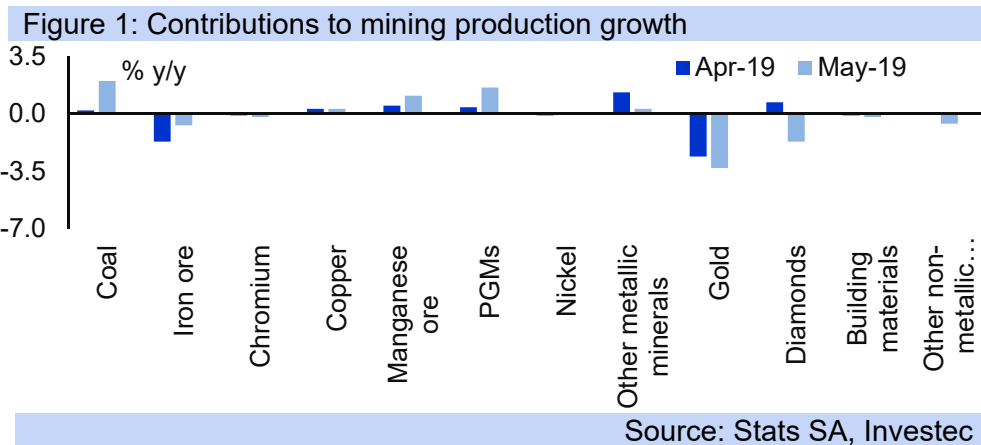




Mining update: Mining production fell by 1.5% y/y in May. Dragged down by marked declines in gold and diamond production

11th July 2019



- Mining production continued to contract in May, sliding by 1.5% y/y, versus April’s 1.2% y/y fall, as SA’s mining sector continues to face a myriad of challenges both domestically and internationally. However the pace of decline has slowed somewhat, following the marked dip experienced in February of -8.0% y/y.
- A disaggregation of May’s production outcome reveals that the performance of the gold sector continued to plague overall mining industry production, detracting the largest amount from overall growth once again. It constitutes a marked 16.0% of the total mining basket and fell by 24.4% y/y in May, in turn detracting 3.3% from the headline number, as SA gold mines continue to struggle with falling ore grades and productivity.
- Diamond production also disappointed, falling by 30.7% y/y in May, after two consecutive months of gains, detracting a further 1.7% from the topline production reading, with diamond miners, especially those producing cheaper and smaller gems, under strain.
- Conversely, activity within the PGM and coal sectors ticked up in May by 6.8% y/y and 8.0% y/y respectively, adding 3.6% to the topline result and preventing a far larger fall in overall mining production for the month.
- While metals’ prices have picked up modestly, demonstrated by a lift in the World Bank’s Precious Metals’ Index, a renewed rise in trade tensions continues to remain a “(d)ownside risk for global growth prospects and the demand for metals”, according to the World Bank
- Additionally, locally, access to and mounting costs of fundamental inputs, especially elevated electricity prices continue to weigh heavily on this energy-intensive sector, inhibiting activity.
- The President in his recent State of the Nation address however, acknowledged the importance of the domestic mining sector, stating, “We will bolster the mining industry by developing markets for South African minerals through targeted beneficiation, reduced costs of inputs, and increased research and development”.

Figure 2: Mining production volumes

	April 2019	May 2019
Year on year %	-1.2	-1.5
Month on month %, seasonally adjusted	-1.8	3.0
3-month %, seasonally adjusted	-0.6	2.2

4 Source: Stats SA, Investec



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