MINERALS COUNCIL
SOUTH AFRICA

MEDIA STATEMENT

SOUTH AFRICA'S MINING INDUSTRY UPHOLDS ITS END OF THE SOCIAL BARGAIN DESPITE A TOUGH OPERATING AND MIXED-PRICE ENVIRONMENT IN 2023

Cape Town, 5 February 2024. During 2023, the mining industry created jobs and delivered higher taxes for the fiscus. This was achieved despite the serious headwinds of record Eskom electricity supply curtailment, severe constraints on railways and at ports, as well as mixed commodity prices.

In its annual Facts & Figures 2023 booklet summarising the performance of the South African mining industry and its contribution to society and the country, the Minerals Council South Africa estimates that the sector added more than 7,500 jobs last year, employing 477,000 people. Total wages increased by 7% to R186.5 billion. This supported livelihoods in a weak domestic economy characterised by high unemployment.

"It is gratifying that the mining sector again delivered a crucial contribution to the South African economy despite the significant constraints caused by unprecedented electricity load curtailment, debilitating rail and port failures and pervasive criminal activities during the year," says Mzila Mthenjane, CEO of the Minerals Council.

The mining industry's contribution to the fiscus, comprising of direct company taxes, royalties and pay-as-you-earn tax contributions on employee wages, is projected to have increased by R9 billion to R135.3 billion.

"There can be no doubt #MiningMatters. Our focus for the year ahead is to unlock further potential in the sector by working with the government to unlock more private sector participation in energy and rail and ports, while addressing crime and corruption, all for the improved well-being of South Africa" says Mr Mthenjane.

Towards the end of 2023 and into 2024, several companies announced restructuring processes to reposition themselves with the reduced electricity availability, severe rail constraints, harbour delays, and a downturn in the prices of coal and platinum group metals (PGMs).

The repositioning process come during a challenging backdrop where:

- South Africa's mineral sales in nominal terms fell by more than 13% in the first ten months of 2023. The expectation is that mineral sales will post the first calendar year decline since 2015 and also the largest annual fall since the global financial crisis in 2009.
- The direct contribution of mining to South Africa's gross domestic product (GDP) fell by 12% to R425.6 billion and its percentage contribution to GDP dropped to 6.2% from 7.3%.
- Mineral exports fell by more than 11% to R781.6 billion.

"Fast-tracking structural reforms in the energy and logistics sectors, agreeing inflation- and productivity-related wage increases, implementing reasonable electricity tariff hikes, and improving municipal service delivery are crucial to the competitiveness of the industry," says Hugo Pienaar, Chief Economist at the Minerals Council.

The two biggest contributors to mineral sales, PGMs and coal, demonstrate the negative impacts Eskom and Transnet have had on the mining sales and output performance. Contributing to the difficulties in these two sectors were steep falls in PGM and coal prices.

PGM sales generated an estimated R199 billion in 2023, a 33.3% decline from the previous year. Production fell by 11% to 239.9 tonnes. PGMs are in the main mined from underground operations which are exposed to electricity disruptions as are the processing, smelting and refining operations, which are particularly heavy users of electricity.

Mining production, particularly from underground operations, is closely correlated to electricity supply from Eskom. In 2023, Eskom's electricity supply shortfall reached a new record. Loadshedding increased to 6,760 hours, up from 3,751 hours in 2022 – an 80% change.

In the coal sector, producers increasingly relied on road transport to move coal to harbours, including Maputo, which carries a cost premium compared to rail. Total estimated coal sales of R192.2 billion were 22% lower year-on-year. Total production was flat at 228.5 million tonnes, with Eskom the single largest user of domestic coal output.

Coal exported through Richards Bay Coal Terminal (RBCT), a privately operated facility, fell to 47.9 million tonnes in 2023, the lowest level since 1992. This was a continuation of the decline since the peak of nearly 76 million tonnes shipped from RBCT in 2017.

Trucking is estimated to have been used to transport up to 26 million tonnes of coal to various ports during 2023, the highest level of road transport in the coal sector yet.

Trucking is not the preferred option for exports of bulk commodities because of the inefficiency compared to trains, the damage to roads, congestion, accidents, increased levels of exhaust and dust pollution, and severe disruptions for communities on routes between mines and ports. Trains are a far more efficient way to transport bulk commodities, says Mr Pienaar.

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