

SA mine production value remains above R1tn - *Facts & Figures 2022* pocketbook

South African mineral production reached a record high for the second year in a row in 2022. Despite the sector's significant contribution, however, warning signs are flashing due to logistics constraints, weak energy security, and nearly no net investment, according to Minerals Council South Africa.



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Mineral production achieved a fresh record high of R1.18tn in 2022, up from R1.1tn in 2021, which was the first time the industry topped the trillion rand mark. Production value was driven by strong commodity prices, giving the domestic economy a vital injection of higher taxes to bolster the fiscus, increase employment and improve wages.

The mining industry is one of very few sectors in the prevailing economic climate adding jobs. During 2022, the sector created 15,500 more jobs, lifting total employment to 475,560, according to the Minerals Council South Africa's *Facts & Figures 2022* pocketbook.

The publication, which provides indepth data and insights into the status and performance of the mining industry, showed how important the sector is for the South African economy.

"Once again, the mining industry has shot out the lights when considering its financial performance and contribution to the economy in 2022. However, we remain concerned about the worsening constraints in rail and port logistics, which means we have yet again forfeited the benefits of high commodity prices and demand, as well as inadequate electricity supply," says Minerals Council CEO Roger Baxter.



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Taxes and royalties

Taxes paid to government have helped save the country's fiscus from dangerous debt metrics exacerbated by the Covid-19 lockdown and economic contraction. Mining company tax in 2022 was R74bn (R81bn, 2021) and royalties increased to R14bn from nearly R12bn.

Mining's contribution to GDP grew by 4% to almost R494bn, keeping its percentage contribution to GDP at 7.53% (7.56%, 2021).

"Transport logistics and energy are two of the most critical issues the Minerals Council is dealing with at a Presidency, ministerial and Transnet board level. We are in a partnership with the Transnet board to urgently resolve bottlenecks on the four bulk mineral export channels. We are in constant talks with Eskom to find solutions to our energy crisis," says Baxter.



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Opportunity costs

The Minerals Council estimates the opportunity cost resulting from rail and port constraints to have increased to R50bn in 2022 from R35bn the year before when delivered tonnages are measured against targeted tonnages. If the rail network was operating at nameplate capacity, with a few minor enhancements, South Africa would realise R151bn more in bulk mineral sales.

The Minerals Council estimates production will fall by about 6% in 2022 compared to the year before. The gravity of the situation is borne out by the volume of mining production falling to below pre-Covid-19 levels in 2019 due to structural constraints, leaving the industry unable to respond to higher commodity prices.

"The constraints around transport, logistics and border posts remain, and they are increasingly hampering mineral export volumes," says Minerals Council chief economist Henk Langenhoven.

While export values grew to R878bn in 2022 from R856bn, it was purely because of commodity prices improving by 70% year-on-year. Export volumes were stagnant, growing by just 0.2% in the twelve months to end October 2022 versus the same period in 2021.

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Lack of investment

Of concern for the longer term is the lack of investment in the mining sector, which points to constrained growth in the future and declining production if this trend is not reversed.

“Higher commodity prices have not resulted in higher fixed investment in mining, due to the structural domestic constraints. Net investment, especially in new projects, has dwindled to almost zero,” says Langenhoven, pointing to the negative investment climate caused by structural constraints, the slow pace of the government’s structural reforms, and the negative perception of South Africa as a mining investment destination.

Download the Mineral Councils's [*Facts & Figures 2022 pocketbook*](#).

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