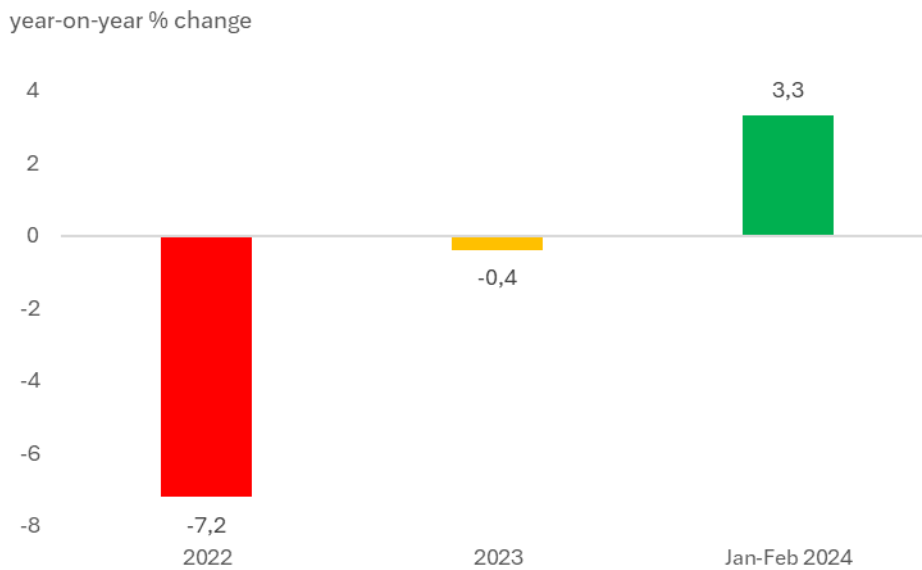


## Mining production jumps in February 2024

Following two calendar years of decline and a poor start to 2024, Stats SA reported that in real terms, total mining production surged by 9.9% year-on-year (y-o-y) in February 2024. This was the fastest annual rate of increase since July 2021 when annual mining output was rebounding from the depressed levels in 2020 caused by the COVID-19 lockdown. The strong February print came after mining production declined by 2.8% y-o-y in January 2024. As shown in figure 1, the cumulative increase in mining production so far in 2024 is 3.3% y-o-y. Notwithstanding the improvement, mining production in the first two months of 2024 was still 3.9% below the pre-COVID level in 2019.

Figure 1: Year-to-date mining output swung around after two years of decline



Source: Stats SA

The strong annual rise in February was driven by two main developments, one of which should be faded as it will be less of a support in coming months. This relates to a low base, or a very weak mining production figure, in February 2023. In that month, production declined by 6.4% month-on-month (m-o-m) and 6.2% y-o-y. This low base partly explains the strong annual production growth rate in February 2024. Importantly, February last year was the weakest month for production in 2023, implying that annual production growth in the rest of 2024 will not continue to be boosted to the same extent as experienced in February. This is illustrated by an exercise that assumes mining output remains at the February 2024 level for the rest of the year. In this scenario, output growth for the entire year does not come out at 9.9% as was the case in February 2024, but rather 3% y-o-y. If achieved, even this would be a welcome improvement on the previous two years.

While the low base in February 2023 will not provide a sustained boost to growth in 2024, this was not the only driver of the strong y-o-y rise in February 2024. Production rose by a robust 5% m-o-m (relative to January 2024), the biggest monthly gain since March 2023. Output of diamonds (+22.9%, which supported the first positive y-o-y increase after 16 months of decline for this category), manganese (19.4%), iron ore (13.9%) and chrome (11.8%) all performed well. Given the volatility in the monthly data, it is not clear that these strong increases will continue. This is especially the case for iron ore where we know that the major producer has guided towards lower production in 2024. On the other hand, diamond production is likely to ramp up further through the year.

It should also be noted that we have now had more than two weeks without load-shedding. If this can be sustained, it will not only bode well for mining production in the coming months but could also contribute to push production for the entire year into positive terrain.

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