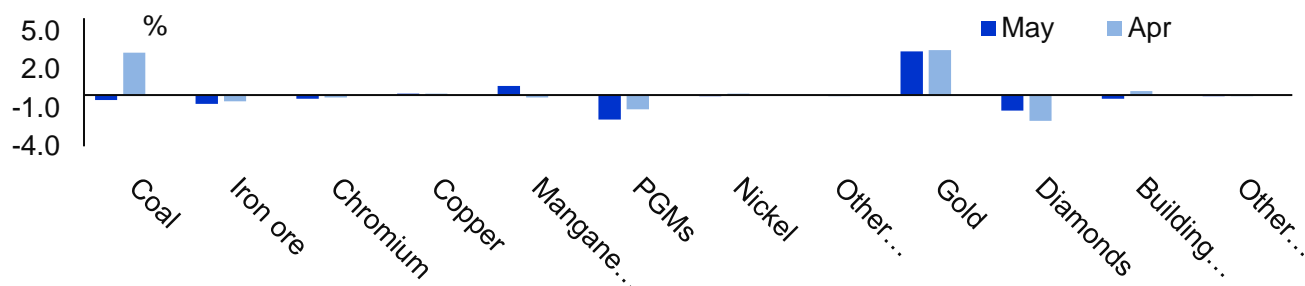




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Figure 1: Contributions to mining production growth



Source: Stats SA, Investec

- Mining output decreased by -0.8% y/y in May and by -3.8% when measured on a month-on month seasonally adjusted basis, as the mining industry continues to face a number of challenges domestically and grapples with a fragile global environment weighing on export potential. The outcome was notably weaker than consensus (Bloomberg) expectations.
- A breakdown of the annual production reading shows that PGMs contracted by -7.2% y/y and owing to their size in the mining basket (22.96%) detracted -1.9% points from the headline reading. Moreover, diamond production continued to decline y/y, dipping for the 8th consecutive month in May. It fell by a notable -31.4% y/y, slicing -1.2% points off the topline number.
- Weak global economic conditions, with a slower than projected rebound in demand from China as Covid restrictions were lifted have weighed on diamond sales, while competition from the lab-grown diamond industry persists.
- Conversely, gold output increased by a further 27.3% in May, following April's 27.4% lift, adding a notable 3.4% points to the headline outcome and preventing a larger year-on-year slump. This is line with the performance of the World Bank's Precious Metals index which grew by over 8.0% y/y in May.
- Indeed, the energy intensive mining sector continues to deal with electricity supply challenges, hindering optimal operational performance.
- Specifically, electricity generation fell by a further -9.0% y/y in May, according to Stats SA. Year-to-date (until end of May) it is down -8.1%.
- Eskom recently announced a return to higher stages of load shedding, owing "to the loss of additional generating units overnight, the extensive use of Open Gas Cycle Turbines and the inability to replenish pumped storage dam levels" according to Eskom. This following, a moderation over June, supported by (amongst other factors) heightened wind generation and lower anticipated demand.
- Besides the electricity supply predicament, the mining sector continues to grapple with logistical hinderances, labour specific issues and policy uncertainty.
- Moreover, the subdued global environment continues to weigh on the country's export potential. Advance indications provided by June's JP Morgan Global Manufacturing PMI survey indicated that the manufacturing PMI reading slipped to a six-month low.

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

	April 2022	May 2022
Year on year %	3.2	-0.8
Month on month %, seasonally adjusted	1.5	-3.8
3-month %, seasonally adjusted	0.7	3.1

Source: Stats SA



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