



Department of Mineral Resources & Energy

Mining, Minerals and Energy Policy Development

North West Investment Conference (25-26 Jan 2022)



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Mining, Minerals and Energy Policy Development:

Presentation Outline

- ❑ Purpose & Functions of the Branch
- ❑ World Economic Outlook
- ❑ Key SA Micro and Macroeconomic Statistics (Focus on Minerals and Energy sectors)
 - ✓ Summary of Major Economic Indicators for South Africa
 - ✓ Highlights – Economic performance of the mining sector
 - ✓ Highlights – Energy sector (Electricity)
- ❑ North West Economic Overview 2020/2021
- ❑ Discussions (Q&A)

Mining, Minerals and Energy Policy Development:

Purpose & Functions of the Branch

Purpose of the Branch

To develop integrated minerals and energy policies to promote transformation, investment and sustainable development in the mining and energy sectors.

Functions of the Branch

- Provide administrative support and manage the dissemination of information and publications
- Provide a policy and legislative framework for mining, minerals and petroleum sectors
- Promote minerals development and advice on trends in the mining industry to attract investment
- Promote economic growth and attract investments
- Ensure the security of mineral resources and energy supply through planning
- Develop and review policies as required by international agreements and governance of the nuclear sector in South Africa

Key Micro and Macroeconomic Statistics:

Global Economic Prospect (by The World Bank)

- The global economy is estimated to grow by **5.5% in 2021; 4.1% in 2022; and 3.2% in 2023.**
 - Energy prices soared in the third quarter of 2021 and are expected to remain elevated in 2022, led to the current global inflation.
 - Some commodity prices rose and exceeded levels not seen since the spike of 2011.

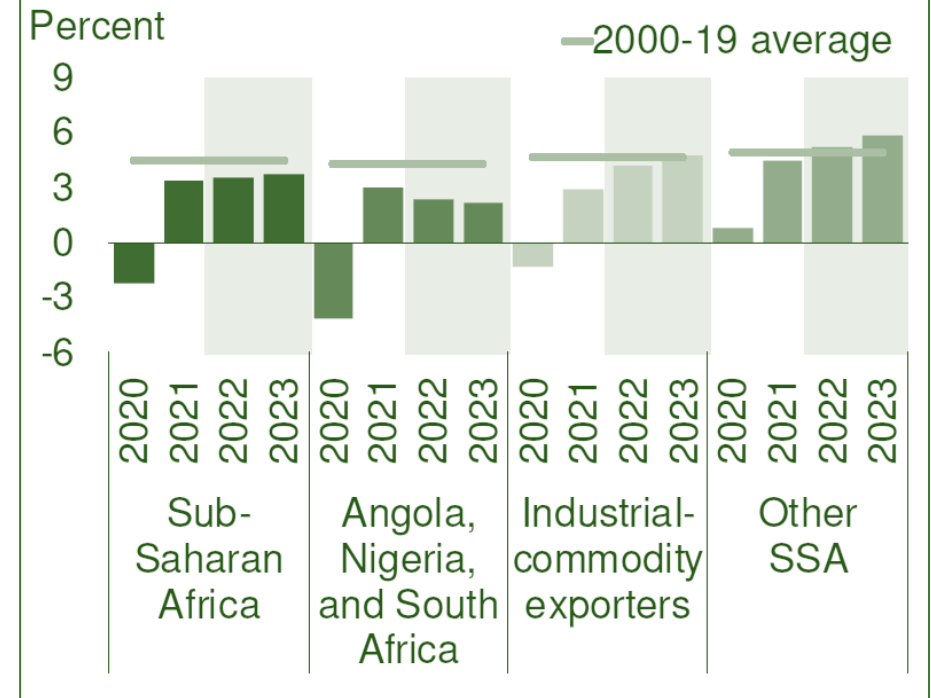
South Africa economy is estimated to grow by **4.6% in 2021 (2.1% in 2022 and 1.5% in 2023)**, driven by a strong rebound in mining, manufacturing, and services sectors.

- The recovery slowed in the second half of 2021 owing to severe COVID-19 outbreaks, power outages, and a rise in social unrests.

South Africa Reserve Bank (SARB) tightened policy in 2021 over concerns of rising energy and food prices

- **South Africa's repo rate** rose to 3.75% per annum (from 3.5% p.a).

