SA's mining output falls further below pre-pandemic levels

By Nelson Banya

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South Africa's mining output has fallen further below pre-pandemic levels due to persistent electricity outages and rail disruptions, industry data shows, threatening dividend payouts to investors.

Mne workers stand underground at Gold Fields' South Deep mine, south-west of Johannesburg. 2022. Source: Reuters/Siphiwe Sibeko

Severe power cuts since the end of 2022 are affecting output, while Transnet is struggling to haul minerals to port due to cable theft and vandalism of infrastructure.

As a result, mine output and sales for the 12 months to May 2023 were down 4.6% and 4.2%, respectively, compared to the same period a year earlier, new data from the Minerals Council of South Africa figures showed.

Output in May was down 7.8% from pre-pandemic levels, the council's chief economist Henk Langenhoven said.

"It's been very hard to get back to 2019 production levels. We're really struggling," Langenhoven said. "Although we sort of recovered at the beginning of 2021, we've faltered since then."

South Africa produces 70-75% of mined platinum supply, for example, and lower production in the country has helped spur a surge in prices of the metal.

Diversified miner Sibanye Stillwater has said South Africa's platinum group metal (PGM) output could decline by as much as 20% this year as erratic power supplies hit processing capacity.

Freight rail capacity problems have forced coal and iron ore miners to cut output as they struggle to haul minerals to ports and stocks pile up at mines.

Thermal coal exporter Thungela Resources said rail problems prevented it from exporting 300,000 metric tonnes of coal in the first half of 2023.

PGMs, gold, coal and iron ore, which make up 80% of South Africa's mineral exports, all registered declines in output, Minerals Council data showed.

The infrastructure problems, coupled with lower commodity prices, have reduced mining tax revenue, putting at risk South Africa's budget deficit target.

Kumba forced to stockpile more iron ore as rail bottlenecks mount
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Investors worried

Although a weaker rand has helped exporters offset some of the output decline as they capitalise on the rand-dollar exchange rate benefits, mining analysts have warned of a softer currency's impact on the cost of imported inputs.

Costly energy alternatives, such as running diesel generators, were also driving up costs.

Thungela finance director Deon Smith told investors in June that the company would need to take into account the rail crisis when considering future dividends.

Kumba Iron Ore, another bulk mineral exporter reliant on Transnet, has cut back on mining activities as it struggles to haul ore to port. The company slashed its interim dividend by 21%.

Kumba CEO Mpumi Zikalala said miners hoped that a recently formed government-private sector logistics crisis committee would address the rail bottlenecks.

A similar joint committee has been established to tackle the electricity crisis.

"We believe our logistics challenges can be resolved with collaboration and certainly greater public-private sector partnerships," Zikalala said during a 26 July results call.