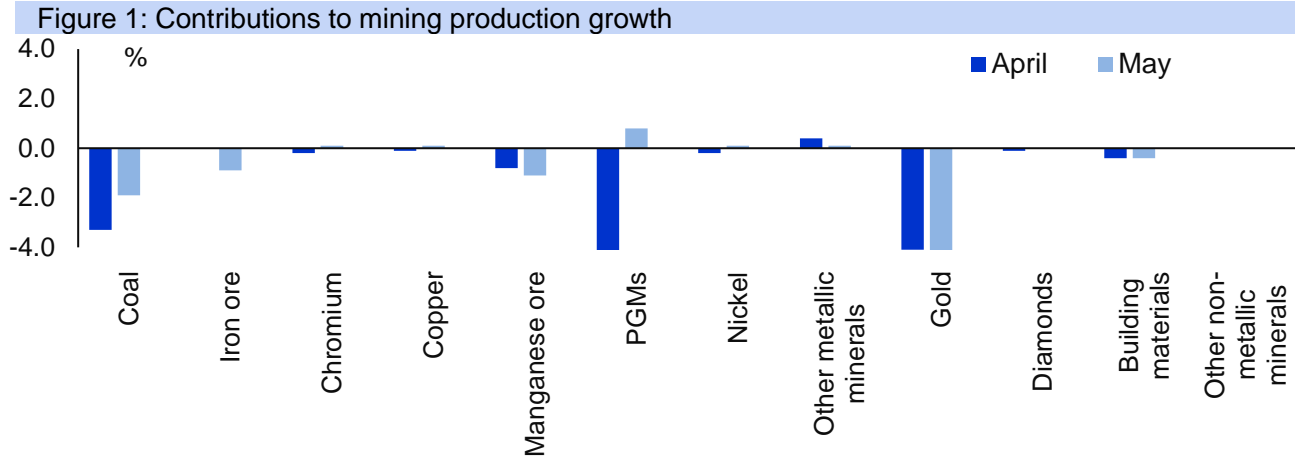




Mining update: Mining production falls by a further -7.8% y/y in May

Thursday 14 July 2022



Source: Stats SA, Investec

- Mining production fell by a further -7.8% y/y in May, following April's notable -14.8% y/y (revised slightly) plunge. The reading was stronger than consensus expectations (Bloomberg) of -10.9% y/y.
- Notable year-on-year dips of -28.3%, -7.6% y/y and -7.3% were logged for gold, iron ore and coal production respectively and accordingly these commodities detracted a combined -7.4% points from the headline reading.
- Conversely, PGMs grew by a modest 3.3% y/y and owing to their size in the mining index added 0.8% points to the topline number, preventing a larger contraction.
- The Fed's hawkish monetary policy stance has weighed on gold, despite the heightened global geopolitical situation, with the war in Ukraine persisting.
- The World Bank's Metals and Minerals Index was down markedly between March and June, with iron ore prices down -14.0% over the period. Metals demand remains at risk from the weakening global growth outlook. Indeed, the JP Morgan Global Manufacturing PMI fell to a 22-month low in June. According to the survey results "underlying fundamentals remain weak, as new orders stagnate and business optimism falls".
- Notwithstanding the global situation, South Africa which is heavily reliant on mineral and metal exports continues to face a number of domestic challenges hindering production.
- The electricity supply situation, which has seen rotational load shedding escalated to stage 6 at times is a key downside risk. Aging power plants, a historic lack of maintenance and criminal activity continue to add to the unreliability of the power situation in this country.
- Moreover, logistical bottlenecks (due in part to aging infrastructure and theft) continue to weigh on export potential.

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

	April 2022	May 2022
Year on year %	-14.8	-7.8
Month on month %, seasonally adjusted	-3.6	0.7
3-month %, seasonally adjusted	-3.2	-1.3

Source: Stats SA



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