

Flash Note: Mining.

12 May 2022



Mining output was materially down by 9.3% y/y in March

Total mining output (not seasonally adjusted) was materially down by 9.3% y/y in March after falling by 5.8% y/y in February. This was mainly on a statistically higher base in March last year but also reflected weaknesses in other mining subdivisions. The extent of the contraction was more than we anticipated, we expected mining production to decline by between 3.2% y/y and 6.4% y/y. Overall, the decline in mining production was broad-based, with 9 out of 12 subdivisions posting negative growth. On a monthly basis, seasonally adjusted mining production grew moderately by 1.7%, after contracting sharply by 6.0% m/m in February. In the first three months of the year, weak mining production was reflected in the 1.5% quarterly contraction, though less than the 3.6% quarterly contraction in 4Q21. We estimate that the mining sector's GDP would have shaved off around 0.1ppt from 1Q22 real GDP growth.

Outlook: modestly constructive but subject to risks

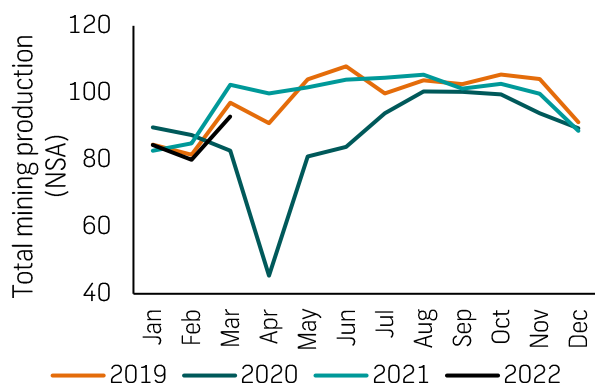
We maintain our view that domestic mining activity should still benefit from the ongoing recovery (though precarious) in SA's major trading partner economies and higher commodity prices. However, confronted with higher domestic input costs, load shedding, and infrastructure challenges (i.e., rail and road challenges), the mining sector's growth is expected to moderate sharply from last year's robust (11.8% y/y) cyclical rebound. Labour unrest over higher wages poses a near-term risk to some mining subdivisions. Nevertheless, some subdivisions, such as PGMs and coal, could benefit from war-related disruptions.

Subsector performance in March 2022

The sharp 9.3% y/y decline in mining production was led by gold production, which declined by 25.6% y/y (2.3% m/m seasonally adjusted) and shaved off 3.7ppt from total mining production growth after declining by 9.3% y/y (3.2% m/m seasonally adjusted) in February. This was followed by iron ore production, which contracted by 24.4% y/y (but grew 8.4% m/m seasonally adjusted), shaving off 2.5ppt; manganese ore production declined by 19.8% (and 10.7% m/m seasonally adjusted), shaving off 1.9ppt; and PGM production declined by 8.2% y/y (though grew by 6.1% m/m seasonally adjusted), and shaved off 1.9ppt. Coal production declined by 2.3% y/y (and by 3.5% m/m seasonally adjusted), following growth of 6.0% y/y in February.

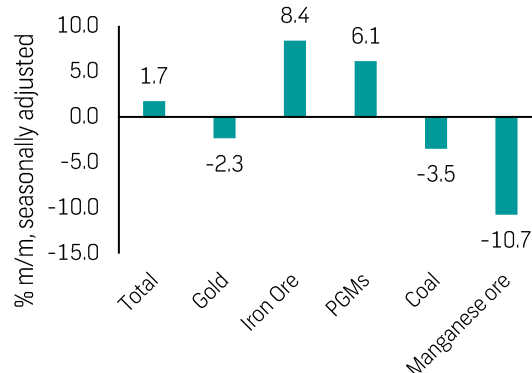
Although not large as a share of total mining production, chromium ore, other metallic minerals, and diamond subdivisions posted growth of 9.6% y/y, 0.9% y/y and 44.3% y/y in March, respectively. However, this was not enough to counteract the substantial decline in the other mining subdivisions.

Figure 1: Total mining output down by 9.3% y/y



Source: Stats SA, FNB Economics

Figure 2: Monthly growth in major mining subdivisions



Source: Stats SA, FNB Economic

Economist

Thanda Sithole

Contact:

Website: fnb.co.za/economics-commentary

Email: Thanda.Sithole@fnb.co.za

