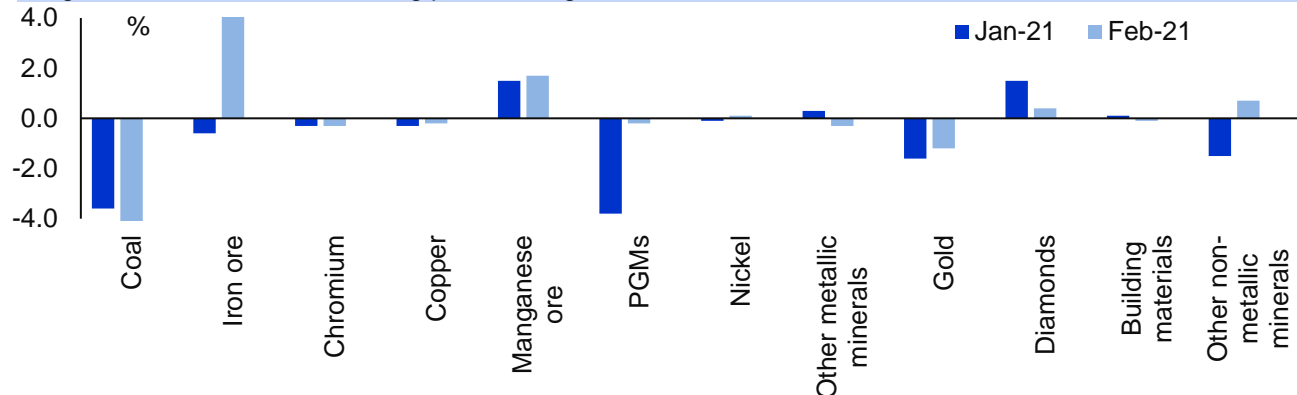


## Mining update: Mining production rose by 0.8% y/y in February, buoyed by iron ore

Tuesday 13 April 2021



Figure 1: Contributions to mining production growth



Source: Stats SA, Investec

- Mining production grew by 0.8% y/y in February, following ten consecutive months in contractionary territory. The result was notably ahead of Bloomberg's consensus forecast of -3.0% y/y (median estimate) and was markedly up from January's -8.4% y/y (revised) reading.
- Significant year-on-year growth in iron ore production was chiefly responsible for February's uptick. Specifically, the mineral which makes up just under 11.0 % of the mining basket climbed by a marked 65.7% y/y, adding 5.9% points to the headline outcome.
- Iron ore demand has been boosted by the pick-up in global manufacturing activity and new order growth, following restrictive lockdown regulations in 2020. Indeed, JP Morgan's global manufacturing PMI index rose to 53.9 from 53.6 in February. Supply constraints in the seaborne market have also continued. Specifically, Brazilian and Australian exports have been affected by cyclones and heavy rains in Q1.21, while uncertainties remain regarding the restart of Vale's operations in Brazil, impacted by the tailings dam incident.
- Iron ore's robust rebound in production outweighed coal's negative performance, which saw output fall by a further -19.3% y/y and accordingly detract a notable 5.7% points from February's topline reading.
- Commodity prices as measured by the World Bank's Metals and Minerals' index (excludes precious metals) rose further in February and is up nearly 40% since July 2020. Indeed, SA, which is heavily reliant on the export of its minerals should benefit from a further pick-up in commodity demand, supported by a projected 6.0% increase in global growth this year (IMF estimate) as the vaccination rollout continues globally.
- Downside risks to global growth do remain, including spikes in infection rates, accompanied by renewed restrictions which we have seen in parts of the world. The emergence of new, more virulent strains of the virus is a key concern as is the long-term efficacy of current vaccines.
- Furthermore, domestically, electricity supply disruptions continue to weigh heavily on the competitiveness of energy intensive mining houses, while infrastructure challenges, regulatory uncertainty and fiscal concerns remain impediments to foreign investment.

Figure 2: Key growth rates in the volume of mining production

	January 2021	February 2021
Year on year %	-8.4	0.8
Month on month %, seasonally adjusted	3.9	3.8
3-month %, seasonally adjusted	-3.7	0.0

4 Source: Stats SA

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