



THE CRUNCH IS COMING FOR SOUTH AFRICAN PLATINUM MINES, BY WAY OF WAGE DEMANDS

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As indicated in my previous reviews on PGMs, the South African platinum mining industry is not secure; the industry has faced numerous challenges in the past with the combined effects of electricity shortages, increasing costs, as well as prolonged and heightened industrial and community action.

South Africa's biggest platinum mining unions will start submitting wage demands to companies this week. The negotiations, for a three-year wage deal, including Anglo American Platinum (Amplats), Sibanye Stillwater and Impala Platinum (Implats), are expected to start in the first week of April.



The biggest platinum mining union, the Association of Mineworkers and Construction Union (AMCU), will kick off the negotiations, and their demands will most likely be 'absurdly high', given that the platinum mining companies have all made record profits on the back of higher PGM prices.



However, these profits need to be weighed up against mining inflation that has been increasing and has become a cause for concern for the industry. Amplats recorded unit costs per PGM/oz of R11,739 in 2020 rising +9% to R12,832 in 2021. Amplats expects that their unit costs could rise to around +14% in 2022.

Negotiations are expected to be protracted. AMCU, which in 2014 led the longest ever platinum mining strike, settled for pay increases spread over three years, following five months of striking. In 2014, PGM supply from South Africa platinum mines declined by a least 750,000oz. This decline in supply together with heightened jewellery demand put the platinum market balance into a deficit.

AMCU plans to join forces with their rival National Union of Mineworkers (NUM) in these negotiations. It is noted, that after months of protracted wage talks with Sibanye Stillwater gold mines, the two unions have failed to come to an agreement. On 10 March 2022, these unions gave notice of their intention to embark on a protected strike action. Jimmy Gama, chief negotiator and treasurer at AMCU has been reported saying “If Sibanye gold continues not to accept the demand of the workers, we will definitely ask all our members in platinum operations to join a secondary strike” (Bloomberg).

Radical pronouncements are expected from ultra-left-wing unions. However, I am of the view that platinum miners will be walking the same tightrope, if the negotiations proceed along the same lines as the unions’ wage demands at Sibanye Stillwaters gold mines.

Prolonged strike action at the platinum mines may well result in a decline in PGMs supply. It is important to note, that the platinum market is already tight and in supply-demand deficit, and in this regard, strike action will likely support further upward pressure on the price of platinum.



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