

Report outlines the highs and lows of SA mining

By  Danette Breitenbach

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Precious metals and regulatory uncertainty are dragging down the South African mining industry, in stark comparison to a positive global market.



Andries Rossouw, partner at PwC

Gold and platinum have been through a tough time. “This, together with industry impairments, led to a net loss position for the industry in 2018,” said Andries Rossouw, PwC partner, at the media launch of the 10 th edition of [SA Mine](#).

Coal is still the biggest revenue earner for the country, at 29% of mining revenue, followed by platinum on 19%, then gold and others. The period under review saw manganese increase at an impressive 10%, while chrome gave back most of its gains of the prior year and platinum continued to be weak.

‘Coal is the only commodity with real growth and this growth is on the back of global and local coal prices. Platinum in real price terms is at its 2003 levels, which is shocking while gold has remained flat for the last seven years, except for a peak in 2016,” he said.

On the platinum side the positive story is the basket price (which includes nickel and palladium) which has seen a nice increase in the basket in dollar terms. The rand has also helped here and the fact that there is not sufficient supply of palladium to meet demand.

Three years ago, platinum dominated the basket (60%), today it is only contributing – at most - 40%.

Rand volatility has impacted on the mining industry in the short term, but not solved its problems in the long term. Higher commodity prices also impacted on the input costs as well as above inflation salary levels. The higher unit input cost is negating any potential price benefits. The current low price environment highlights the challenge.

Commenting on bulk commodity prices, he says while these are recovered with significant improvement for the industry there are still some concerns on the sustainability of iron ore and coal prices. “In platinum the closure of high costs items is expected to continue. Liquidity risk concerns are still relevant.”

Challenges

The socio-economic environment around the mines provide challenges in the current low growth environment he added. “Going into an election year it will be interesting to see how this affects the production of mines.”

In conclusion, Rossouw said that there are encouraging signs for the industry. “The Mining Charter’s progress has made us more comfortable, despite some sticky points that need to be addressed. However, environmental regulations still need some work and the reality is that it is a long way off from being finished. Also, for the first time since 2008, the JSE Mining Index has outperformed the JSE All Share Index over the 12 months to June and we hope this is a turning point.”

ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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