

South Africa: Mining and the broader economy - never let a crisis go to waste

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The most important sector of the South African economy, mining, is in crisis. This compounds a generally poor economic situation in SA. Jobs, export earnings and revenue for the state are all at stake.

More importantly, in depressed conditions it is even less likely that the government will engineer the much-needed transition to a more diversified and low carbon economy. Given the dependence of the rest of the economy, especially other industrial sectors such as steel, equipment, petroleum products, and several others, the decline of mining can accelerate tendencies towards deindustrialisation. All of this points to the urgent need to develop an alternative industrial and development path that can address both SA's jobs and environmental crises.

Mining in crisis

From about 2000, many minerals produced in South Africa and exported around the world rose in price as demand grew and investors saw opportunity for speculative profit making. This boom period of increased prices of gold, platinum, iron ore, coal etc. is known as the commodities supercycle. Many commodity exporting countries as a result experienced strong economic growth. In Africa it set in motion the "Africa rising" narrative, as many African countries experienced high levels of economic growth over a sustained period.

As one of the major minerals commodity producers, South Africa was the exception that proved the rule. For a number of reasons South Africa did not experience the above 6% growth rates that many other commodity exporters obtained. And now that demand and prices have declined substantially the South African economy is experiencing recession-like conditions.

Output in the mining sector has declined over two successive quarters. In the 2nd quarter of this year it declined by 6.4% and in the 3rd quarter by 9.8%. However this only reveals a small part of the story.

In terms of value added, measured at constant 2010 prices, mining and quarrying is contributing less today than in the beginning of the 2000s. In 2014 mining contributed R239 billion to GDP. That is less than in 2002.

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