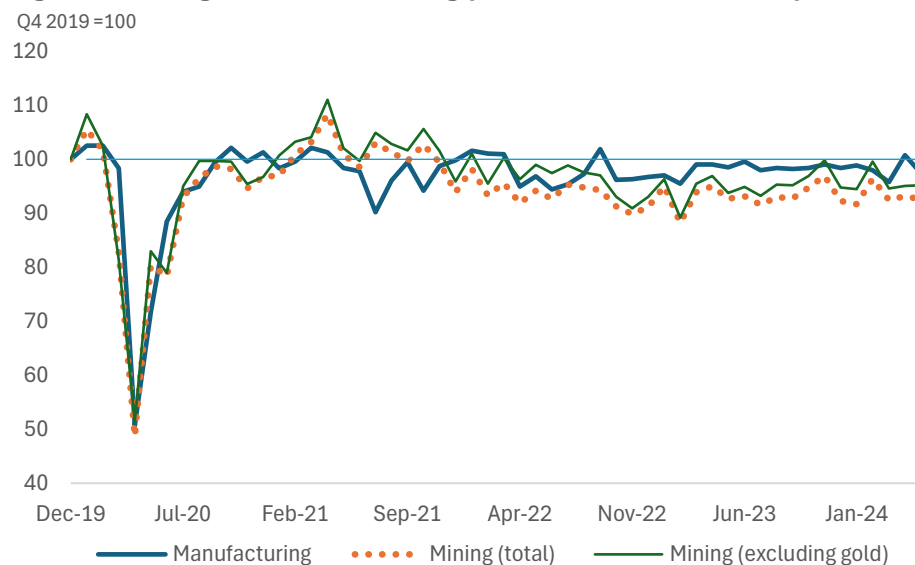


## Mining output on track to decline in Q2 2024

Stats SA reported that seasonally adjusted total **mining production** declined by 0.6% month-on-month (m-o-m) in real terms during May. This follows a 0.8% m-o-m rise in April. In level terms, real mining output remains well below the peak so far in 2024, attained in February. Because of this, and even assuming some recovery in the June output figures, mining production looks set for a quarterly decline in the second quarter of 2024. This follows a contraction of 4.7% quarter-on-quarter (q-o-q) in Q1 2024. In addition, as illustrated in Figure 1, total mining production remains a notable 7.4% below its pre-COVID level of December 2019. To put this poor performance into perspective, the level of real **manufacturing production** was 2.5% lower in May 2024 than during December 2019.

On a more positive note, in the first five months of 2024, mining production increased by 0.9% compared to the corresponding period in 2023. As a reminder, total real mining output declined by 7.2% in 2022 and a further 0.3% in 2023. The improved y-o-y performance was supported by higher production of diamonds, while chrome output continues to shoot the lights out.

**Figure 1: Mining and manufacturing production remain below pre-COVID levels**



Source: Stats SA, Minerals Council

Considering the sustained absence of mining load-curtailment in May, the monthly output decline may seem perplexing at first glance. In terms of the larger weighted subcomponents, gold production was down by 4.6% m-o-m, while output of platinum group metals (PGMs) declined by a significant 11% m-o-m. Regarding the latter, this is most likely just a normalisation from an (unexpectedly) robust performance in April. The level of output in May aligns better with the restructuring currently experienced in the PGMs sector. With this in mind, we expect PGMs output

to remain subdued in the rest of the year. The absence of load-curtailment and a supportive (high) gold price means that the m-o-m decline in gold production was more of a surprise. That said, it does continue a trend observed over many years.

**Bottom line:** In the second quarter of 2024, non-energy constraints seem to have outweighed the positive impact on mining production of improved electricity provision. These constraints include a sustained depressed PGMs price environment and ongoing logistical problems. In particular, Transnet rail and port woes remain a major hindrance for the coal and iron ore sectors. As it stands, mining production is projected to decline (q-o-q) in Q2, subtracting from real GDP growth. *However, based on the incoming high-frequency data from the non-mining sectors, we expect overall real GDP to more than recover in Q2 from the 0.1% q-o-q contraction in the first quarter of 2024.*

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