



Mining Production

ECONOMICS | SOUTH AFRICA

The downward spiral in mining production continues while growth in mineral sales slows

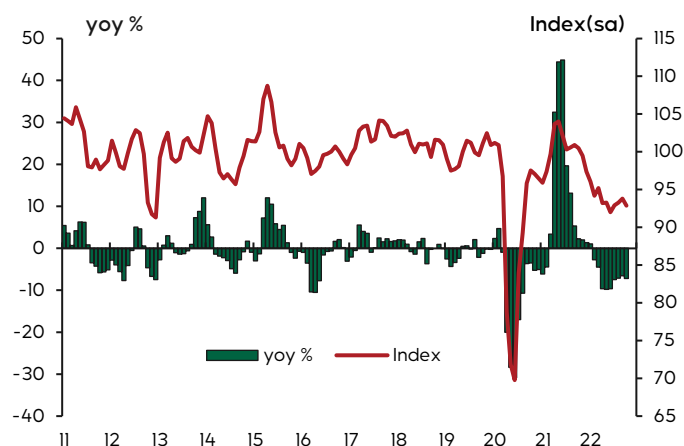
- Mining production** declined by 10.4% yoy in October after shrinking by 5.1% (-4.5% previously) in September, marking the ninth consecutive month of decline. Erratic power supply, inflationary pressures, supply chain disruptions, and the challenges associated with illegal mining continued to restrict production. The drag came from platinum group metals (PGMs), gold, diamonds, and manganese ore, where output fell by 32.5% yoy, 6.3%, 22.5%, and 10.5%, respectively. Together these four commodities shaved 11.8 percentage points from the annual growth rate in total mining production.
- Mining production dropped by a sharp 2.5% mom, after declining by 0.1% and 0.4% in September and August, respectively. The diminished output of platinum, manganese ore and diamonds drove the monthly decline. Mining production has not recovered to pre-pandemic levels and remained 13.4% below the level achieved in October 2019.
- Mineral sales** grew by 0.5% yoy in October, slower than 21% in September. Despite the moderation in commodity prices, it remains relatively elevated and continues to support mineral sales. Coal, in particular, has benefitted from stronger demand due to the ban on Russian exports. Overall sales have mainly been driven by coal, which has increased by 16.2% yoy, contributing 4.2 pps to the overall growth rate. Gold and chromium ore grew by 24.7% and 66.9%, adding 4.4 ppts to overall sales. Sales of iron ore, PGMs, and other metallic minerals were significant negative contributors to total sales. On a monthly and seasonally adjusted basis, mineral sales were down by 7.7%. However, sales remained healthy relative to pre-pandemic levels, up 38.5%.
- The mining sector is unlikely to recover in the year ahead amid the weaker global economic outlook and challenging operating environment. The buoyant demand for some commodities, such as coal and copper (given its increased prominence in the shift to renewable power sources), will be offset by domestic supply constraints and a decline in demand for other commodities on the back of an expected slowdown in the world economy. Additionally, the prices of most of South Africa's leading commodities will continue to moderate in the new year and decrease the value of mineral sales.

Table 1: Mining Production and Sales

Mining	Oct-22		Sept-22	Aug-Oct 2022	Year to date	Forecasts	
	mom % (sa)	yoy %	yoy %	qoq %	yoy%	Nedbank	Market
Production	-2.5	-10.4	-5.1	0	-7.3	n/a	-4.9
Sales	-7.7	0.5	21	-7.7	6.4	n/a	n/a

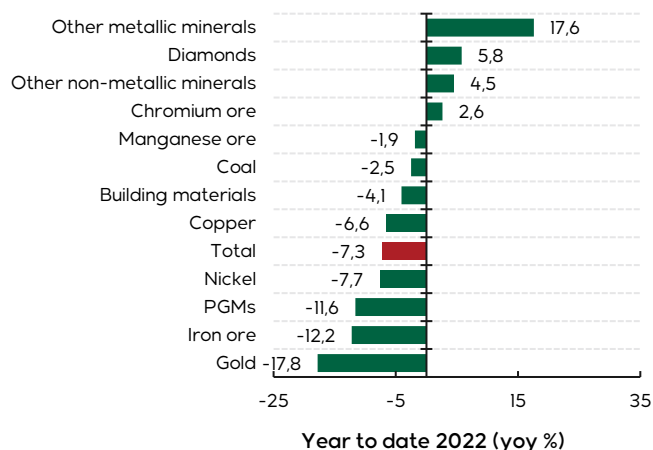
Source: Stats SA and Nedbank calculations