A. GDP growth



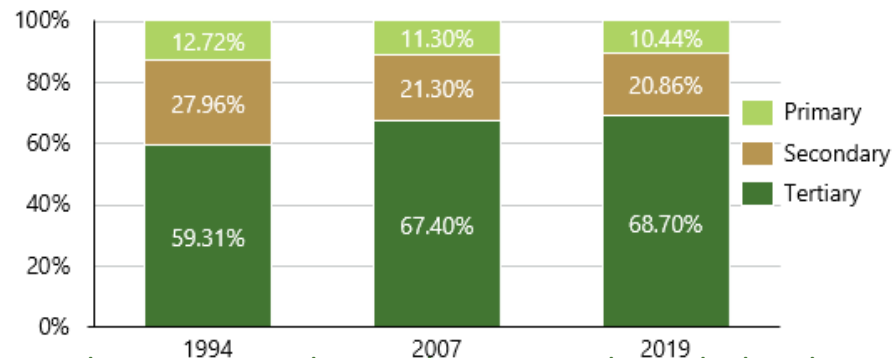
Source:

<https://openknowledge.worldbank.org/bitstream/handle/10986/36519/9781464817601.pdf>

Debt to DGP has been unsustainable, COVID-19 has exacerbated that as more money has been needed to fight COVID-19 and save livelihoods

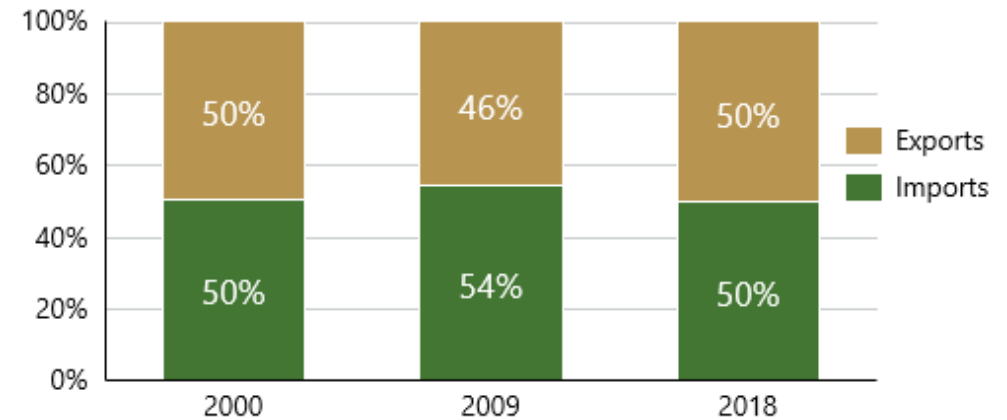
Summary of Major Economic Indicators for South Africa

Sector Contribution to GDP, %



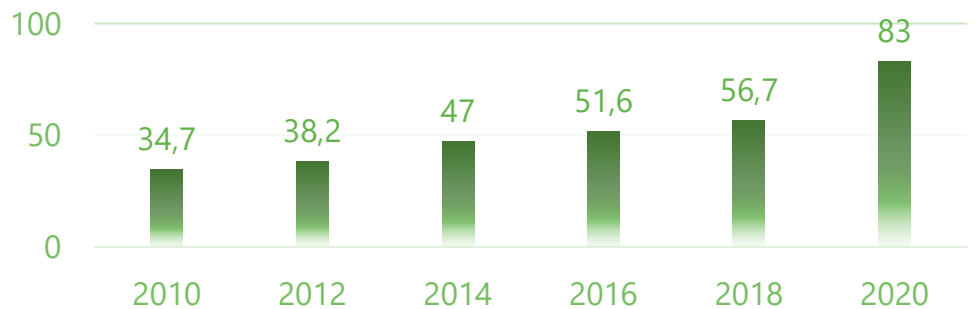
- The primary and secondary sectors have declined over the years

Exports vs Imports by Value, %



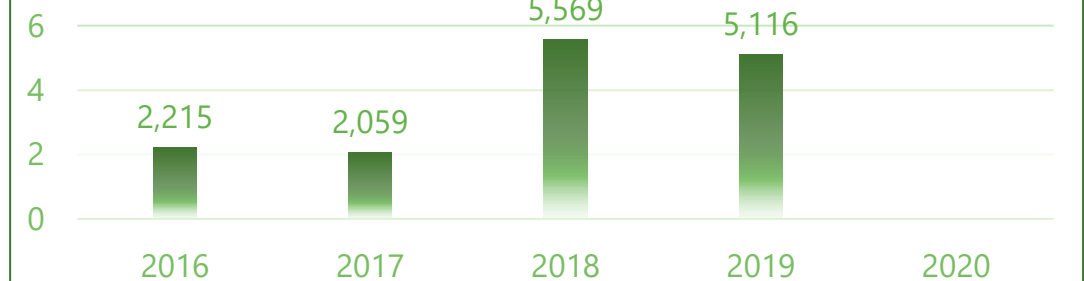
- As a ratio of GDP, the surplus widened from 4.3% in 1st quarter of 2021 to 5.6% in the 2nd quarter.

