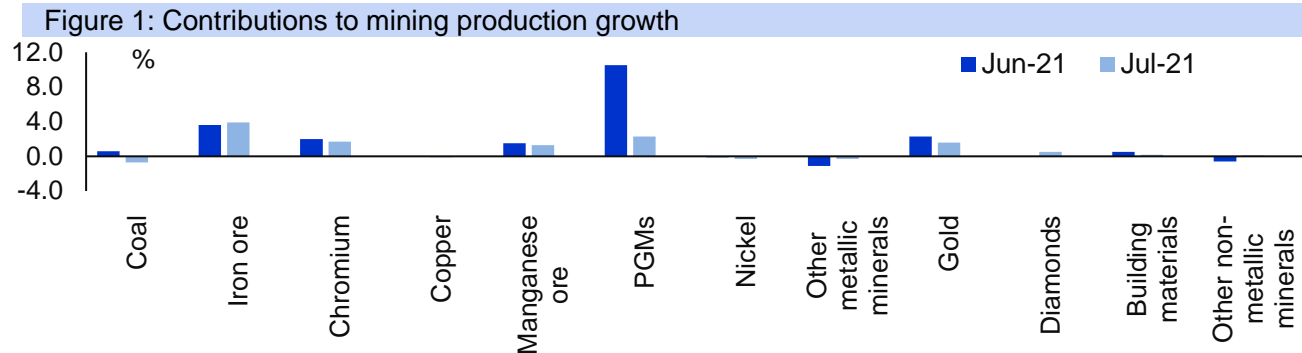




Mining update: Annual mining production grew by 19.1% y/y and 10.3% y/y in June and July respectively

Tuesday 14 September 2021



Source: Stats SA, Investec

- The mining production update for July also includes June's outcome, owing to system issues at the Department of Mineral Resources and Energy which prevented them from providing the June data timeously.
- Mining production rose by 19.1% y/y and 10.3% y/y in June and July respectively, following May's 21.9% y/y climb. Indeed, elevated commodity prices and buoyant global demand continued to support mining activity. However, the unrest that took place in Kwa-Zulu Natal and other parts of the country during July, which also affected key transportation routes, led to a number of commodity producers reporting being unable to obtain key inputs required for production (such as gasses and explosives).
- Annual growth in production in June and July was underpinned primarily by iron ore and PGMs. Specifically in June production of PGMs and iron ore climbed by 59.6% y/y and 34.9% respectively adding a combined 14.1% points to the topline reading. In July production of PGMs decreased substantially but owing to its marked weighting in the index it still added favourably to the headline outcome. Concerns around the impact of the semi-conductor shortages on the global automotive sector and thus PGM demand remains. Iron ore production grew by a further 42.9% y/y contributing 3.9% points to July's result.
- Indeed, the robust rebound in global trade and growth following the fallout from COVID-19, led to a sharp increase in industrial demand, with the World Bank's metals and minerals index up 21% between January and July 2021. However, rates of growth in manufacturing activity have begun to ease. According to the latest JP Morgan Global Manufacturing PMI survey results the "upturn in the global manufacturing sector lost further momentum during August, as rates of output growth decelerated in several major markets". Supply side constraints remain a key impediment.
- Rising Covid-19 cases globally, with the risk of further lockdowns remains a downside risk to the global growth outcome and accordingly SA's growth trajectory, which is heavily reliant on exports of commodities. SA's pace of vaccinations has gained momentum, but the implementation of structural reforms needs to be hastened to improve SA's competitiveness and attract FDI. "Logistics remains one of the main constraints", for the mining sector and indeed the South African economy and "it is one of the main infrastructural reforms government has committed to undertaking", according to the Minerals Council South Africa.

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

	June 2021	July 2021
Year on year %	19.1	10.3
Month on month %, seasonally adjusted	-1.6	4.1
3-month %, seasonally adjusted	0.6	-1.9

4 Source: Stats SA



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