

Nedbank

Economic commentary

8 April 2010

MINING PRODUCTION

Mining output continues to recover off a low base

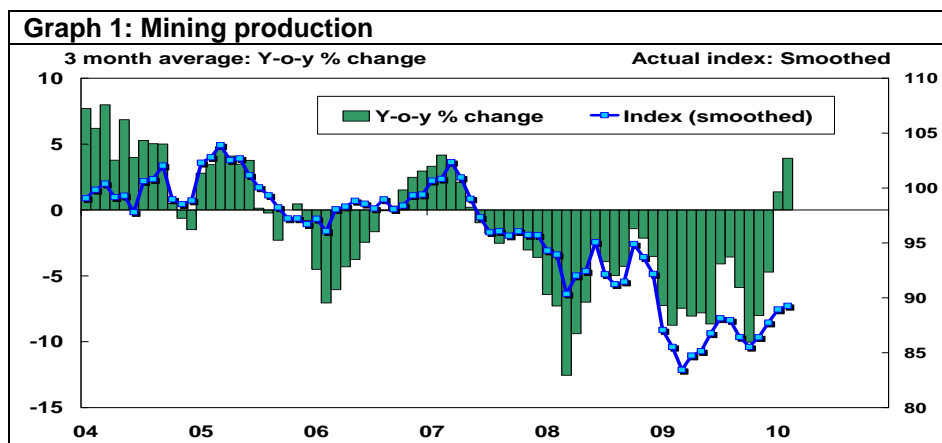
- Production was helped by strong output of diamond and gold over the month.
- Growth in mining output is likely to be sustained in the months ahead as global recovery picks up the pace and precious metal prices remain firm.
- Mining could contribute positively to gdp in 2010 after four years of contraction.
- Our forecasts of just under 3% gdp growth in 2010 remains unchanged.

Latest (February 2010)

Total: 5,8% y-o-y (9,7% y-o-y in January 2010)

Seasonally adjusted:-1,9% m-o-m (4,4% m-o-m in January 2010)

3-month average (SA): 4,4% y-o-y (2,1% y-o-y in January 2010)
3,3% q-o-q (4,1% q-o-q in January 2010)



COMMENT

Mining production continued to improve in February, increasing for a second consecutive month on an annual basis. Although this shows some base effects, it also reflects the continued improvement in global economic conditions and strong precious metal prices. The 5,8% increase in total production over the year was mainly due to a strong expansion in diamond production, which increased by 149% y-o-y (up by a seasonally adjusted 20,4% m-o-m) off a very low base, while chrome, manganese and nickel output were also well above the previous year's levels, rising by 123,4%, 64,6% and 58,4% y-o-y respectively. Gold production rose by a seasonally adjusted 15% over the month following two months of successive contractions, which helped the annual rate of decline to moderate to 9,2% from 21,2% in January. Copper production also firmed, increasing by 8,8% m-o-m, with the annual rate of decline easing to 16,9% from 20,4% in January. Platinum output, in contrast fell sharply over the month, down by a seasonally adjusted 14,9% which dragged annual output down by 12,5% following a 17,7% jump in January.

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Over the three month period to February, mining production increased by a seasonally adjusted 3,3% compared with the previous three months, with diamonds, manganese, nickel and copper production up by 16% q-o-q, 21,7%, 25,3% and 16,8% respectively. However, gold production fell by 7,1% during the period, while growth in platinum output moderated to 6,7% after growing by 13,3% in the previous three months.

Figure 2: Total mining and gold production

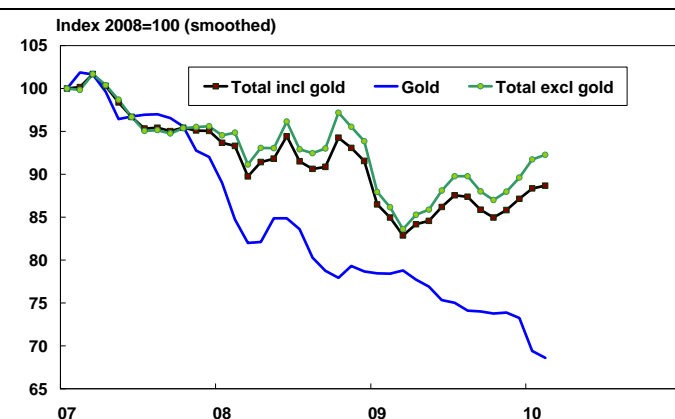
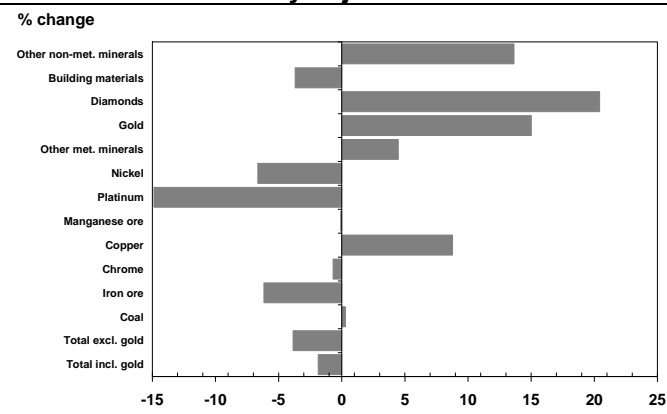


Figure 3: Change in mining output - m-o-m seasonally adjusted



OUTLOOK

Mining production should improve further this year as global economic recovery picks up pace. In particular, output will be underpinned by continued improvement in demand conditions from our trading partners, specifically China. However, despite expected price improvements mining output could partly be contained by a stronger rand in the months ahead.

IMPLICATIONS

Continued growth in mining production reinforces the view that the global economic conditions are improving. Although actual activity levels are still relatively low, the trend is encouraging. This suggests that the mining sector could be a contributor to overall gdp growth in 2010 after four years of contraction. Our forecast of gdp growth of just 3% remains unchanged.

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