

SA mining industry in transition

By  Danette Breitenbach

27 Sep 2019

The local mining industry finds itself in a transition as it moves from conventional deep mining to shallower, mechanised mining. This is on the back of the continuing decline in the gold industry while commodities such as manganese, iron ore and chrome are showing sustainable growth.



Andries Rossouw, PwC Africa energy & resources leader

Overall revenue has grown over the reviewed period. “However, if you take the rand out of that then growth has remained flat,” says Andries Rossouw, PwC Africa energy & resources leader, at the launch of the 11th [SA Mine 2019](#).

While the weaker rand has helped revenues and profits in short term, in the long term it is impacting costs. It is a short-term cash injection that does not support the long-term sustainability of the industry. “This is not a long-term solution for the industry,” he says.

He foresees that, running up to December 2019, the PwC’s 11th [SA Mine 2019](#) will still play a massive role. “Let’s hope this will help kickstart the industry and even help the economy as a whole.”

The report highlights that the finalisation of the Mining Charter has brought more optimism to the industry. However, the industry is still playing a wait-and-see game regarding the re-empowerment clause of the charter. “We cannot predict the outcome, we can only say that it is creating lots of uncertainty,” says Rossouw.

Carbon tax

The incoming carbon tax legislation is also creating uncertainty. “The waters are being tested and engagement with industry has been opened to ascertain the extent to which the carbon tax will affect the industry,” he says.

The purpose of the carbon tax is to change mindsets. “It will also lead to a much more efficient industry and it won’t be long before we see reinvestment in renewables,” he adds.

Coal is still king

For the period of the report, the industry has outperformed the JSE All Share Index, but it is still lagging the overall trend, which is in line with global trends. Coal is still the biggest revenue generator in South Africa, but price has not driven

production. “It’s 28% of revenue locally is also in line with global trends for commodities.

The platinum and gold industries have both grown their share since last year, with the platinum industry aided by the platinum price. “The gold industry continues its decline, and with the cost base increasing as much as it has, this is probably a terminal decline and the reason why we are seeing the mine closures,” says Roussow.

Operating costs are still characterised by a labour-intensive industry with labour costs above inflation. Capital expenditure has remained flat, but the improved cash flow has led to a higher distribution to shareholder. While there has been an improvement in the dividend payment, compared to other industries the pay-out is much less. It is also well below what has been paid out in the past.

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.

- Mining sector must work together for the country - 12 Oct 2021
- Manganese a rising star - 15 Sep 2021
- SA mining industry in transition - 27 Sep 2019
- Let's work together, then we can mine - 13 Jun 2019
- Report outlines the highs and lows of SA mining - 9 Oct 2018

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>