09 SEPTEMBER 2026

MINERALS COUNCIL
SOUTH AFRICA

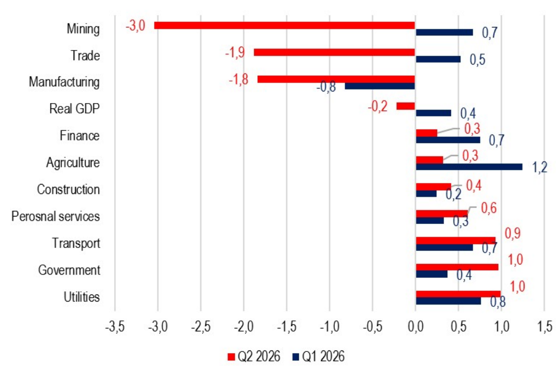
Mining sector decline emerges as largest drag on Q2 2026 GDP

Production approach: South Africa's economic performance weakened in Q2 2026, with real GDP contracting by 0.2% quarter-on-quarter (q-o-q), compared to growth of 0.4% in Q1 2026. The deterioration was driven primarily by sharp declines in the mining (-3.0%), trade (-1.9%), and manufacturing (-1.8%) sectors (**Figure 1**). In real terms, these represented 29% of total GDP.

Of particular concern was the mining sector, which shifted from growth of 0.7% in Q1 to a 3.0% contraction in Q2, making it one of the largest drags on economic activity. Given mining's extensive linkages to transport, manufacturing, exports, and regional economies, the sector's decline likely had broader negative spillover effects across the economy.

The weakness in mining occurred despite stronger growth in several service and infrastructure-related sectors, including utilities (1.0%), government services (1.0%), transport (0.9%), and personal services (0.6%). However, these gains were insufficient to offset the substantial downturn in mining and other goods-producing sectors.

Figure 1: Production approach - Sectoral performance Q2 2026 (Real q-o-q % change)



Source: Stats SA

Mining focus: The contributors to the contraction in mining (q-o-q) performance were mainly the platinum group metals (PGMs), manganese ore, gold and iron ore commodities. Together, these account for 59.7% of total mining production. In terms of volumes, most of these minerals and metals are exported, with local sales between 2021 and 2025 (five years), as a share of total sales, averaging 4% for the PGMs, 15% for manganese ore, 5% for gold, and 11% for iron ore. Comparing export volumes performance q-o-q indicates that gold and the PGMs rose substantially, respectively, by 61.4% and 51.3% (**Table 1**).

Table 1: Mixed picture in the export performance of the main contributors

Export volumes (Kg)				
	Iron ore	Manganese	Gold	Platinum
Jan-Mar 2026	16 900 181 060	7 409 299 123	16 133	59 537
Apr-Jun 2026	15 259 202 075	6 361 159 396	26 035	90 055
% Change	**-9,7**	**-14,1**	**61,4**	**51,3**
% Share of total mining production	**16,4**	**5,7**	**10,5**	**27,1**

Source: SARS, StatsSA, Minerals Council

Table 2 compares the first half (January-June) export volumes performance in 2025 and 2026. Manganese ore and the PGMs export volumes increased by 11.5% and 23.9%, respectively.

Table 2: Increased exports for manganese and the PGMs in first half of 2026

Export volumes (Kg)				
	Iron ore	Manganese	Gold	Platinum
Jan-Jun 2025	32 180 478 047	12 349 290 633	49 120	120 744
Jan-Jun 2026	32 159 383 135	13 770 458 519	42 168	149 592
% Change	**- 0,1**	**11,5**	**- 14,2**	**23,9**
% Share of total mining production	**16,4**	**5,7**	**10,5**	**27,1**

Source: SARS, StatsSA, Minerals Council

Expenditure approach: Economic activity on the expenditure side remained weak in Q2 2026, with GDP expenditure contracting by 0.2% quarter-on-quarter. Household consumption and government spending both recorded modest growth of 0.4%, indicating subdued but positive domestic demand.

However, gross fixed capital formation declined by 0.2%, suggesting continued weakness in investment activity and business confidence. While exports increased by 0.9%, supporting growth, this was more than offset by a sharp 4.9% rise in imports, which increased leakages from the domestic economy. The primary factor behind the increase in imports was the rise in crude oil, refined petroleum product, plastics, and chemical prices, driven by supply disruptions and higher costs associated with the conflict in the Middle East.

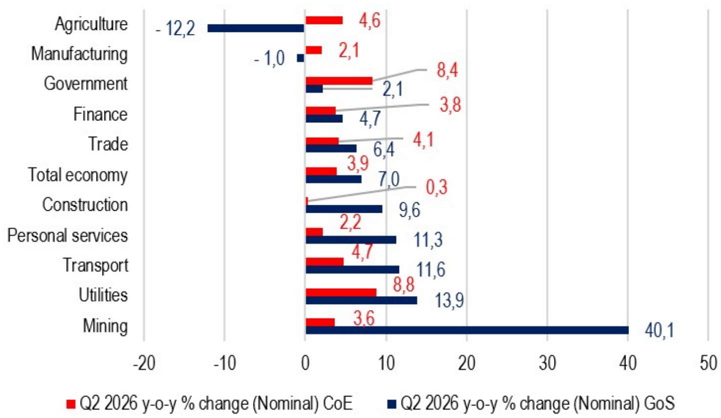
Overall, the data point to an economy where consumption remains resilient but investment is subdued, and strong import growth is outweighing the benefits of export expansion, resulting in a slight contraction in GDP expenditure during the quarter.

Income approach: Income growth in Q2 2026 was driven more strongly by gross operating surplus (GoS), a proxy for profits, than by compensation of employees (CoE). For the total economy, CoE increased by 3.9%, while GoS grew by a significantly higher 7.0%, indicating that business earnings expanded at a faster pace than labour income.

Focus on mining: The mining sector recorded an exceptionally strong improvement in profitability during Q2 2026, with GoS increasing by 40.1% year-on-year, the highest growth rate of all sectors. In contrast, CoE grew by a more modest 3.6%.

The sharp increase in GoS likely reflects a combination of higher commodity prices, improved production volumes[1] and operational efficiencies. Meanwhile, wage growth remained relatively contained, broadly in line with economy-wide trends.

Figure 2: Mining profits lead the pack (y-o-y % change)



Source: Stats SA

From a mining perspective, the data point to the sector's potential to catalyse broader economic growth for South Africa.

The bottom line:

- The contraction recorded in the mining sector performance in Q2 2026 comes at a time when the Minerals Council is in the process of developing the sector's **Investment and Growth Strategy**. Given South Africa's mineral endowment, the sector has been underperforming for a number of years.
- Operationally, in the **short term** high and volatile fuel prices are the biggest threat to the sector's performance. As of September 2026, petrol and diesel prices are at least 20% higher than March 2026 (i.e. before the US and Israel attacked Iran).
- In the long term, the success of the reforms including an enabling policy and regulatory environment, will determine the recovery of the South African economy as well as the mining sector.

[1] As per our June 2026 Mining Production brief, January to June 2026 production performance indicated a 2.2% increase in the sector's total production.

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