

Lockdown restrictions continued to impede mining output

By [Geoff Nölting](#)

14 Jul 2020

Most miners were only permitted to operate at a reduced capacity due to Level 4 lockdown restrictions in May. This transitory hurdle, combined with lower global demand for commodities, resulted in domestic mining production decreasing by 29.8% year-on-year (y/y) in May. This is the third consecutive annual decline in mining output, following downwardly revised contractions of 50.3% y/y (previously 47.3%) in April and 19.1% (previously 18%) in March.



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In line with the April print, all mineral groups recorded negative year-on-year growth with the largest detractor from the May headline reading being ascribed to iron ore production, which contracted 66.3% y/y and shaved off 7.4 percentage points (ppt). This was followed by platinum group metals (PGMs) (-27.3% y/y and -6.6ppt); manganese ore (-45.4% y/y and -3ppt); "other" non-metallic minerals (-46.7% y/y and -2.8ppt); and coal (-9.6% and -2.6ppt).

On a seasonally adjusted basis, mining output jumped by 44% month-on-month (m/m) in May, which can almost entirely be attributed to base effects. In fact, April and March production plunged 36.8% and 19.3% m/m respectively.

We anticipate that the June mining production print will improve relative to the previous two months as most mining activity was permitted to scale up toward operating at full capacity under level 3 lockdown regulations. However, miners will still have to contend with several headwinds, including containing potential Covid-19 outbreaks, lower capacity utilisation rates (due to suboptimal operating conditions), load-shedding as well as weak external demand from many of our trading partners.

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