



CHAMBER OF MINES  
of South Africa

# MEDIA STATEMENT

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**For immediate release**

## **MINING PRODUCTION FALTERS IN MAY ON UNCERTAIN COMMODITY PRICES**

**Johannesburg, 10 August 2017:** The mining production data released by Statistics South Africa (Stats SA) today reveals a third consecutive monthly contraction: -2.6% June, -0.2% in May, and -1.4% in April. As a result, performance for the year to date (six months) has now declined to an improvement of under 5% compared to the same period in 2016. The 12-month comparative figure has now dropped to 2.1%.

There is no doubt that this decline is largely explained by a combination of the uncertainty regarding commodity prices and the strengthening of the rand exchange rate against the dollar. The rand was on average nearly 16% stronger against the dollar over the first seven months of 2017, compared to last year. It strengthened by over 5% since January 2017. This appreciation of the rand has more than eroded the slight improvement in commodity prices given that rand commodity prices fell by 4.5% since January.

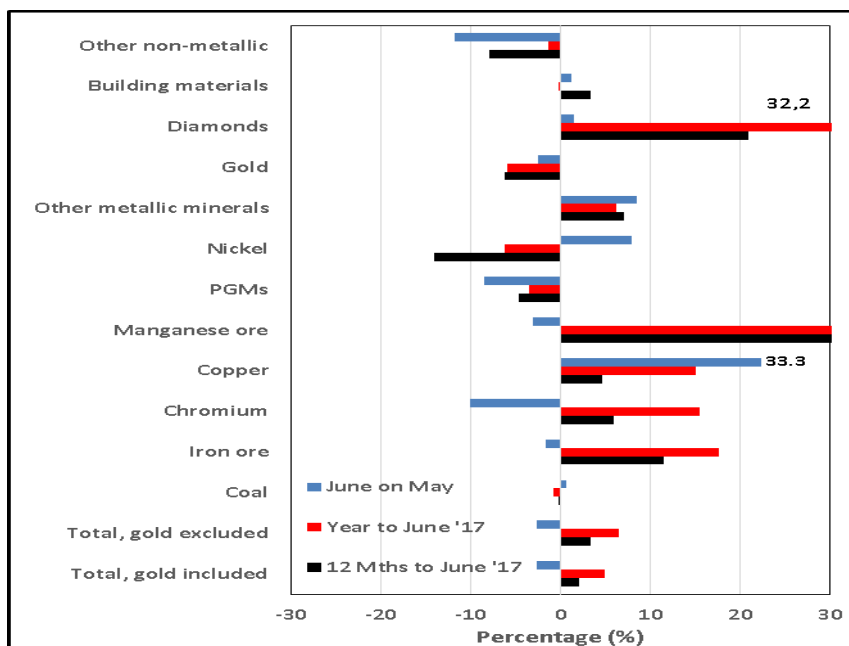
Rand commodity prices lead production volumes. Based on this relationship (as per the May production numbers)) we expected production volumes to decline further in June as the landed prices continued to decline. This has materialised. In July, there was a slight improvement in the landed rand prices for SA commodities; this may indicate that July production (when released next month) could be on par or slightly better than the June number.

There are significant differences in the production performance of individual commodities, as shown in the graph below. Depending on whether the comparison is done on a monthly basis (June against May 2017) or the first six months of 2017 against the same period during 2016, or over a 12 month period, the answers differ substantially even for the same commodity. Monthly comparisons typically show recent disruptions, while the 12



month performance gives an idea of whether a commodity is on track to produce more or less than the previous year, i.e. growing or declining.

#### Differential commodity production rates of change: June 2017



Chamber of Mines Chief Economist, Henk Langenhoven notes: “Trends in commodity prices and performance of the Rand have an enormous impact on the mining sector’s profitability. Any additional uncertainties, like the potential electricity price increase as well as the legal and regulatory uncertainty relating to the DMR’s Mining Charter detracts from to the sustainability of the sector. The latest announcements of mine closures and further potential closures are serious signs of this.”

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