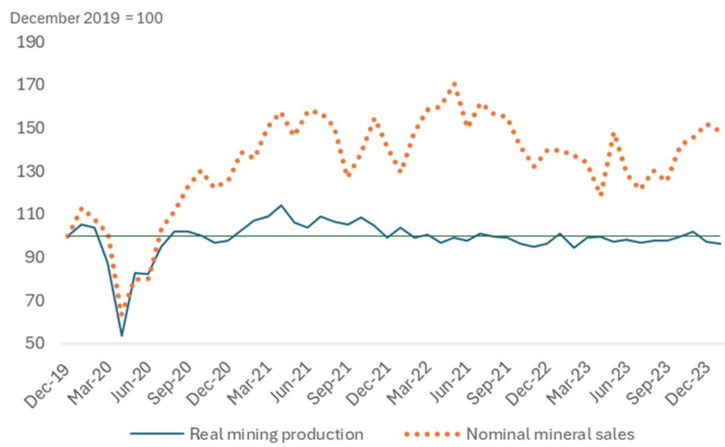
14 March 2024

Mining production remained poor in January 2024

Following two calendar years of decline, SA **mining production** had a poor start to 2024. Earlier today. Stats SA reported that in real terms, total mining production declined by 3.3% year-on-year (y-o-y) in January. Compared to December 2023, output declined by -0.8% month-on-month (m-o-m). Perhaps the best indication of the weak mining sector performance in recent years is that the level of total mining production in January 2024 was still 3.5% below the pre-COVID level in December 2019. The solid line in Figure 1 indicates how production has essentially flatlined since late-2021.

Figure 1: Production flatlines, sales improve on record gold price



Source: Stats SA, Minerals Council

In January 2024, we saw the production of **PGMs** decline by 6.6% m-o-m, while **coal** output contracted by 5% m-o-m. A surprise was that iron ore production surged by 45% m-o-m. Bear in mind that these are seasonally adjusted figures so a return from the holiday season is not an adequate explanation for this increase. Going forward, we would fade this rise as Kumba has publicly downgraded its output guidance for 2024.

Figure 1 highlights the stark divergence between the value of SA mineral sales and real mining production over the last several years. Production and sales plunged by a similar magnitude in April 2020, while the initial recovery from the hard lockdown also tracked well. Since then, elevated commodity prices have shielded the value of mineral sales, while several well-documented constraints weighed on production.

In January 2024, the value of **mineral sales** rose by 5.7% y-o-y. This was despite lower coal and PGM sales amid large price declines for these commodities. Overall mineral sales were boosted by a 113% surge in the value of **gold sales**. This reflects the positive impact of a record gold price, which averaged $2 034/oz in January (up from $1 896/oz in January 2023), and gained further ground since then.

<u>Looking forward</u>, a weak price environment (in the PGM and coal sectors), as well as logistical bottlenecks (in coal and iron ore) should see overall SA mining production remain under pressure in the near term. As we move through the year, an expected improvement in the frequency and intensity of electricity load-curtailment should support activity in both deep-level mining and the smelter industries. Coal production should also benefit from improved domestic demand if Eskom electricity generation improves.

Hugo Pienaar
Chief Economist
Cell: +27 (0)83-387-1150
Email: **hpienaar@mineralscouncil.org.za**

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