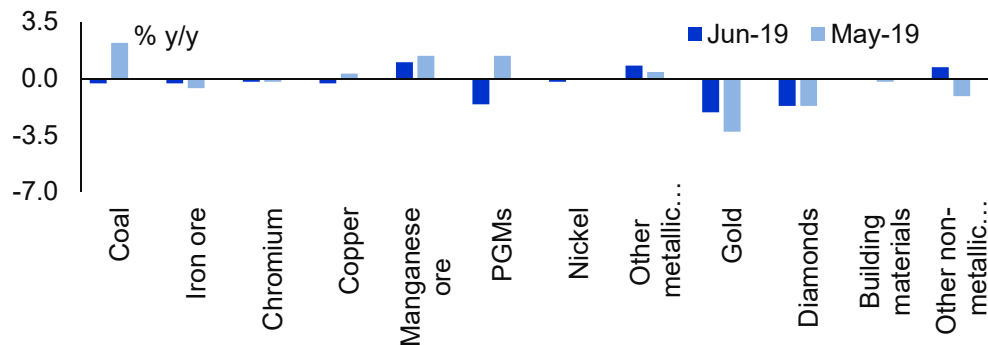




**Figure 1: Contributions to mining production growth**



Source: Stats SA, Investec

- Mining production slid by a further 4.2% y/y in June, following May's 1.5% y/y dip. The result was ahead of consensus expectations of a 2.2% y/y fall and was underpinned largely by declines in the gold, diamond and PGM segments. These mineral groups, which combined, occupy a marked 43.6% weighting in the mining index fell by 16.0% y/y, 6.3% y/y and 33.2% y/y respectively, in turn slicing 5.4% off the topline result (see figure 1).
- "Demand for rough diamonds remains subdued as a result of challenges in the midstream with higher polished inventories, and caution due to macro-economic uncertainty ...", according to De Beers.
- On a quarter on quarter seasonally adjusted basis however, (which is the measure used to calculate GDP) the mining sector rose, by 14.6% in the second quarter of the year. This implies that the mining and quarrying sector will make a positive contribution to the quarter's GDP outcome (Q2.19), following its 0.8% qqsaa detraction from Q1.19 headline reading, on the back of a marked 10.8% qqsaa plunge in activity.
- Notably high base effects were chiefly responsible for this lift, following the sector's dismal performance in Q1.19, which was undermined by industrial action and extensive rotational load shedding. Mining as a highly energy-intensive sector relies on consistent, affordable electricity supply to operate optimally.
- Overall, the domestic mining sector continues to be plagued by a myriad of regulatory and operational challenges. Thus a "(f)ocus on improving competitiveness, productivity growth, ensuring predictable and competitive policies and regulations, modernising the sector and most of all working collaboratively to grow and transform the sector" is essential, according to the Minerals Council SA, in order to re-establish the sector and attract much needed foreign direct investment.

**Figure 2: Mining production volumes**

	May 2019	June 2019
Year on year %	-1.5	-4.2
Month on month %, seasonally adjusted	3.1	3.3
3-month %, seasonally adjusted	2.6	3.5

4 Source: Stats SA, Investec

## Mining update: Based on June's reading, mining production is expected to make a positive contribution to Q2.19 GDP

8<sup>th</sup> August 2019



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8<sup>th</sup> August 2019



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