Viewpoint: Platinum and gold price surge boosts ZAR but sustainability of move a concern

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etm ANALYTICS

Key points

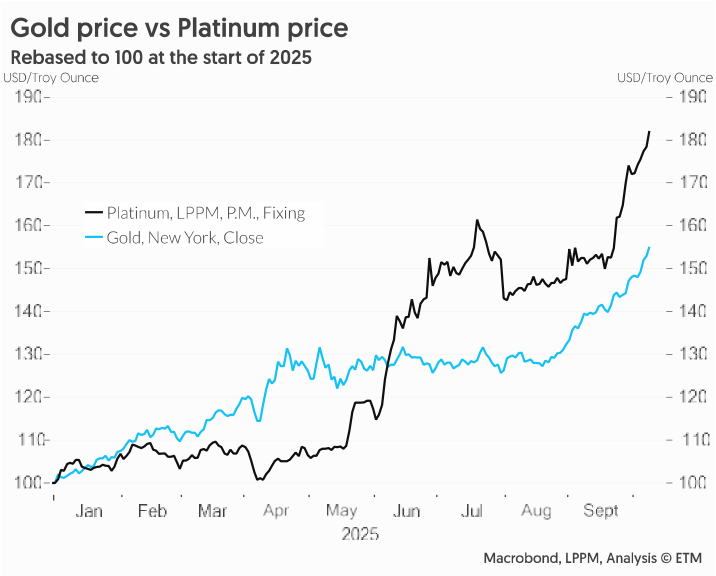
- Metal prices have surged this year, with gold exceeding $4,000/oz and platinum up 60% (outperforming gold year-to-date) amid geopolitical shifts and USD concerns. While most people have focused quite squarely on the spectacular rise in the gold price, not much has been said about the even more impressive 2025 rally in the platinum price. As the world's largest producer of platinum, this has implications for the ZAR.

- While SA might be the world's top platinum producer, it has failed to capitalise on the rising prices of gold and platinum, as gold exports declined and platinum exports barely increased as a share of total exports, missing boosts to employment, taxes, and GDP. Without a real economic or mining response to the rise in prices, the ZAR's performance lacks some of the fundamental foundation to be sustained long-term and raises some concerns about its sustainability.

- Key barriers include unsupportive policies, regulatory uncertainty, licensing delays, unreliable electricity, crumbling infrastructure, corruption, and low gross fixed capital formation, which has been at 14% of GDP since 2018. These factors must be addressed if SA is to take full advantage of the current metal price boom.

BASELINE VIEW: Currently, the ZAR is performing extremely well, which is related to the surge in SA's terms of trade, a function of the surge in metals prices. That may well continue so long as investors give SA the benefit of the doubt and believe there is a chance for meaningful reforms. However, this also leaves the ZAR vulnerable. If the reforms fail to materialise, SA lacks the fundamental justification to sustain the strength in the ZAR, meaning that importers would do well to take advantage of current levels and lock in attractive forward rates.

Anything gold can do, platinum can do better



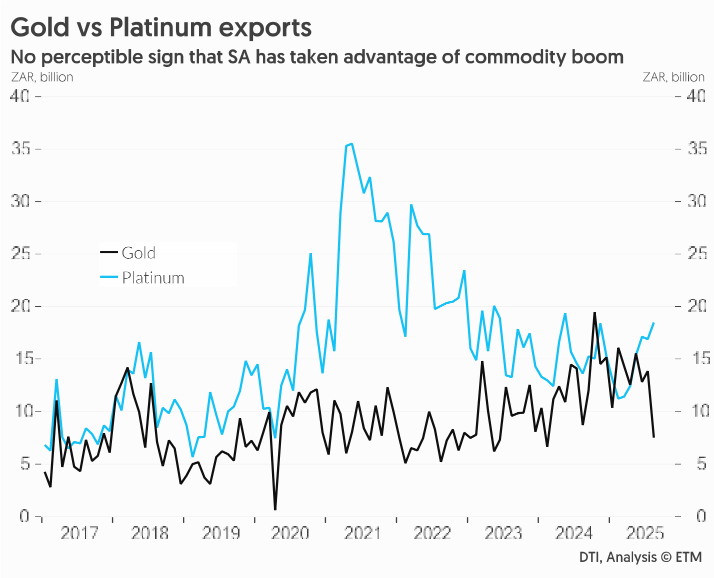
A lot has been made of the gold price surge beyond the $4,000oz mark. It is indeed an impressive performance and one that has raised many questions concerning the outlook for commodity prices and the USD and whether this might signal trouble to come or is merely a sign of shifting geopolitical tides away from the USD and the US economy.

However, gold has not been the only commodity that has performed well. In fact, others have performed even better since the start of the year.

