



CHAMBER OF MINES
of South Africa

MEDIA STATEMENT

For immediate release

MINING PRODUCTION FALTERS IN MAY ON UNCERTAIN COMMODITY PRICES

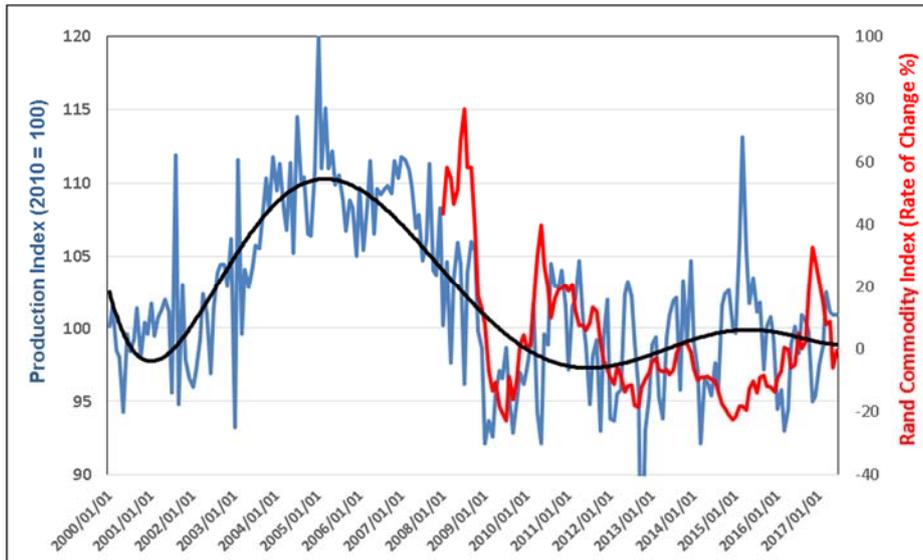
Johannesburg, 13 July 2017: The mining production data released by Statistics South Africa today reveals a second consecutive month of contraction -0.2% on April and -1.4% March.

Chamber of Mines Chief Economist, Henk Langenhoven, notes that: “This contraction is concerning as the 5% improvement in production over the first five months of 2017 is being eroded, resulting in annual production stagnating at 2016 levels (the latter having been 5% lower than 2015).

This decline is largely explained by a combination of the uncertainty regarding commodity prices and the strengthening of the rand: dollar exchange rate. The rand was, on average, nearly 17% stronger against the dollar during the first six months of 2017, compared to last year. It has strengthened by over 5% since January 2017.

Although the average prices of the four important export commodities were higher (six months of 2017) compared with a year ago, January 2017 seemed to indicate a turning point, with production starting to falter shortly thereafter. The rand commodity price index declined by 12% since January. During this period, the rand landed-price for coal declined by 13.5%, iron ore by 32%, and while the gold price remained steady, platinum prices dropped by 9%. These commodities constitute 86% of exported minerals.



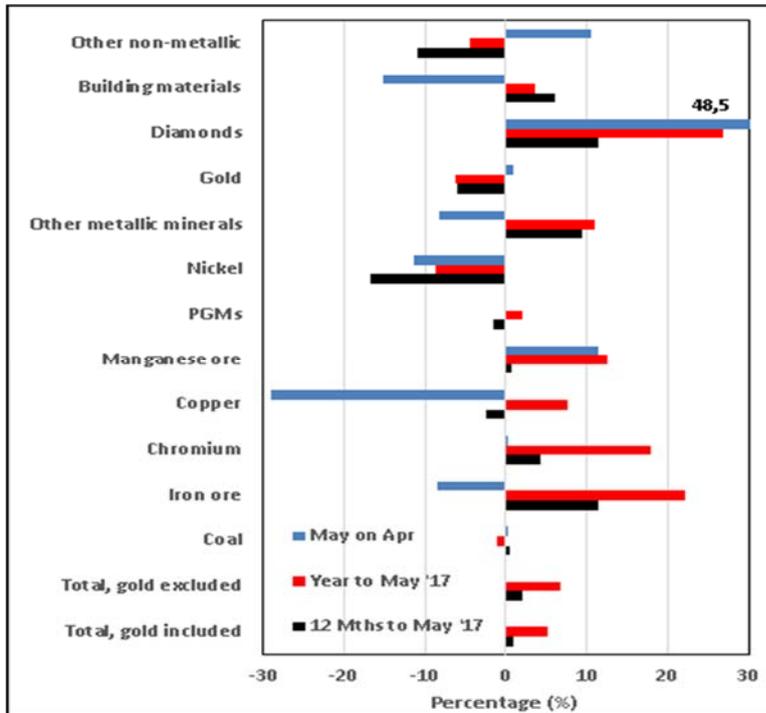


If the correlation between rand commodity prices and production holds true, production will decline further in June as the landed prices continued to decline. On the other hand, it is known that there were production disruptions at certain gold mines, and that exports of coal through Richard's Bay have been hampered by civil unrest and that the railway line will soon be closed for annual maintenance.

The different commodities within the sector showed varied performances - see graph below. On a month-on-month basis, diamond and manganese production improved substantially, while copper (-28%), iron ore (-8.4%), nickel (-11,3%) and building material production (-15%) were all lower than in April.

When the first five months of 2017 is compared with the same period last year, most commodity production improved (+5%); diamonds (+27%), iron ore (+22%), chromium (+18%), manganese (+13%), and other metallic minerals (+11%).

Total Mining Production rates of change: May 2017



In conclusion, Henk notes that: “Uncertainties still prevail and the net result will become more evident in the May production numbers. The adverse effect on the investment climate for mining given recent events, and the potential for further losses in employment are very concerning.”

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