GOVERNMENT DEBT TO GDP (%)



Source: Trading Economics, South African Reserve Bank

FDI INFLOWS (USD BN)

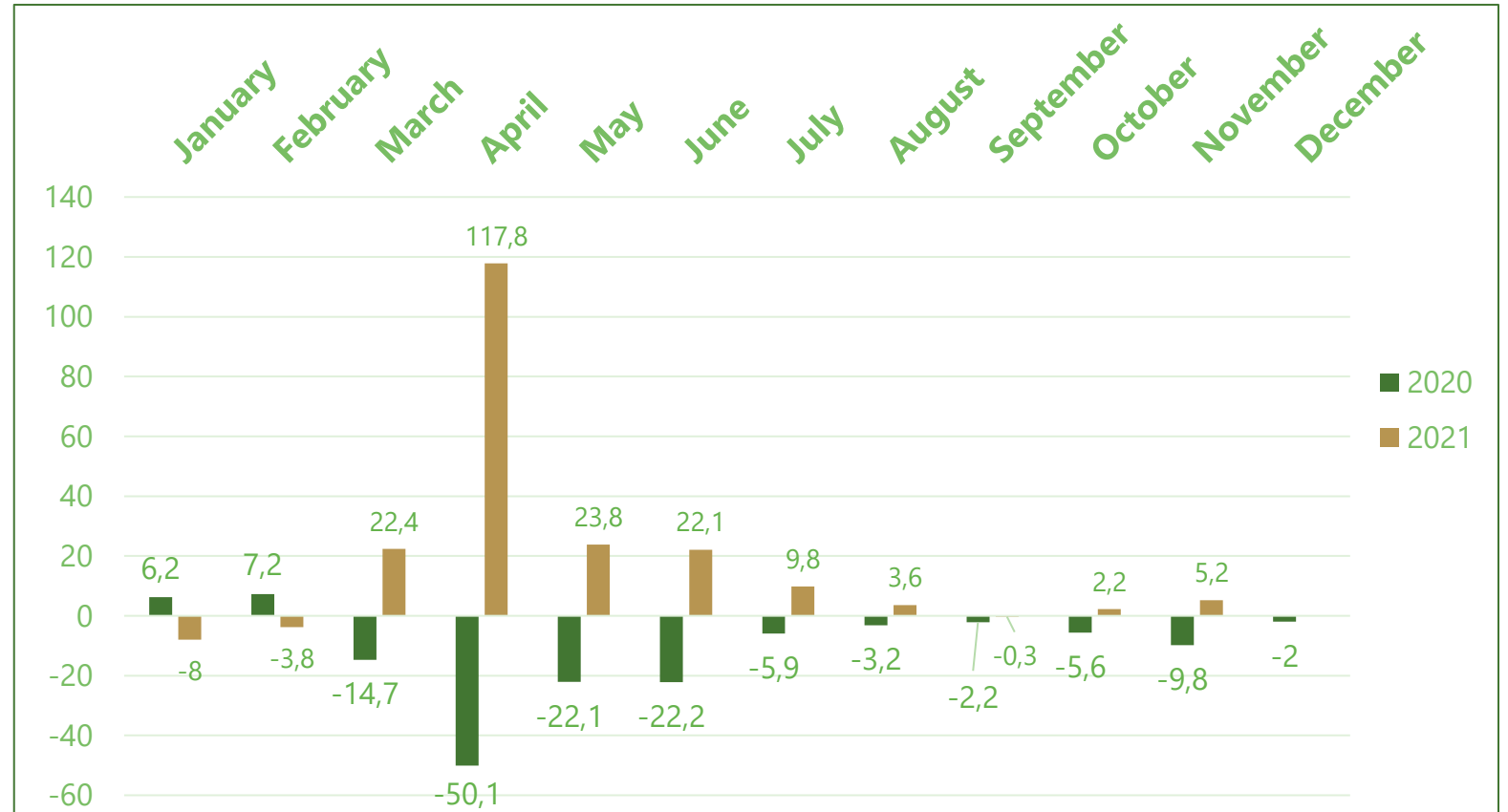


Source: The World Bank

Key Micro and Macroeconomic Statistics:

Year-on-Year Mining Production Growth Rates (in percent)

- Mining production increased by 5,2% year-on-year in **November 2021**.
- The largest positive contributors were:
 - PGMs (38,1% and contributing 7,7% points);
 - Iron ore (9,3% and contributing 0,8% points)
- The largest negative contributor is:
 - Coal (-7,9% and contributing -2,2% points)



Source: STATS SA - Mining: Production and Sales, 2020 & 2021

Key Micro and Macroeconomic Statistics:

Minerals Produced in North West contributed significantly to the revenue of the country as shown in the figure below

Mining contributed strongly to the recovery and reconstruction of the economy. In 2020 it was the strongest contributor to growth with 271% in Q3 though it was coming from a low base of -70% in Q2.

