

Things are looking up for commodities revenues, or are they?

 By [Danette Breitenbach](#)

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Commodities revenues tell the story the mining industry over the past six years. During this time, revenues have remained fairly consistent, with a bit of an increase here and there, but no substantial increase. This year, things have changed for the better.



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“While this is positive, when it comes to the local industry, once you apply these prices you have to take into account the rand prices. When you look at the rand prices you will see that most of the commodities have not been able to realise those gains,” says Sizwe Masondo, director and PwC mining assurance partner.

He adds that the stronger rand has negatively impacted any gains the industry has made from the increase in any of the dollar prices.

“When we adjusted the prices for CPI and then inflation within the mining industry to determine the increase of basket of costs, going back to 2010, the prices have remained relatively flat, with some ups and downs in between.”

Platinum remains flat

The inflation in mining costs is a little bit higher than CPI inflation. “This is where the real concern comes in, because when you look at the prices they have actually decreased over the past seven years, and that’s a real big concern for the industry.”

While all the commodities have had some sort of an increase, the same is not true for platinum. Instead it experienced a bit of a decrease. Revenue from platinum group metals (PGM) decreased by two percent from last year to 22% this year.

The fact that the platinum industry has not really recovered is a real concern, says Masondo.

“The prices still remain low - in fact we saw a decrease in those prices - and we are really concerned about the impact that this will have on the industry. Already we have heard of some of discussions around possible retrenchments in the platinum industry. However, this is consistent with what is happening in the prices.”

Best performers

Gold has been the real winner over the past couple of years. The yellow metal remained stable with little change from last year. “Looking at revenue by commodity we can see that gold is still the biggest contributor. It was fairly consistent last year with only a bit of a decrease there.”

Gold is followed by iron ore, which showed quite an increase, and is largely responsible for the recovery of the industry. Manganese and chrome have both performed exceptionally, with substantial increases in the price. Masondo says this is also linked to the increase in iron ore prices.

ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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