

13 February 2025

## **Mining to subtract from Q4 GDP**

Real mining production disappointed in December 2024, with total output declining by a notable 3.9% month-on-month (after seasonal adjustments). The large monthly (m-o-m) decline pushed the annual performance into negative territory, with the real level of production 2.4% lower in December 2024 than during the corresponding month in 2023. The weak end to last year unfortunately means that the mining sector will contribute negatively to Q4 2024 real GDP. Measured on a seasonally adjusted, quarter-on-quarter basis, mining production *declined* by 1.6%. This followed a decent Q3 when quarterly production *increased* by 3.5%.

With the December data in, we also have the numbers for the entire 2024. This showed that overall mining production increased by a modest 0.4% last year. Although this was a somewhat better performance compared to the increase of only 0.1% in 2023, it means the sector still has a long way to go to recover from the large production slump of 7.8% during 2022. Indeed, the level of real mining production in December 2024 was still around 9% below the pre-COVID level of 2019. This dramatically illustrates the challenging domestic operating environment for the sector and global headwinds, which include prolonged depressed platinum group metals (PGMs) pricing.

Delving into the details of the monthly production drop in December, eight of the 12 major mining subcomponents actually recorded a rise in production. However, the four categories (PGMs, chrome, nickel, and iron ore) that declined saw steep losses in production. Top of the pile was iron ore, where output tanked by 16% m-o-m.

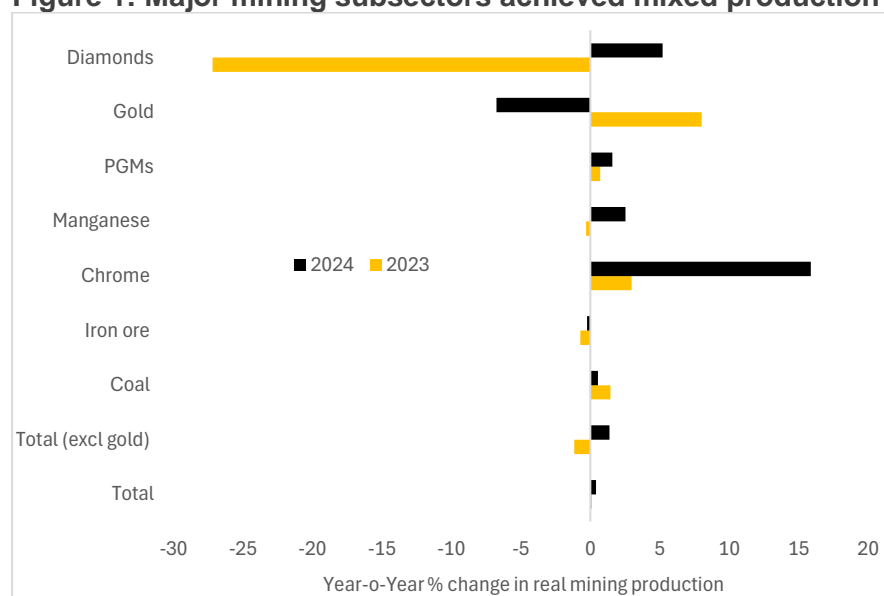
Following the re-opening of the Ore Export Channel (OEC) between Sishen in the Northern Cape and the Saldanha port after Transnet's annual maintenance shutdown in October 2024, there were more than one train derailment. As a result, to maintain an efficient value chain, iron ore producers met demand by selling out of finished stock at the mines. This resulted in lower iron ore production.

Production of platinum group metals (-7.9%), chrome ore (-4.8%) and nickel (-16.1%) was also lower in December 2024 relative to the prior month. Although not immediately clear what drove the decline for chrome, which performed very well in 2024 (see figure 1), the weak end to the year may be related to logistical disruptions linked to post-election violence in Mozambique. About half of South Africa's chrome export volumes are shipped through the port of Maputo.

Figure 1 presents the production performance for the major mining subsectors during 2024. There were stark differences between the sectors, with gold output down by almost 7%. This poor performance was despite record high nominal gold prices. This continues the long-term structural decline of the domestic gold industry amid ageing and high-cost deposits. At the

other end of the spectrum, output of chrome ore production increased significantly on the back of record exports of 20.5 million tonnes.

**Figure 1: Major mining subsectors achieved mixed production profiles in 2024**



Source: Stats SA

Excluding gold, total real mining production increased by 1.4% in 2024, a welcome turnaround from a 1.1% contraction during 2023.

**Looking forward:** In 2025, mining sector hopes for a more robust recovery will again be tied by progress on electricity, rail and port logistics, as well as improved water provision and local government performance. This is a tall order to correct over the short term. That said, we remain confident that mining load curtailment will remain absent as Eskom brings on new generation units. While slow, we also expect further progress in the freight rail performance. Transnet rail volumes are expected to increase to beyond 170 million tonnes, from an estimated 160 to 165 million in 2024/25.

We are also looking forward to the launch of the new online mining cadastre system in the second half of 2025. Although this will not impact mining production in 2025, it should lay a better foundation for improved production growth beyond this year.

In the foreseeable future, water and local government performance are set to remain hindrances to mining reaching its full potential.

While some of the domestic constraints are set to lift, the Trump tariff wars complicate the global forces that may impact the domestic mining sector. Except for the gold price that should continue to benefit from the elevated uncertainty, industrial metal prices will be hurt if Tump's antics subdue global trade/world GDP growth and stalls the moderation of inflation across the globe.

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