In the Q1 2021, the sector grew by 18.1% due to increased production and prices of PGMs, Iron ore and Gold. PGMs and Iron ore are largely produced in North West province.

Though we are looking in the future minerals PGMs, Iron ore, Gold and Coal continue to be vital minerals in the economy

	Year	PGMs	Iron ore	Gold mining	Coal	Other mining	Total South Africa
Total impact includes direct, indirect and induced impact	FY2020	150.9	72.7	80.7	133.5	120.1	557.9
	FY2021	300.7	116.0	102.6	130.8	143.0	792.9
Mining sales, FY21 (Rbn)	FY2020	227.4	99.6	112.7	199.3	164.4	803.3
	FY2021	355.6	129.6	116.9	159.2	159.8	921.2
Total impact on GDP (Rbn)	FY2020	622.0	181.0	216.0	288.0	287.0	1,594.0
	FY2021	1,239.0	250.0	253.0	281.0	308.0	2,331.0
Total impact on jobs (number)	FY2020	50.6	23.9	26.3	45.5	39.4	185.6
	FY2021	100.8	38.1	33.5	44.5	46.9	263.7
Total impact on tax revenue (Rbn)	FY2020	50.6	23.9	26.3	45.5	39.4	185.6
	FY2021	100.8	38.1	33.5	44.5	46.9	263.7

Source: PwC Strategy & analysis from Social Accounting Matrix for South Africa

FIGURE: MINING CONTRIBUTION TO GOVERNMENT INCOME IN SA

The Energy Sector - Key Micro and Macroeconomic Statistics:

Electricity Production & Consumption

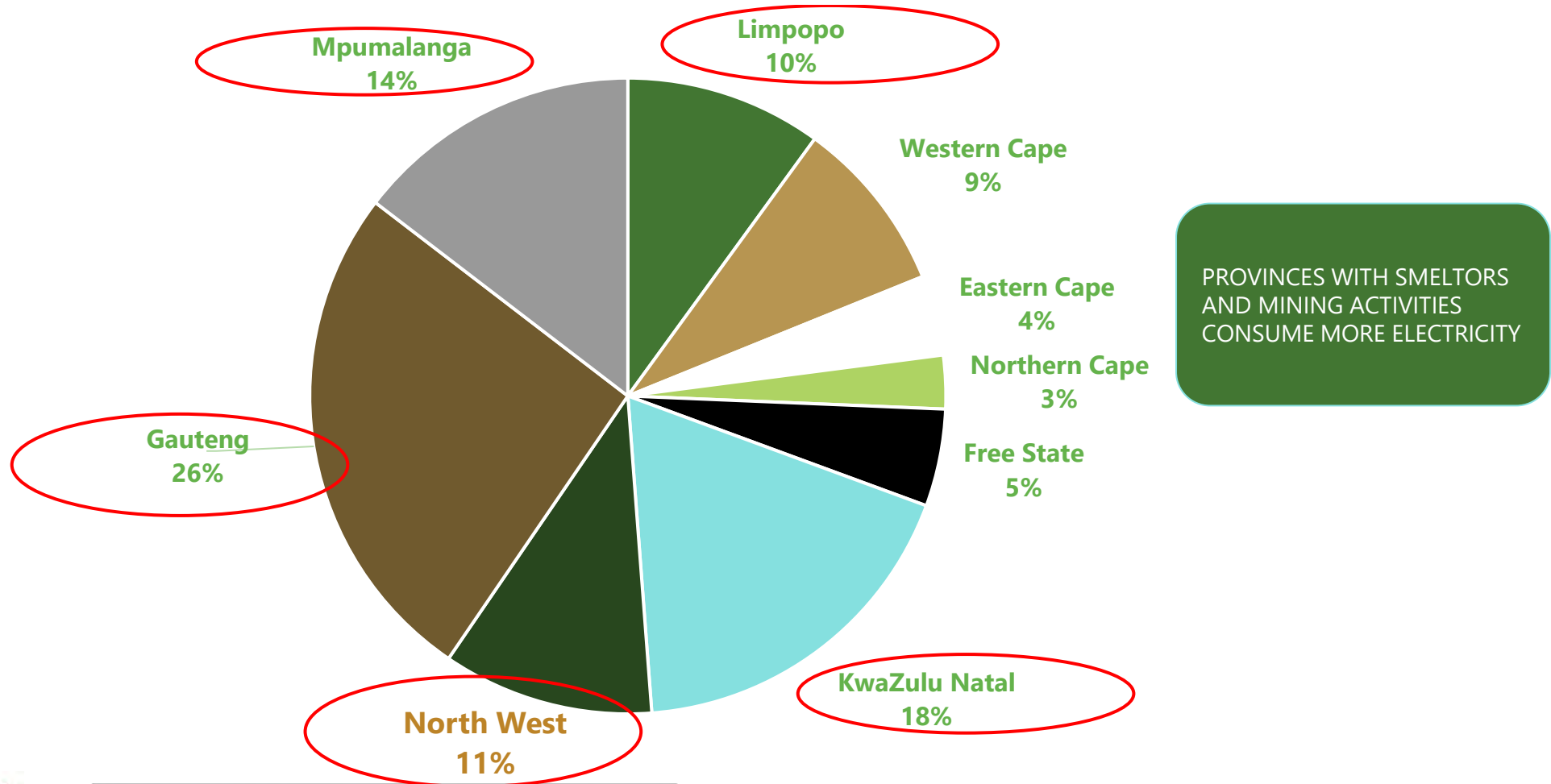
	January – November 2020	January – November 2021	Year-on-Year Change	Year-on-Year % Change
Total Electricity Produced in South Africa	219 620 GWh*	225 211 GWh*	+5 591 GWh*	+2,5%
Electricity Distributed in South Africa (electricity consumed)	198 031 GWh*	203 534 GWh*	+5 503 GWh*	+2,8%

