

# The yo-yo world of commodities

While commodities may be on the rise globally, South Africa is a mixed bag with some going up, some stable and some declining.

 By [Danette Breitenbach](#) 10 Apr 2017



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## The sad story of gold and PGM

In South Africa, since 2003, indexed mining production has been flat, with only coal rising about the line, says Andries Rossouw, mining industry assurance partner, PwC. “Gold is a sad story, showing a steady decline, while there has been no sign of recovery for the platinum group metals (PGM) from the dip it sank into following the 2012 to 2014 industrial action.”

Like platinum, diamonds have not really recovered since the crash of 2008. Building materials need to increase so that the country’s infrastructure can be built up.

## Chrome - the flavour of the month

On the upside is iron ore, although this growth is off the back of infrastructure investment that led to increased capacity. Manganese has finally started to reap rewards for its investors. Chrome, the flavour of the month, is also growing nicely.

“However, when one looks at the indexed unit cost real rand prices, then it can be seen that iron ore is just above the 50% mark of 2005 levels, so that sector is not making the profits it should be,” he explains. Despite record gold prices, the industry is not better off, and gold is sitting at the same levels it was in 2005.

The ultimate sad story is platinum. Turning to EBITDA margins, Rossouw says it is clear that platinum is sitting at 2011 EBITDA levels, when it needs to be closer to 2015 levels. “At the moment, the majority of the country’s resources are underwater.”

## Zinc punching above its weight

Peter Major, director mining, Cadiz Corporate Solutions, believes that platinum is close to stabilising its price, and there it will stay for the next couple of years, with a better chance of going up than any other commodity. “Coal is fighting gravity, while iron ore, one of the heaviest commodities, will not stay where it is. It might be \$60 next year.”

Another commodity above its price is zinc, but Major does not see this lasting long in the environment we are currently

finding ourselves in. This said, he does believe it is close to its price. A commodity with a bright future is fluorspar. “Only uranium is lower than fluorspar but if history is anything to go by, it has a bright future.”

Credit must go to US president, Donald Trump, for the high price of gold. “This is good news for people who produce a lot of gold; unfortunately, we are no longer big producers of gold.”

## **Production cuts have hurt**

He adds that gold is comfortable where it is and will remain there for some time. “Since 1976 the rest of the world has loved gold, but we hate these prices which is why we are cutting back on production.”

What has hurt us is productivity, The United States and China have increased productivity and until we do, we will never be up there, he says.

## **ABOUT DANETTE BREITENBACH**

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.  
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