Chart 1: Mining production trends



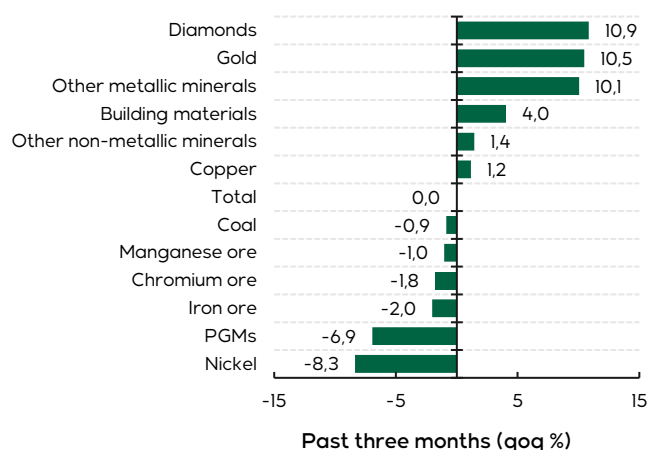
Source: Stats SA

Chart 2: Year-to-date performance



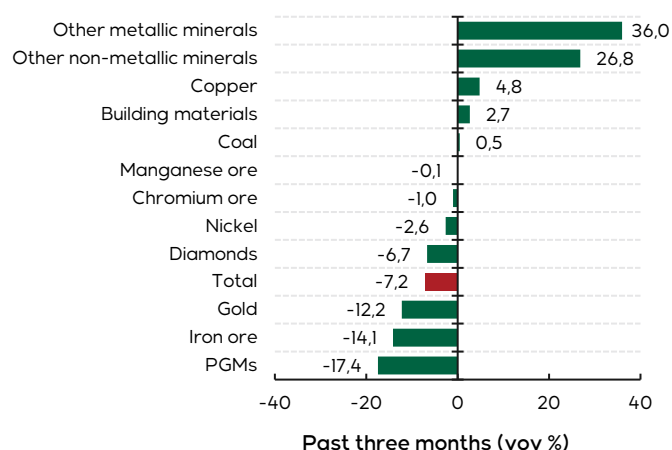
Source: Stats SA

Chart 3: Quarter-on-quarter growth rates



Source: Stats SA

Chart 4: Quarterly year-on-year growth rates



Source: Stats SA

Table 2: Mining Production and Sales

	Mining production							
	Weights	mom %		yoy %			Year-to-date	
		Oct-22	Sep-22	Oct-22	Sep-22	pps contr	yoy %	pps contr
Gold	15.9	4.7	-0.9	-6.3	-12.7	-1.0	-17.8	-2.8
Iron ore	11.9	8.1	-12.2	-2.1	-22.5	-0.3	-12.2	-1.5
Chromium ore	3.6	1.1	-6.5	-3.1	-2.8	-0.1	2.6	0.1
Copper	0.8	-3.2	29.6	15.8	36.6	0.1	-6.6	-0.1
Manganese ore	6.2	-7.6	-5.3	-10.5	-9.8	-0.6	-1.9	-0.1
PGMs	23.0	-6.4	2.7	-32.5	-3.1	-7.5	-11.6	-2.7
Nickel	1.2	-2.5	2.0	-7.9	-2.1	-0.1	-7.7	-0.1
Other metallic minerals	2.4	11.1	-10.1	31.2	25.1	0.7	17.6	0.4
Diamonds	3.2	-43.5	6.3	-22.5	2.1	-0.7	5.8	0.2
Coal	27.9	1.0	5.2	2.9	1.2	0.8	-2.5	-0.7
Building materials	3.3	3.4	0.9	7.4	-0.9	0.2	-4.1	-0.1
Other non-metallic minerals	0.8	-1.6	-1.8	17.7	28.6	0.1	4.5	0.0
Total - including gold	100.0	-2.5	-0.1	-10.4	-5.1	-10.4	-7.3	-7.3

Note: The abbreviation 'contr' refers to percentage contribution to the yoy growth rate for the latest month and the year to date

Source: Stats SA and Nedbank calculations

GROUP ECONOMIC UNIT

Crystal Huntley	+27 10 221 8468	crystalhu@nedbank.co.za
Nicky Weimar	+27 10 234 8357	nickywe@nedbank.co.za

DISCLAIMER

The information furnished in this report (the "report"), which information may include opinions, estimates, indicative rates, terms, price quotations and projections, reflects the existing judgment of the author(s) and the prevailing market conditions as at the date of this report, which judgment and conditions are subject to change without notice, modification or amendment. This report does not necessarily reflect the opinion of Nedbank Limited ("Nedbank"). The information herein has been obtained from various sources, the accuracy and/or completeness of which Nedbank does not guarantee and for which Nedbank accepts no liability.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration. The information contained in this publication may include results of analyses from a quantitative model which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute Nedbank's judgment as of the date hereof and are subject to change without any notice. Nedbank and/or its affiliates may make a market in these instruments for our customers and for our own account. Accordingly, Nedbank's may have a position in any such instrument at any time.

Nedbank recommends that independent tax, accounting, legal and financial advice be sought should any party seek to place any reliance on the information contained herein. This report is intended for use by professional and business investors only. It may not be considered as advice, recommendation or an offer to enter into or conclude any transactions. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Any additional information relative to any financial instruments and/or financial products reviewed in this report is available upon request.

All rights reserved. Any unauthorised use or disclosure of this report is prohibited. This report may not be reproduced without the prior written consent of Nedbank. The information contained in this note is intended solely for the recipient and may not be distributed by the recipient.

All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of Nedbank or its affiliates.