Source:
STATS SA Electricity Generated and Available for Distribution

*GWh - Gigawatt-hours

The Energy Sector - Key Micro and Macroeconomic Statistics:

Percentage Volume of Electricity Delivered to Provinces in November 2021



Key Micro and Macroeconomic Statistics: Interesting trends

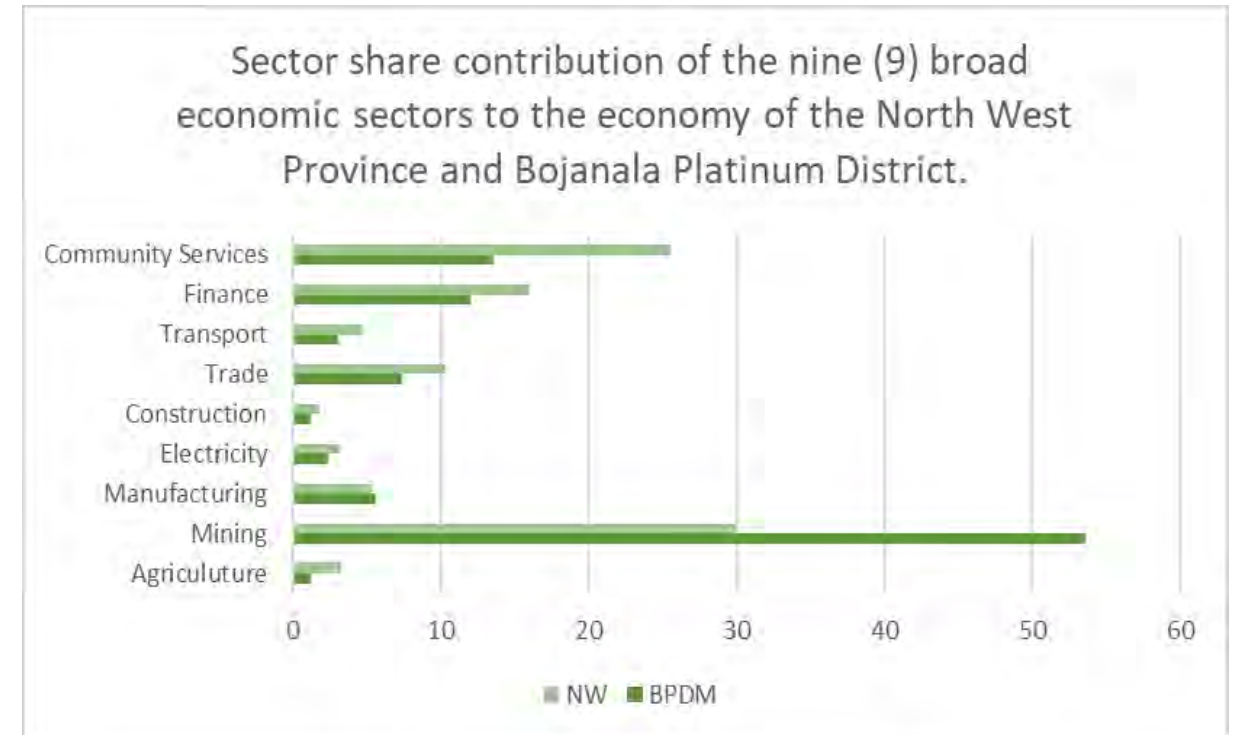
Key Commodity Prices			
Key Commodities(metric-tonne)	December 2021 Average	December 2020 Average	Year-on-Year % Change
Platinum (per ounce)	\$945	\$1 028	-8.1%
Gold (per ounce)	\$1 790	\$1 858	-3.7%
Zinc (per metric tonne)	\$3 399	\$2 780	18.21%
Iron Ore (per dmt)	\$117	\$155.40	-24.7%
Copper (mt)	\$9 551	\$7 772	18.6%
Coal (mt)	\$142.50.	\$85.2	67.3%
Brent Crude Oil (per barrel)	\$74.3	\$49.9	48.9%
Nickel (mt)	\$20,016	\$16,823	18.9%

