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By Joe Keenan

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There is considerable uncertainty that plagues the global economy going into 2020, but times are looking better for the mining sector this year and next.

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Mining is a difficult business at the best of times, with a terrifying cyclicality and very little predictability. Miners, it is said, are among the world's optimists, so it is always important to recognise the good signs in the sector. At the moment, these include rising capital expenditure by mining companies, and better global exploration spend.

The world's 20 leading mining companies will reportedly spend $60bn in capex in 2019, increasing from just over $50bn in 2018. This followed an average annual decline in capex spending of [https://www.mining-technology.com/comment/mining-companies-capital-expenditure-2019/ almost 17% from 2013 to 2017]].

The other important indicator – global mineral exploration spend – increased by about 20% in 2018 and continued during 2019. The leading country destinations in 2018 included Canada, Australia, the United States, Chile and Peru. Africa's leading exploration target was the Democratic Republic of Congo, attracting 2% of the global budget – and 15% of Africa's total.

Uneven spread

These trends certainly underpin a more encouraging outlook for the sector than we have seen in some time. In looking ahead to 2020, though, it is clear that the anticipated growth in mining will not be evenly spread. It is likely to be specific to certain commodities, and to certain countries. This is a function of more geo-political instability, not just in Africa but extending to the world's leading players.

The trade war between the US and China has unsettled the markets and contributed to commodity price volatility. More interest than usual will be on the upcoming elections in the US in 2020, as this will no doubt have a bearing on mining's fortunes. A number of countries in West Africa continue to attract mining projects, while security concerns in others have driven off any interest in mining.

Battery technology will also affect demand for battery minerals like lithium and cobalt. However, do not assume the demand will be a one-way bet; it is still uncertain which minerals will be favoured, as the technology is still developing.

In South Africa there are many good reasons to hope that the mining business will be looking up next year. Industry and government are on track for better collaboration, although real progress will be built on local firms investing more, which will encourage the real game changer: foreign direct investment.

Key risks

Let's not forget the elephant in the room. For the second year in a row, consulting firm EY has ranked the social license to operate – and the disruption arising from not having it – as global mining's number one risk. An extended period of elections and government changes has meant political uncertainty and volatility in the commodity markets, they argue. There is also more scrutiny of mining from end-consumers, who demand a transparent and ethical supply chain. As complex and difficult as it is to manage the social licence issue, failure to do so is becoming increasingly fatal in the mining space.

EY's second risk is also worth noting, as it has catapulted up from seventh position last year: the future of the mining sector's workforce. This is a reflection of the growing impact of digital and technological innovation in the sector. It is grappling with what its future workforce might look like, and wondering where the necessary skills are best procured.

This innovation has the potential to improve productivity, safety and environmental management in mining, but the skills to drive it come at a cost – in terms of both time and money. Will they be built up from the inside, or will they be bought – and are they affordable – on open market?

These are among the many questions facing decision-makers as we prepare for another year in the demanding but essential business of extracting minerals.

ABOUT THE AUTHOR

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