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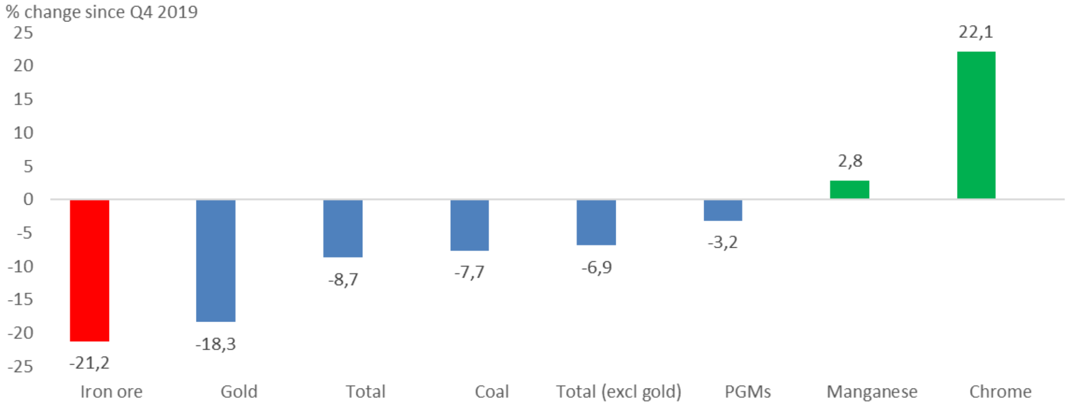
MINERALS COUNCIL
SOUTH AFRICA

Mining production declined again in Q2 2024

Total South African mining production[1] suffered a decline of 0.9% quarter-on-quarter (q-o-q) in Q2 2024, according to Stats SA. This follows a contraction of 1.3% in the first quarter of 2024 and implies that the mining sector will once again contribute negatively in Q2 to the quarterly momentum in real GDP. The further decline for mining in Q2 is particularly disappointing against a backdrop where mining load-curtailment was absent for the entire second quarter. Electricity generation increased by just over 2% in real terms during Q2. Even so, it is clear from the numbers that non-energy headwinds continued to constrain the mining sector.

When measuring production in the first six months of 2024 relative to the corresponding period in 2023, the news is somewhat better, with total mining production eking out a modest increase of 0.3% year-on-year (y-o-y). Although this is only a small rise in production, it is an improvement after real mining output declined by 0.2% in 2023. This followed a significant contraction of 7.2% in 2022. In overall terms, real mining production in Q2 was 8.7% lower than the pre-COVID level in Q4 2019. Figure 1 outlines the production trends for the major minerals since the end of 2019. Manganese and chrome stand out as the only subcategories that increased over this period. At the other end of the scale, production of iron ore and gold performed the worst. This indicates that a record-high nominal gold price has not been able to arrest the deep structural decline in the domestic gold sector.

Figure 1: Iron ore struggling as chrome remains the star performer



Source: Stats SA, Minerals Council

To a large extent, the weakness in iron ore and coal production is due to Transnet logistical problems, most notably a significant railway maintenance backlog. To put some numbers to this

[1] Measured in real and seasonally adjusted terms.

problem, data from the SA Revenue Service (SARS) indicates that the volume of South African coal exports declined by 4.6% y-o-y in the first six months of 2024. In the case of platinum group metals (PGMs), production has been curtailed in response to a sustained low PGMs basket price. The impact of this is also clearly illustrated in the latest mineral sales data. This indicated that the value of total mineral sales was down by 0.7% y-o-y in the first half of 2024, driven by a double-digit decline in the sales value of PGMs.

Bottom line: The latest set of mining production and minerals sales data continue to highlight that the mining sector is not yet substantially benefiting from the absence of load-curtailment. The positive impact of much improved power provision is being diluted by other constraints, including rail and port constraints (mainly impacting coal and iron ore), as well as an adverse commodity price environment (mainly impacting PGMs). With this in mind, overall mining production is likely to remain subdued in the foreseeable future.

From an overall GDP perspective, a sustained weak mining sector performance is one reason to be somewhat circumspect on the extent of near-term growth lift amid the positive sentiment stemming from the formation of a government of national unity. That said, based on the incoming data for the non-mining sectors of the economy, we do expect a much improved, and positive, real GDP print for Q2 2024. The Q2 GDP figures will be released in early-September.

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