15 April 2025

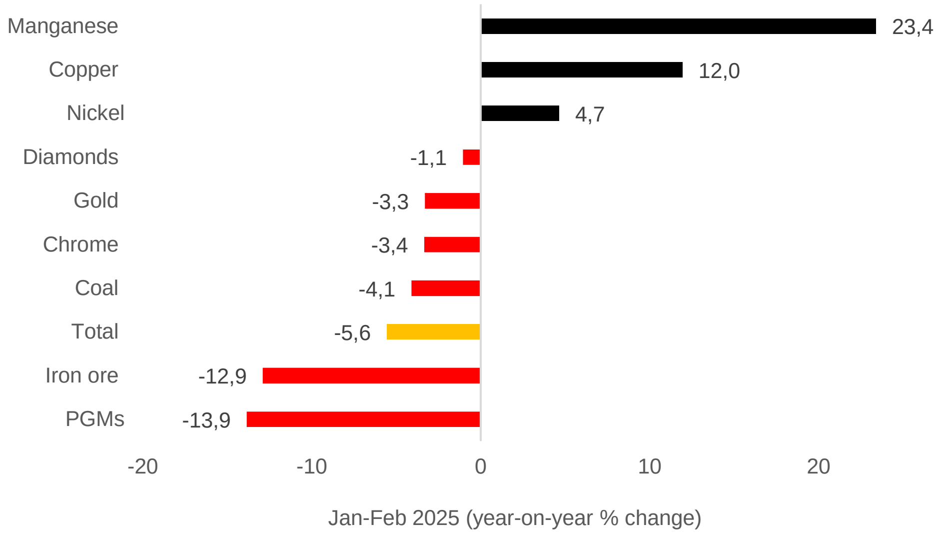
Expected mining sector contraction in Q1 2025 will be a hit to real GDP

The latest figures for real mining production indicate a tough start to 2025, with nine out of the 12 mining subcategories showing month-on-month (m-o-m) output declines in February. As a result, according to Stats SA, total seasonally adjusted mining production declined by a steep 4.4% m-o-m in February. At -24.6% and -18.8% m-o-m respectively, output of nickel and platinum group metals (PGMs) showed the largest declines.

In terms of the annual (year-on-year) change in production, the combination of the mentioned large monthly decline in February and an elevated level of production in February 2023 (i.e., a high base from last year) meant that production was 9.6% lower compared to February 2023. In the first two months of 2025, production was 5.6% lower than the corresponding period in 2024.

As is often the case, the annual production trends for the main mining subcomponents diverged notably (see Figure 1). In the plus column, manganese, copper and nickel performed well. As mentioned in previous reports, copper bears watching amid a revival of base metal mining in the Northern Cape. In contrast, declines in the heavily weighted iron ore and PGMs industries weighed on the overall mining production stats.

Figure 1: Major mining subsectors achieved mixed production profiles so far in 2025



Source: Stats SA

In the PGMs space, production is being aligned to an uncertain demand environment that has kept prices relatively depressed. That said, to a mixed degree, rand prices of platinum, palladium and rhodium have increased so far in 2025. This is despite the concern about vehicle

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demand in the US amid likely tariff-induced vehicle price increase. The current market narrative seems to be that outside of China, electric vehicle penetration will be less aggressive than previously thought. This is providing some breathing space to PGMs that are used in traditional petrol and diesel-propelled vehicles. However, tariff uncertainty suggests that the major PGMs producers will be in no hurry to increase production in the near term.

For a different reason, it is likely to be a similar story in the iron ore sector. In this case, ongoing logistical challenges continue to constrain production.

Impact on first quarter real GDP

Although the production data for March will only be released in May, the figures for January and February suggest a notable quarterly decline for mining production in the first quarter of 2025. Therefore, the mining sector will detract meaningfully from Q1 real GDP.

The poor start to the year for mining production, as well as the ongoing downgrades to the global real GDP growth outlook in an environment of significant uncertainty about tariffs and global trade, emphasises the need for a business-friendly, lower-cost operating environment for mining in South Africa.

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