

14 April 2026

## **PGMs and China's stockpiling strategy fuel mining sector expansion**

Following a stronger-than-anticipated start to 2026, mining sector production rose by 9.7% year-on-year (y-o-y, unadjusted). This builds on the 5% y-o-y increase recorded in January 2026. A detailed review of the data suggests that the growth was driven primarily by two factors: the base effect and stockpiling activity.

- **Base effect.** Platinum group metals (PGMs) contributed most significantly to the February increase, expanding by 52.3% y-o-y and adding 9.4 percentage points to overall growth. This surge reflects the impact of a low production base of 11,433 kg PGMs production in February 2025. For comparison, in May 2025 - when market fundamentals shifted - PGMs output reached 21,921 kg. In February 2026, production stood at 17,417 kg.
- **Stockpiling by China.** China has been actively accumulating reserves of critical steelmaking raw materials, including iron ore, chrome ore, and manganese ore. This strategy is motivated by concerns over supply security, heavy reliance on imports, and a desire to exert influence on global pricing. While iron ore production y-o-y declined by 12.4%, chrome and manganese production grew significantly by 26.9% and 17.8% respectively. Combined chrome and manganese contributed 4.1 percentage points to February's growth number (y-o-y) while iron ore subtracted 2.3 percentage points.

The commodities that contributed to February's growth account for 49% of South Africa's total production basket, with PGMs alone representing 27.1%. Figure 1 shows the y-o-y growth performance of the various commodities in February.

In February production (y-o-y) in coal and iron ore contracted respectively by 12.4% and 6.7% respectively. This was the fourth successive month of production decline in coal while being the third contraction in four months for iron ore.

Mining production performance in Q1 2026 is projected to grow by 1.3% quarter-on-quarter (q-o-q).

Figure 1: February 2026 mining production per industry Figure 2: Total mineral sales



Source: Statistics South Africa, Minerals Council

In February, **total mineral sales** surged by 58.3% y-o-y, rising from R49.6 billion in 2025 to R78.6 billion in 2026. This increase was driven primarily by strong performances in gold (+397% to R20 billion), PGMs (+132% to R23.1 billion), and chrome ore (+53.8% to R6 billion).

**Year-to-date total mineral sales** figures indicate a widening gap of R48.5 billion between 2025 (Jan-Feb) and the same period in 2026 – the difference between R160.2 billion and R111.7 billion (Figure 2). In the January commentary the difference was R20 billion in favour of higher sales in 2026.

Commodity prices for precious metals continued their upward trajectory y-o-y, with rhodium recording the strongest price growth within the segment, further supporting overall mineral revenues.

- Rhodium: +135.4% (\$10,932.5)
- Platinum: +118.8% (\$2,140.9)
- Palladium: +78.4% (\$1,734.2)
- Gold: +73.3% (\$5,014.6)
- Coal: +0.5% (\$97.3)
- Iron: -6.7% (\$101.0)

**Bottom line:**

- South Africa's mining sector entered 2026 with robust momentum, posting notable y-o-y production gains in February largely on the back of PGMs and China's stockpiling of key steelmaking inputs. However, the sustainability of this growth is questionable as much of the expansion reflects base effects rather than a structural demand shift across mineral commodities.
- Persistent contraction in coal highlights underlying weaknesses, with the industry facing multi-month declines.
- Looking ahead:
  - Q1 2026 production is projected to grow modestly at 1.3% q-o-q, suggesting that while headline figures remain positive, the sector's near-term outlook is tempered by uneven performance across commodities and continued reliance on external demand drivers.

- The ongoing Middle East conflict involving the US, Israel, and Iran is expected to have two kinds of impact – direct and indirect.

**Directly**, it will significantly raise fuel costs thereby impacting the sector's profitability in 2026. For example, the sector typically spends, on average, R2.9 billion per month on fuel (petrol and diesel). As a result of the conflict, in April 2026, fuel expenditure is projected to rise to around R4 billion.

**Indirectly**, if the war continues, not only will it raise CPI inflation beyond the targeted mid-point of 3%, but interest rates will also ultimately have to increase. For the mining sector wages and salaries are the biggest cost element, at more than 20%. Wage negotiations could be tougher as labour unions are expected to demand higher-than-inflation wage settlements.

**Bongani Motsa**

**Act. Chief Economist**

Tel: 011 498 7100

Email: [bmotsa@mineralscouncil.org.za](mailto:bmotsa@mineralscouncil.org.za)