A quick analysis of the gold vs. platinum price since the start of the year is very revealing. In the midst of watching the gold price surge from record to record, investors missed the massive surge in the platinum price, which accelerated even more aggressively than gold.

This has far-reaching and profound implications for SA as the world's largest platinum producer.

But while prices are surging, SA has missed the commodity party



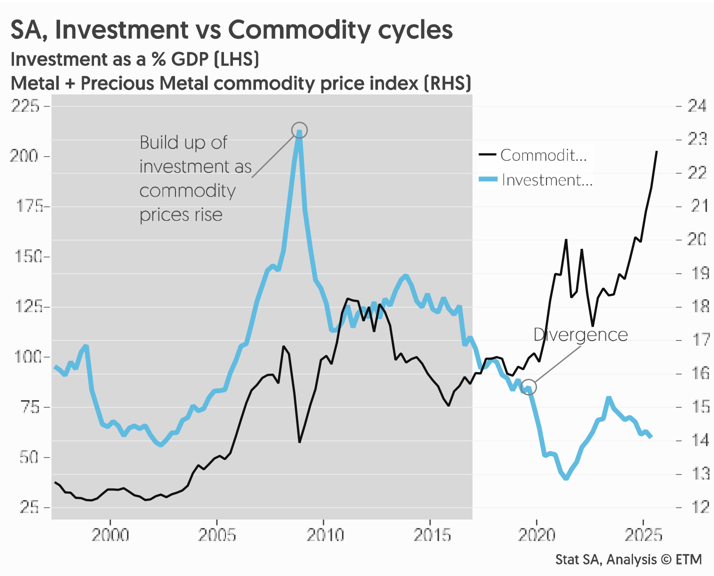
While the gold and platinum prices are surging, it is disappointing to note the almost complete lack of response from SA's exports of either metal. Worse still, gold exports fell through 2025, which is the opposite of what one would expect.

It is a crying shame that SA has been unable to take advantage of an opportunity to help bolster a key sector in the SA economy, which would not only help bolster rural communities through increased employment but would also raise tax revenues for the state and boost overall capital formation.

Furthermore, it would be a key generator of foreign exchange, helping to add liquidity to SA's financial markets and generate much-needed GDP growth.

This will go down as a wasted opportunity, and one which the CEO of Anglo lamented in a recent address, as he decried the litany of regulations that rendered investment in mining unattractive.

SA's fixed investment lies behind its inability to respond to market conditions



One of the major reasons SA's mining sector has been unable to take advantage of the commodity boom is the general lack of investment in the economy.

Historically, investment in infrastructure and primary industries such as mining has helped boost the economy's and, in particular, the mining sector's ability to take advantage of favourable market conditions.

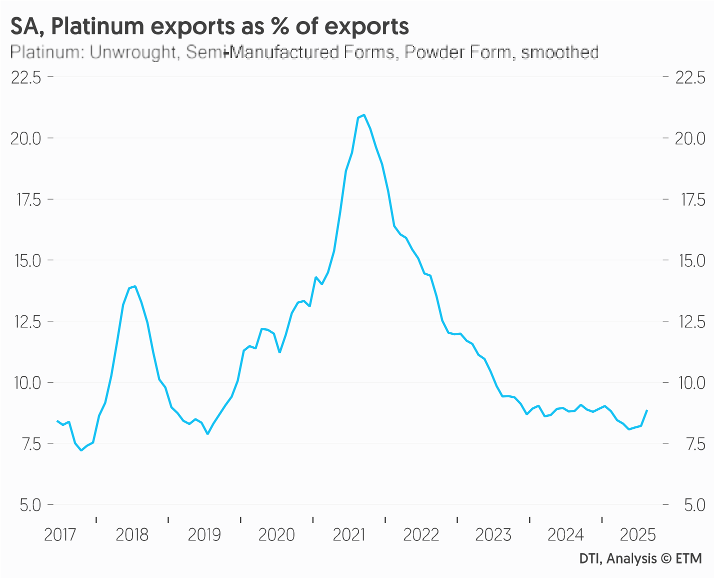
However, that picture has changed since 2018.

Commodity prices started to pick up, and instead of taking advantage of this market-driven opportunity, SA's economy sank deeper into its deindustrialisation trend.

The pandemic only ensured that even more funds were diverted away from investment towards social spending, further undermining the country's ability to respond to favourable market conditions.

SA stands no chance of rejuvenating at 14% gross fixed capital formation to GDP. That needs to change.

