



CHAMBER OF MINES  
of South Africa

# MEDIA STATEMENT

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**For immediate release**

## **MINING PRODUCTION DISAPPOINTS AGAIN IN NOVEMBER, AMIDST SIGNS OF SECTOR STABILISING AT VERY LOW LEVELS**

**Johannesburg, 17 January 2017:** The November mining production data released by Statistics South Africa today, disappointed again pointing to a near 5% annual decline for 2016.

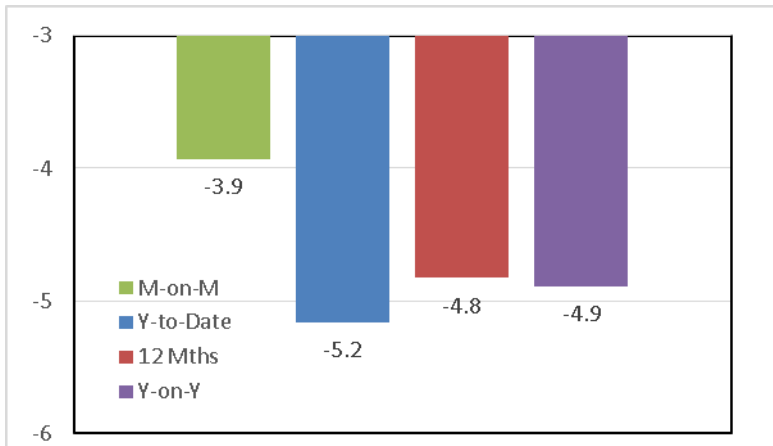
Nonetheless, Chamber of Mines Chief Economist, Henk Langenhoven comments that: "All indications are that commodity prices will bottom out this year, albeit with large variations and fluctuations amongst them depending on their main drivers.

'A critical question is whether there are early signs of any positive impact on the domestic mining fraternity, whether from positive price movements or from the painful adjustments made by the sector itself? The answer seems to be in the affirmative, supporting the mostly positive movements in commodity related share prices on the JSE.'

Annual production (12 months) fell by 4.8% by the end of November compared with the same period the previous year. Production in November was 3.9% lower than in September which brought the decline for 11 months of 2016 to -5.2%. The production index stood at 120.1 in January 2005; more than 15 years later the same index is at 95.3.



### Total mining production rates of change

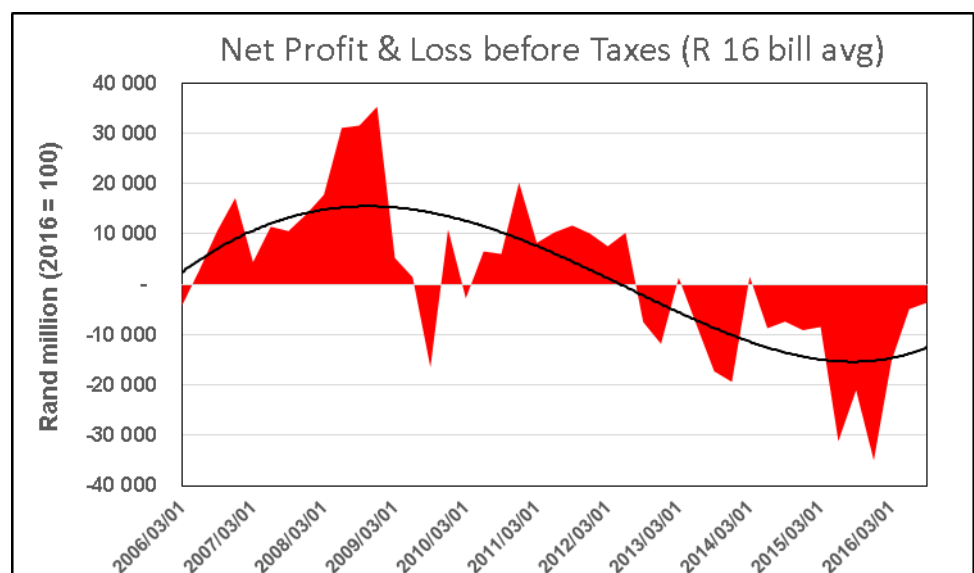


Of the different mineral groups, only manganese ((+6.4%), other non-metals (+5%) and copper (+0.8%) production improved in November on the previous month. For the year, only platinum group metals (PGMs) showed a small increase in production. It appears almost certain that mining will

detract from the country's gross domestic production performance for the fourth quarter.

When looking at the quarterly financial surveys done by Statistics South Africa, up to the third quarter of 2016, the following clear trend is evident in the net profit and loss before tax performance of the mining sector. The graph below shows the pattern of fluctuation around an average of R16 billion per quarter over the last 10 years (above 0 equals profits higher than the average and below, lower than the average).

The extreme stress experienced by the sector since 2006 is clear. This is borne out by the very low base of net profits having prevailed since the middle of 2012. Over a 12 month period between the middle of 2015 and the middle of 2016 the sector lost



nearly R40 billion. This graph brings together the 'bottom line' of all positive and negative drivers having an impact on the mining sector.

Langenhoven further notes: “The urgency of needing to do everything possible to secure the recovery of the sector is apparent. About 460,000 people are directly dependent on employment in the sector. However, when the indirect and induced employment in supplier sectors as well as the dependency ratios are taken into account, nearly 10 million people are in some way or the other influenced by the success or failure of the sector.”

He concludes that there seems to be some ‘green shoots’ evident in the performance of the sector although the latest production data shows just how difficult the process of recovery will be.

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