Minerals of the future

North West Province

North West Economic Overview 2020/21

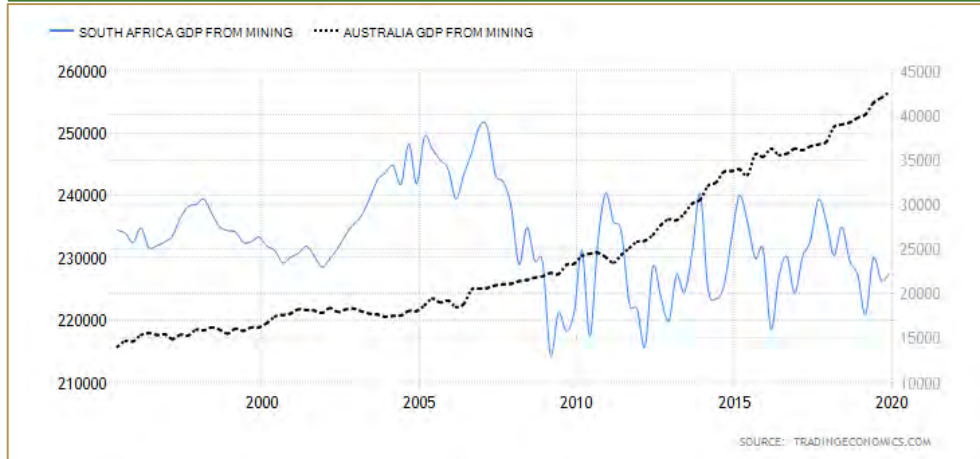
- The provincial economy is dominated by the tertiary sector and the primary sector.
- Bojanala Platinum District is the major contributor to economic growth of the North West province, with mining being its major activity **53.6%**, which adds to North West's overall mining contribution of **29.9%**.
- On a national level, the mining sector contributes a significant share of **7.1%** to the national mining output, while the community services sector contributes **26.4%**.
- The North West offers easily-available skills and distribution channels imperative for agricultural commercial ventures and plays a significant role in the supply of energy, transport and communications to the African continent.



Source: https://nwdc.co.za/wp-content/uploads/2022/01/NWDC_Economic_Data_Report_Qtr_3_2021-2022.pdf

Why investment conferences: to reignite the mining sector in the country

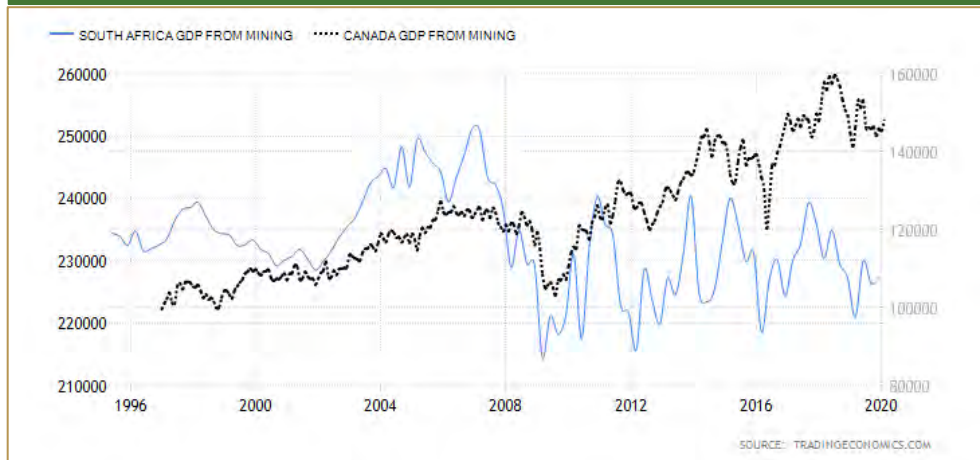
South Africa vs Australia GDP from Mining (1995 – 2020)



South Africa vs Brazil GDP from Mining (1995 – 2020)



