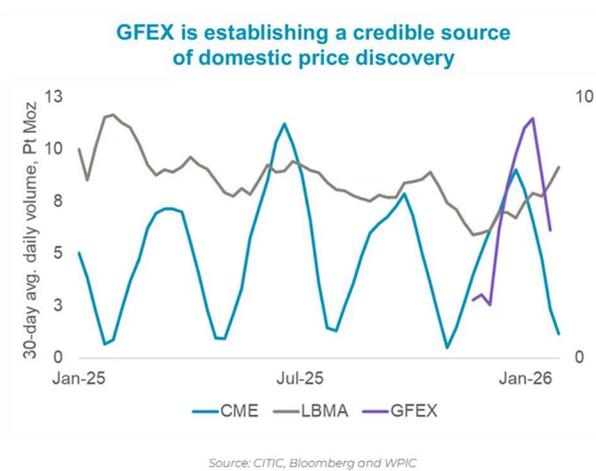
mechanism to gain exposure to platinum and palladium. This should support broader liquidity and potentially improve global price discovery. It could also be advantageous across, for example, the jewellery and bullion bar supply chains, helping stabilise margins and buyback discounts, encouraging higher demand.

The most distinctive aspect of the futures contracts is the ability to take delivery of sponge as well as conventional ingot and bars – an option that is highly attractive to industrial and automotive end users.

### **Platinum and palladium contracts do not currently have Qualified Foreign Institutional Investor (QFII) status.**

Platinum and palladium contracts do not currently have Qualified Foreign Institutional Investor (QFII) status. However, previous GFEX contracts for lithium carbonate, industrial silicon, and polysilicon have all received QFII status after initial domestic launch. For both metals, international participation may align with plans for offshore warehousing agreements, and further enhance the exchange's liquidity.

Previously, despite being the largest consumer of PGMs globally, the semi-closed nature of the China market, combined with the one-way flow of metal on the SGE, meant that China was typically a price taker, with only its varying levels of imports impacting international price discovery. Listing platinum futures in China, with the potential for international participation, increases the influence of China's future demand expectations on global price discovery. Since launch, volumes and open interest have shown strong institutional participation, with GFEX managing initial volatility to ensure orderly trading.



Source: CITIC, Bloomberg and WPIC

GFEX has indicated that it will begin disclosing exchange stocks (warrants) that back margin requirements in the second quarter of 2026. There may be a demand uplift from an initial accumulation of warrant-related exchange stocks; however, WPIC's supply and demand forecast for 2026 does not currently capture any investment demand increase from GFEX. Even without considering the potential upside from GFEX's platinum and palladium futures, physical bar and coin investment demand in China is expected to grow for the seventh consecutive year in 2026, by 8% to reach 453 koz.

### **VAT policy change**

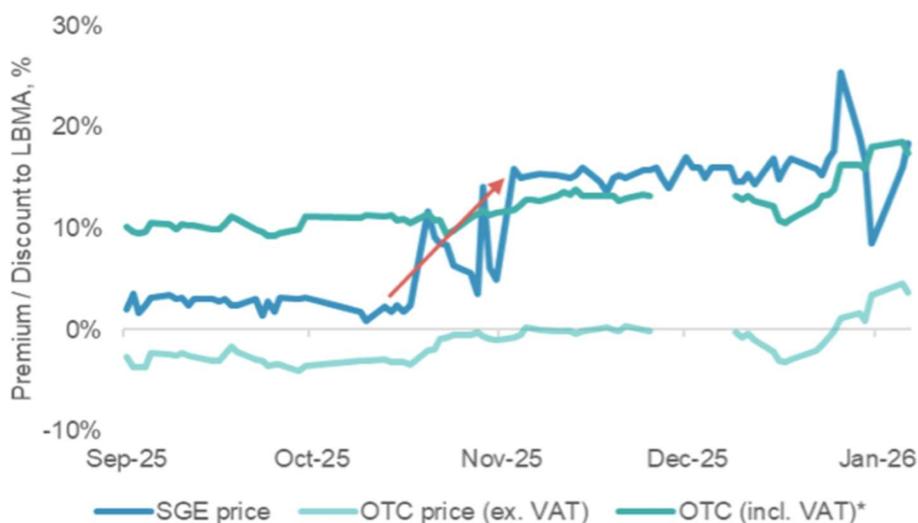
Prior to the change, platinum imported through one particular Chinese state-owned company had a VAT exemption which allowed for instant VAT refunds for platinum purchased on the SGE. This exemption has now been cancelled, and the revised tax policy is expected to increase the cost of platinum sold via the SGE and align it with the over-the-counter (OTC) market, thereby levelling the playing field between competing markets and increasing competition. It was also a prerequisite for the launch of the contracts on GFEX.

