

# MINING INDABA CONFERENCE 2017

## The Outlook for the South African Mining Sector

**This week Cape Town will be playing host to thousands of additional visitors. Mining company representatives, investors, government ministers and officials from across Africa and providers of support services to the mining sector will converge on the Mother City for the 23rd Investing in African Mining Indaba. Later in the week their number will be swelled further as politicians, representatives of civil society and the media arrive to attend the State of the Nation address.**

Number of Mining companies listed on Johannesburg Stock Exchange



While it may no longer dominate the South African economy to the same extent that it did a few decades ago, the mining industry remains a key source of direct and indirect employment, export earnings and tax revenues. The number of mining companies listed on the JSE is now less than half of what it was in 1994 and South Africa has slipped from its once leading place in the production of gold to a situation in which it now accounts for only 5% of worldwide supply. Mining accounts for 5% of non-agricultural formal sector employment in South Africa, with each direct job in the sector leading to two additional indirect jobs being created in the wider economy.

Furthermore, the health of the mining industry in South Africa has a considerable impact on other countries across the continent where the extractive activities are an important component of the economy. South Africa is a source of significant investment across all of these countries and is a base for many of the legal, financial, engineering and other support services needed for the successful development and operation of their mining projects.

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So what is the mood of the industry as it gathers for one of its most high profile events of the year?

On the back of weak demand, low and volatile commodity prices, depressed levels of economic growth in key markets the atmosphere at last year's Mining Indaba was subdued and many conversations revolved around the topic of restructuring. Attendance were levels significantly lower than the previous year. Since then prices for many of the key commodities have firmed and there are signs of increased demand. Many commentators are questioning whether the bottom has been reached. Or indeed whether the prospects for the sector have already improved and the industry can now look forward to a sustained period of higher prices and an improved balance between supply and demand.

The increase in the share prices of some of the largest players in the industry since the last Mining Indaba has been spectacular. At the end of January last year, Anglo American's shares were trading at around ZAR 6,400 while those of Glencore were around ZAR 21. At that time there was speculation about the possibility that one or more of the major mining houses may not survive. A year later Anglo American's shares are trading at around ZAR

22,000, while those of Glencore are now worth around ZAR 55.

A combination of improved sentiment in the industry and some changes to the pricing structure charged for attending Mining Indaba have led to the organisers announcing that registrations for the event are up on last year, particularly amongst mining companies and the investor community. We will learn this week from presentations, briefings and discussions in and around the conference how the industry and its backers feel about the prospects for the sector and with it the implications for countries across the continent

Notwithstanding extensive reserves, particularly of coal and platinum, many have written off the mining sector in South Africa. The impact of regulations, rising costs, falling productivity, industrial unrest, unreliable electricity supply and political uncertainty in South Africa are frequently cited as the reasons why other locations in Africa and globally are now more attractive destinations for direct investment in the sector.

Today the South African Minister of Mines, Mosebenzi Zwane, will speak to the Mining Indaba, before President Zuma gives the State of the Nation Address on Thursday. Those with interests in the mining sector in South Africa will be want to hear from them about the Government's plans for supporting the industry and when the uncertainty surrounding the Minerals and Petroleum Resources Development Act and the Mining Charter will be tackled.

FTI Consulting's Global Mining Advisory Practice supports clients across the mining and metals value chain, providing a wide array of advisory services addressing the strategic, financial, operational, reputational, regulatory and capital needs of the industry. The practice operates across the mining space irrespective of commodity or business sector. For more information or to arrange a meeting in Cape Town during the week of Mining Indaba, please do not hesitate to contact me.

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