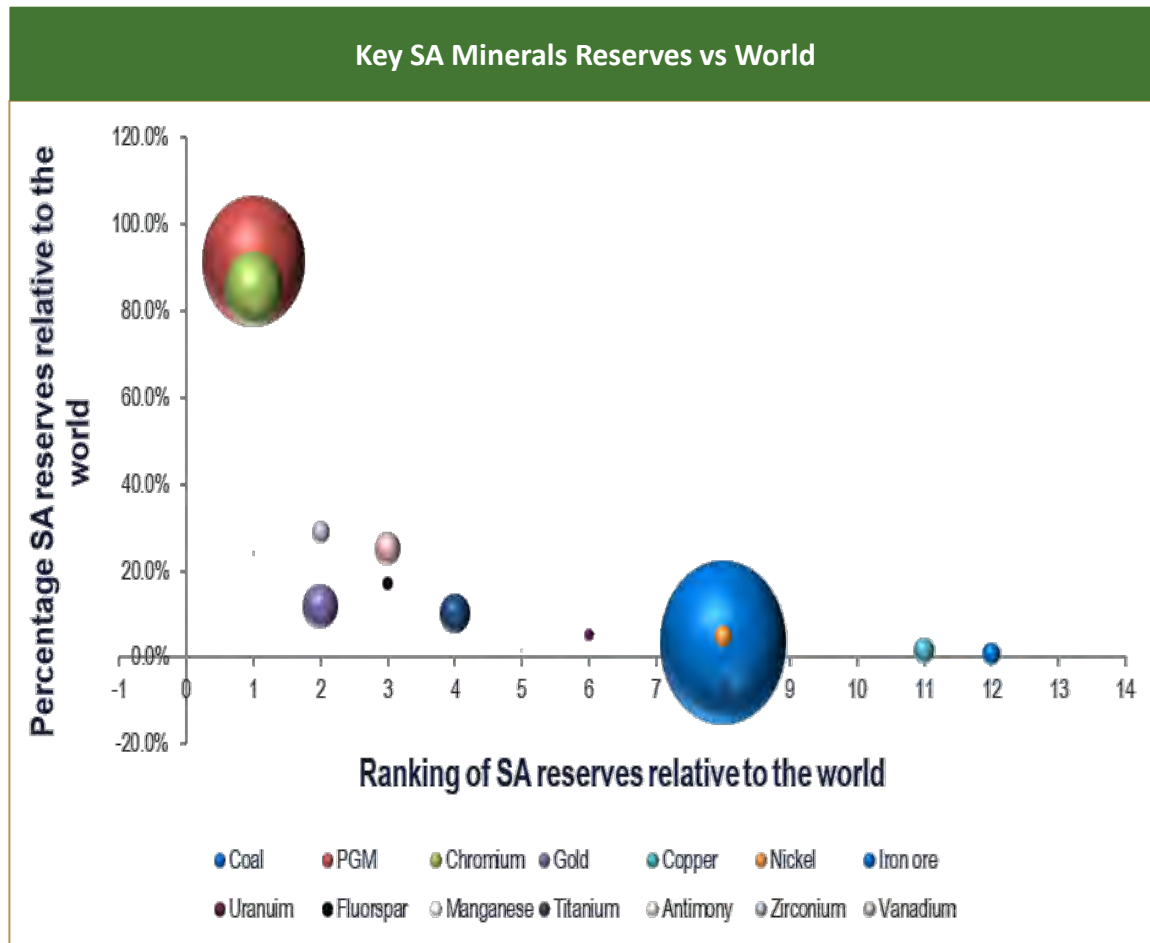
South Africa vs Canada GDP from Mining (1995 – 2020)



Analysis

- SA Mining GDP contribution at 9.1% (2021) vs 15-20% in the early 90s
- SA GDP from Mining moved sideways in the past 10 years – This trend is not in line with other major mining countries where it is going up
- Tapping into the minerals of the future and renewable energy minerals presents opportunities for NW Province