**Chinese platinum demand has historically been price sensitive and is likely to soften on higher costs, potentially dampening short-term demand whilst consumers normalise to new price levels that include VAT.**

The change has put upward pressure on SGE's platinum quotes. Chinese platinum demand has historically been price sensitive and is likely to soften on higher costs, potentially dampening short-term demand whilst consumers normalise to new price levels that include VAT.

Beyond fundamentals, the policy change may result in the approximately 3% levy currently on SGE sales receding, since primary sales are no longer VAT-advantaged relative to secondary sales. We expect that the SGE will accept delivery of platinum from other sellers under 13% VAT in the future, improving two-way spot market liquidity in China. Two-way SGE trade, OTC parity and the recent listing of futures should help liquidity and lower buyback discounts, further enhancing market efficiency.

**The Removal of the VAT Exemption on SGE Platinum Sales From 1 November 2025 Caused SGE Prices to Broadly Align With OTC Prices**



Source: SPW, Bloomberg, WPIC research. OTC indices refer to Rong Tong Gold data prior to 25 Nov 2025 and Bai De Jin data from 6 Dec 2025; VAT is 13% in China

### Impact on recycling

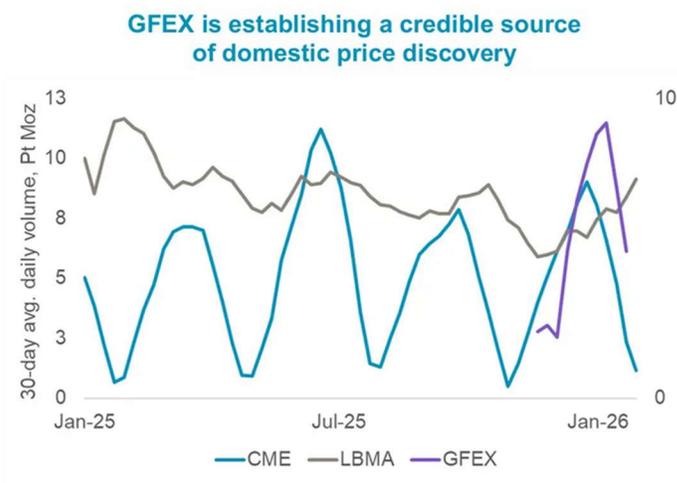
Both the new platinum futures and options and the VAT reform are expected to positively impact PGM recycling in China.

From a futures and options contract perspective, recyclers now can lock in future selling prices, enabling better scrap purchasing decisions and more margin stability. Further, recyclers are no longer disadvantaged by selling PGMs on OTC markets, with tax treatment now aligning SGE and OTC prices in China.

### Bar and coin investment demand growth

Amidst these changes, China – the single largest consumer of platinum globally and an underdeveloped market for platinum investment prior to 2019 – has grown to be the number one market for platinum bar and coin investment, accounting for an estimated 80% of total platinum bar and coin demand in 2025 (including platinum investment bars equal to or greater than 500 g). This leading position is forecast to be maintained in 2026, albeit with a reduced market share of 64%, as other markets are expected to strengthen.

### China Has Grown to Become the Largest Single Market for Platinum Bar and Coin Investment Demand



Source: CITIC, Bloomberg and WPIC

Source: WPIC, Metals Focus

WEIBIN DENG joined WPIC in 2017 and has played a pivotal role in establishing and growing the physical platinum investment market in China, expanding it from scratch to over 300 Koz in 2025. He has also been instrumental in creating and co-hosting the annual Shanghai Platinum Week. Prior to joining WPIC, Weibin gained extensive experience in commodity trading, investment, operations, and risk management while working with global banks in New York and Singapore.