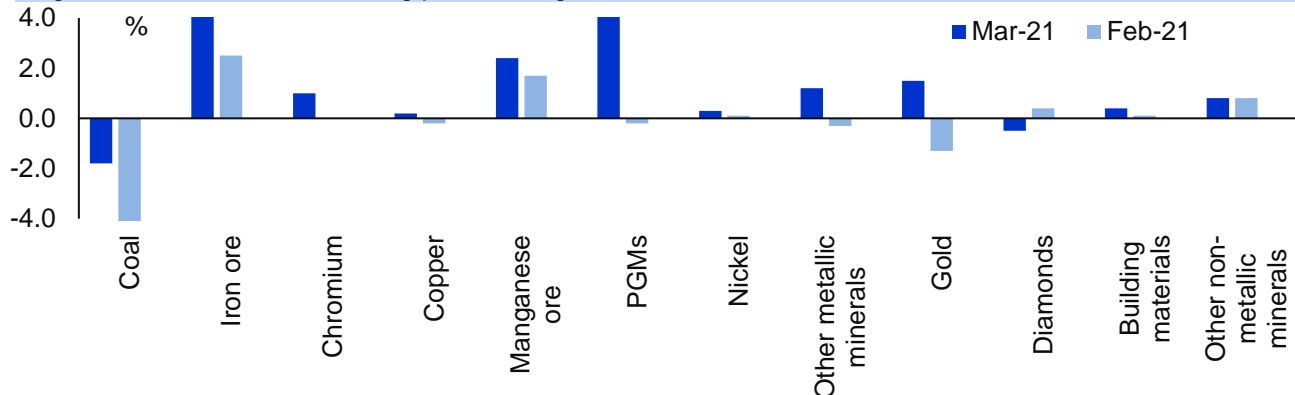


## Mining update: Mining production climbed by 21.3% y/y in March, driven largely by base effects

Thursday 13 May 2021



Figure 1: Contributions to mining production growth



Source: Stats SA, Investec

- Mining production increased by 21.3% y/y in March, following twelve consecutive months of year-on-year production declines. March's result which was ahead of Bloomberg's consensus forecast of 17.3% y/y (median estimate) was driven largely by very low statistical base effects.
- Commodity prices, notably metals' prices have climbed considerably, fueled by rising demand as expectations of a lift in global growth persists, supported by the ongoing vaccine rollout and fiscal stimulus measures implemented in advanced nations with, the IMF now forecasting a 6.0% y/y increase in world GDP. South Africa, a key commodity exporter continues to benefit from this material rise in demand.
- Metal prices have also been reinforced by "anticipation that the energy transition away from fossil fuels will result in sizeable increases in demand for metals", according to the World Bank.
- The World Bank's Metals and Minerals' index (excludes precious metals) rose further in March and is up 60% since March 2020.
- Base metals are up significantly, boosted by the pick-up in global manufacturing activity and new order growth, following restrictive lockdown regulations in 2020. Specifically, iron ore output grew by 47.9% y/y in March, adding 4.1% points to the topline reading. Supply disruptions in key export markets have also supported iron ore prices.
- March's numbers also reveal a significant lift in PGM output of 68.6% y/y, which added 11.6% points to the headline reading, owing to its marked 22.43% weighting in the mining basket. Prospects for the mineral group remain favorable going forward, the emergent hydrogen economy should drive further demand for platinum.
- Domestically however, electricity supply disruptions continue to weigh on the optimal functioning of the energy intensive mining sector. Additionally, infrastructure challenges, regulatory uncertainty and fiscal concerns remain impediments to foreign investment.
- On a quarter on quarter seasonally adjusted (qqsa) basis the mining sector grew by 3.8% in Q1.21. It should therefore contribute positively to the quarter's headline GDP outcome.

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

	February 2021	March 2021
Year on year %	-2.3	21.3
Month on month %, seasonally adjusted	0.9	4.5
3-month %, seasonally adjusted	-1.3	3.8

4 Source: Stats SA

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