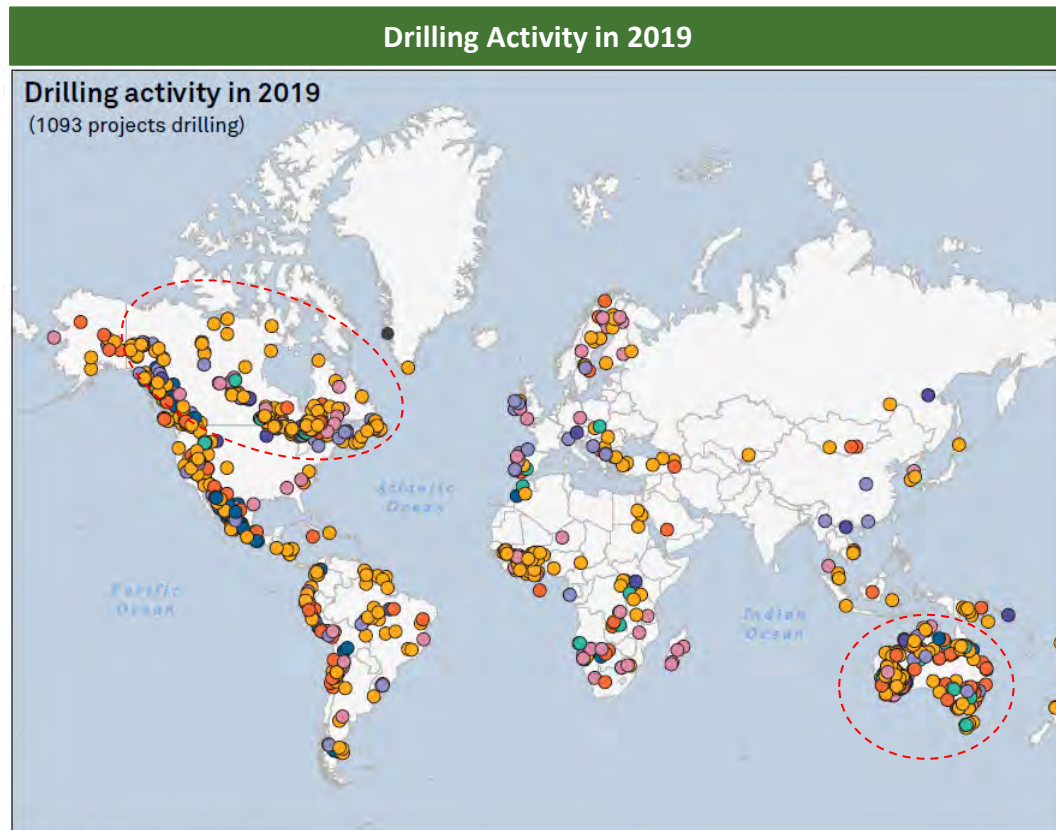
Exploration is at the centre of the growth of mining



Analysis

- PGMs which are concentrated in NW province dominated mining production and sales between 2019-2021
- South Africa still needs to explore and uncover all its minerals particularly those that are in demand, a plan to that effect has been developed to de-risk exploration by investing in public exploration
- There is a need for partnership with industry to achieve the 5% we target
- There is opportunity to tap into fuel sells thereby creating more sustained market for our large PGM reserves

Exploration is central to the growth of mining in SA..cont..



Primary commodity

● Copper ● Gold ● Lead-zinc ● Minor base metals ● Nickel ● PGM ● Silver ● Specialty metals

As of Jan. 30, 2020

PGM = platinum group metals

Does not include bulk commodities, e.g., iron ore, manganese, coal, bauxite, potash, phosphates and chromite.

Source: S&P Global Market Intelligence

Analysis

- Australia and Canada continue to lead on exploration
- Gold attracts over 50% of the exploration budget with Copper in second position
- Very low drilling activity in SA – limited exploration in Gold due to very deep reserves
- SA is not attracting private capital into exploration
- We have developed an exploration strategy to that effect
- Northwest Province is one of the provinces targeted for exploration of the minerals of the future because of its potential

Investment in mining is crucial in the North -West province to ensure its continued contribution to the GDP in NW and the country

The potential of the NW province

The North West Province got an opportunity to become active in the future minerals :

- The prices of minerals of the future has been going up due to increased demand
- CGS research shows huge potential in terms of mineralisation of some of these minerals in the Province
- The Electric Vehicles are taking up- Passenger Electric vehicles on their way to SA-need to position our PGMs into the future
- Geological potential of NW, the border to SADC region-opportunity to tap into the Africa Free Trade

What needs to be done

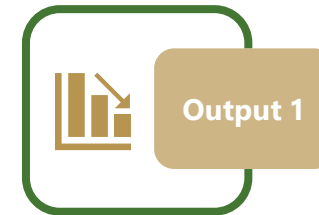
Fully working with CGS and industry to drive industrialisation

Maintain Political stability in the province to achieve full benefit of the potential identified

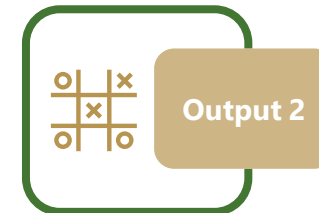
1 *Alignment within government to drive exploration of the minerals of the future(provincial and national economic plans)*

2 *Take up initiative with industry to explore more NW province*

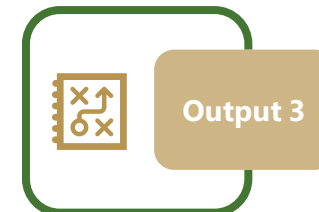
Expected Outcomes



GDP GROWTH



SUSTAINED EMPLOYMENT



ESG ORIENTED MINING

Mining, Minerals and Energy Policy Development

DISCUSSIONS

THANK YOU!!!