

Mining production plummeted in November

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Renewed lockdown regulations in key trading partner countries resulted in domestic mining production taking a nosedive in November as it dropped by an astounding 11.6% y/y. This will likely diminish any hopes of a significant recovery in the sector for the fourth quarter as output levels returned to those of July. From January to November 2020 mining production was down 11.8% compared to the same period in 2019.



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The decline in the headline number is mainly attributable to iron ore production, which plunged 35.3% y/y and detracted 3.9 percentage points (ppt). Other notable detractors were due to declines in the production of platinum group metal (PGMs) (-16.1% y/y and -3.4ppt), manganese ore (-15.9% y/y and -1.5ppt) and coal (-5.9% y/y and -1.5ppt). Of the 12 mineral groups, diamond production was the only division that recorded an expansion; up 56% y/y. However, due to the group's weight of 3.9% of the total mineral basket, it only contributed 1.6ppt to the headline number.

Concerningly, on a seasonally adjusted basis, mining production declined for the third consecutive month, registering -5.7% m/m in November, following declines of 0.7% and 0.8% in October and September respectively. In the three months ended November mining production slowed to 6.3% q/q, from 17.4% q/q in October.

Lockdowns both domestically and abroad will likely hamper any meaningful recovery in the sector in the short to medium term. Furthermore, if the recent bouts of load shedding are not addressed, then the longer-term prospects for the industry remain dim as business confidence will remain low and investment in new projects muted. The sector also faces other challenges such as logistical bottlenecks, high electricity costs and low global competitiveness.

The recovery in the mining sector is crucial for the overall economy as roughly 400 000 people are employed in the sector. Additionally, the sector makes up approximately a third of export receipts and is an important contributor to the fiscus.

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