MINERALS COUNCIL
SOUTH AFRICA

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2025 Began with Mining Production Shrinking by 1.2% in January

The publication of the January mining production data comes a day after the presentation of the Budget Speech by the finance minister. A major proposal emanating from the speech is a 0.5 percentage point increase in value-added tax (VAT) to 15.5% as a result of a shortfall in revenue, increased government expenditure, and increased debt servicing costs.

Against this backdrop, South Africa's month-on-month (m-o-m), seasonally adjusted real mining production fell by 1.2% in January 2025. This follows a 3.7% drop in December 2024. On a year-on-year (y-o-y) basis, which compares January 2024 to January 2025, production contracted by 2.7%. This means that y-o-y production has contracted for the third consecutive month since November's drop of 0.9%.

Importantly, the weak end to 2024 and the sustained softness in January 2025 means that the level of output in January was lower than the average of Q4 2024. This means that production would need to increase substantially in February and March 2025 to prevent a quarterly decline in mining output during Q1 2025. Unfortunately, as in Q4 2024, mining is set to weigh on overall real GDP growth in the first quarter.

Unpacking the month-on-month production performance, the following commodities contributed to the contraction, viz.: chrome (-10.8%), copper (-9.9%), manganese (-0.3%), PGMs (-0.8%), and coal (-8.8%). All the bulk commodities except iron ore production (+11.3%) contracted. Other commodities that recorded increased production include gold (+3.3), nickel (+4%) and diamonds (+4.3%).

On a y-o-y basis, total mining production was down by 2.7% with iron ore (-15.1%), coal (-4.4%), the PGMs (-3.8%), and chrome (-0.6%) all contributing to the drop in volumes. Production (y-o-y) increased in manganese (+21.2%), copper (+14.6%), nickel (+11.4%), and diamonds (+10.4%).

The value of mineral sales for the calendar year 2024 increased marginally by 1% compared to 2023 to R802.4 billion. (Note: The National Treasury's fiscal year begins in April and ends in March the following year. Hence the 28% projected decline in mining corporate tax collection is from April 2024 to March 2025.) In the first 10 months of the fiscal year 2024/25 to January 2025, Stats SA data indicates that minerals sales earnings (in current prices) were 2.8% higher than the same period in the 2023/24 fiscal year, registering R680.8 billion. Contributing to the positive number were increases in sales earnings of gold (+37.6%), coal (+8%), chrome (+7%), manganese (+16.9%). The PGMs (-4.2%), iron ore (-11.4%), and nickel (-10.3%) recorded reduced sales earnings in the review period. It is important to note that there is a tenuous correlation between mineral sales (turnover) and corporate income tax. The latter is levied on

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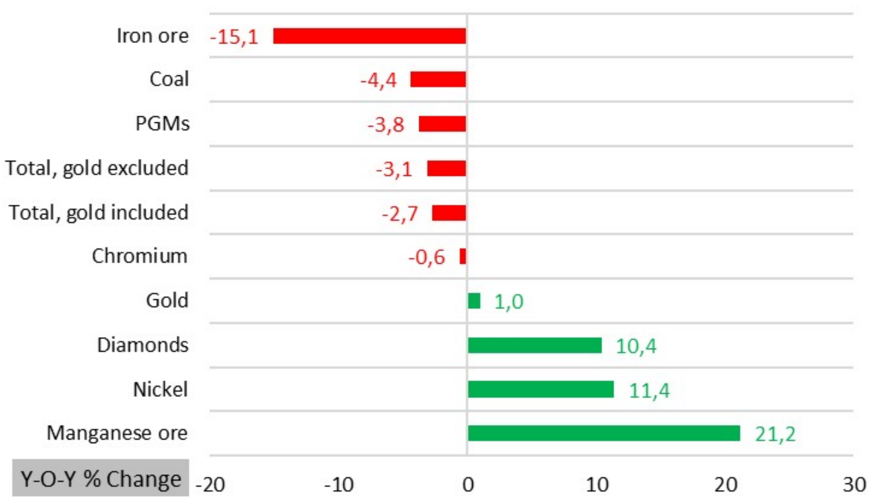
profits, and mining profits have been under pressure even as prices have been higher than pre-COVID levels.

Figure 1 presents the production performance for selected commodities, comparing January 2024 with January 2025. Four of the major commodities recorded positive increases (green bars) in production while iron ore and the PGMs indicated a decline in production. Having said that, the price performance of the various commodities was mixed – comparing 2024 to 2023. For example, the gold price was 22.9% higher, averaging $2 387/oz in 2024. In February 2025 the gold price averaged $2 895/oz. On the other hand, platinum prices were 1.2% lower in 2024 compared to the previous year, averaging $955/oz. In February 2025 platinum prices average $978/oz. Going forward, commodity prices (except for gold) are likely to be more volatile with a downward bias.

Figure 1: Production performance of selected commodities (Y-O-Y, January 2025)



Source: Stats SA

Looking forward: In terms of the gravity of risks and opportunities, 2025 seems to have started on a negative footing which may not bode well for commodity demand and prices, except for gold. The world's biggest economy in terms of size as well as purchasing power, the US, is on a protectionist crusade with the levying of tariffs on imports from the major economies, including China, the EU, Mexico, and Canada. The EU and China are South Africa's most notable export markets, and a dampening of business confidence in these markets will inevitably affect our exports. In short, whilst it is difficult to accurately predict the outcome of the trade war, the prognosis is somewhat gloomy.

Domestically, there is the ongoing review of the Mineral and Petroleum Resources Development Act (MPRDA) by the Department of Mineral and Petroleum Resources (DMPR). It is difficult to predict whether the outcome of the review will attract new investment into the sector.

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