

Platinum heading north at pace

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Booming mineral sales have made a huge difference to South Africa's balance of payments during 2020 and the current commodity upswing shows no signs of abating.

Mineral sales had already performed well in 2019, recording an increase in value of 10.8%, reaching a level of R552-billion (at current prices). In 2020, sales got off to a good start, but, as was the case with virtually every product in the world, took a beating during the second quarter of the year – on the back of the lockdown induced by Covid-19.

Since the third quarter of 2020, however, mineral sales started shooting the lights out, with October's figure of R65.7 billion a new all-time record. The cumulative value of mineral sales in 2020 was eventually 10.4% higher than in 2019, despite the difficult business conditions surrounding the pandemic.

Changing fortunes in sales values of South African minerals since 2018						
(Big 5 - accounting for 86% of total mineral sales)						
Mineral	January 2018		December 2018		December 2020	
	R-bn	Rank	R-bn	Rank	R-bn	Rank
Platinum	6	3	11.3	2	17.6	1
Coal	11	1	14.2	1	10.6	2
Iron ore	3.2	4	6	4	10.5	3
Gold	6.6	2	6.2	3	8.5	4
Manganese	2.8	5	4.6	5	3.1	5
Sources: Stats SA; own calculations						

Over the past three years, four of the so-called "Big 5" minerals have been playing musical chairs in terms of their sales values, with platinum now in the number one position, having ousted coal. Iron ore has moved up one position, coal has slipped one position and gold contributed less than half of platinum's sales value in December 2020. (It should be noted that these values and rankings pertain to specific months, and some intermittent changes to the rankings take place regularly).

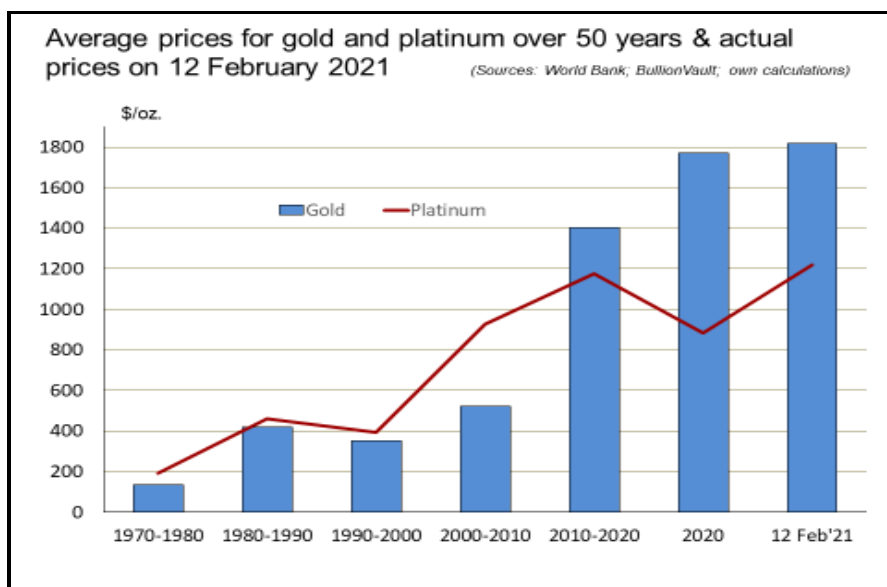
Despite still trading at a discount of more than 50% against gold, platinum seems headed for the metal of the decade award. In the words of research commissioned by the New York-based Bernstein Investment Group: "If you want a fuel cell, you need platinum".

Buoyant demand continues to be predicted for platinum group metals (PGMs), especially in the inorganic chemical industry, where platinum is widely used as the anode in a number of electrochemical processes. Ever since the near-universal drive to limit CO2 emissions started to gain momentum, platinum's usefulness as an anode in electrolyses has come to the fore.

This metal, unlike others which have been used as electrodes in anodic processes, has the advantage of being essentially passive in most electrolytes. The water electrolyser splits water into oxygen and hydrogen. The latter is used as a fuel, which can be stored, transported and, most importantly, has no emissions that can harm the environment.

Hydrogen infrastructure is being developed in several countries, with the initial focus on trucks, which are regarded as a lever for future stable hydrogen ecosystems. Hydrogen is also regarded as a potential replacement for metallurgical coal in the production of steel. It is the most abundant chemical substance in the universe and, in one form or another, will eventually play a key role in all of the world's industrial, commercial and residential activity.

According to Neal Froneman, CEO of Sibanye-Stillwater, platinum has only just started to re-rate and it will continue, with no reason why the metal should not eventually trade at \$2,000 per ounce and probably even higher.



History is on the side of the platinum pundits, as it did trade at above the \$2,000 level in May 2008, when it was at a premium of 230% against gold. The platinum price was significantly higher than that of gold during the first decade of the 21st Century, but, except for a brief respite between September 2011 and February 2013, gold has turned the tables on platinum during the past decade.

Platinum may end gold's supremacy within the next couple of years, which will be exceptionally good news for South Africa, which has a share of more than 72% of the world's total platinum production.

The challenge now is for the country's economic policy makers to incentivise the necessary research and development to ensure as much domestic downstream value added activity as possible, including the intellectual capital required for the gradual transition to a zero emission-based global economy.