Platinum exports haven't even risen as a % of total exports

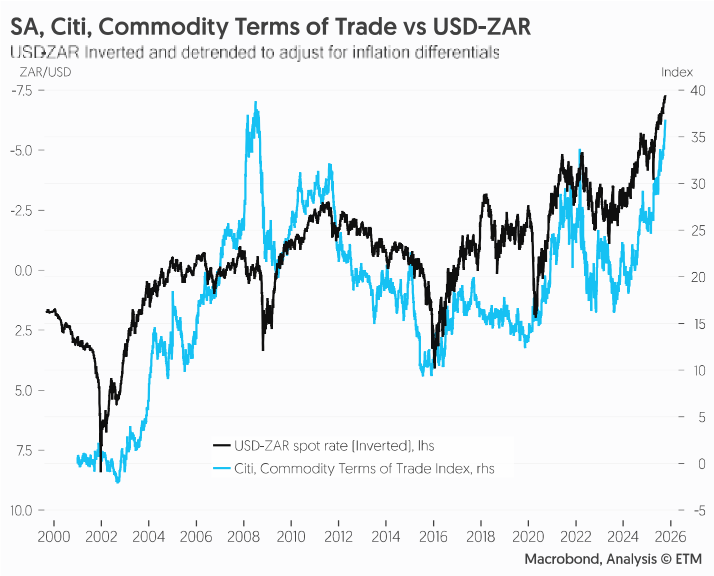


Given the surge in commodity prices and platinum, in particular, one could be forgiven for questioning why the ZAR has not appreciated more than it has. After all, SA is the world's largest platinum producer, so if platinum prices surge, surely one would see this reflected in a rising share of exports.

However, analysis of the data shows this is not the case. Platinum exports as a percentage of total exports have barely risen. This reflects yet another example of how SA's mining sector has failed to respond to current market conditions.

It also raises serious questions concerning the sustainability of the current appreciative surge in the ZAR and whether it is justified. After all, if the mining sector cannot respond to such an impressive surge in prices, then why should traders continue to support the currency that will clearly not benefit much under current conditions.

Investors look to the price action as a compass despite mining underperformance



Therefore, it begs the question: if SA cannot take advantage of the commodity boom, why does the ZAR seemingly appreciate with every surge in commodity prices? The accompanying chart shows the close relationship between the movements in SA's terms of trade and the performance of the ZAR.

Two things stand out. The first is that SA's terms of trade have risen to the highest levels since 2008, which is an impressive development in itself. The second is that such an event is simply too significant to ignore.

Even though SA has been unable to take advantage of the commodity surge, small reforms could significantly rejuvenate the sector.

Some of that would not be directly related to mining. One such example is generating greater efficiencies in logistics, which has been severely impacted by the troubles at Transnet and the weak throughput at SA's shores.

Industry leaders recently highlighted the problems in mining

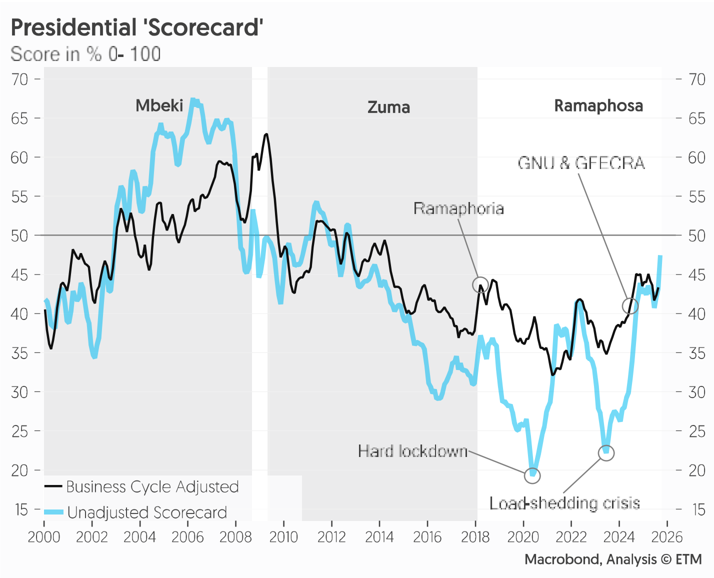
SA's mining sector has endured a 'lost generation' of investment due to two decades of unsupportive government policies, as Anglo American CEO Duncan Wanblad articulated at a mining Indaba in Johannesburg. Regulatory uncertainty, weak administrative processes, and protracted licensing delays have hindered exploration and development, with projects taking up to 17 years from discovery to production.

The new Mineral Resources Development Bill, mandating share sales to black investors, further deters capital inflow. Unreliable electricity, crumbling infrastructure like rail and ports, crime and corruption compound risks, making investments unappealing despite abundant resources such as platinum, manganese, and iron ore amid soaring global prices.

This lost investment casts a shadow over SA's broader investment outlook, signalling persistent economic vulnerabilities. The mining sector's decline, contributing around 7-10% to GDP and significant tax revenues, erodes foreign direct investment confidence, as deteriorating security and structural challenges deter new ventures. Recent data shows mining GDP fell 4.1% year-over-year in early 2025, exacerbating financial strains and job losses. While some optimism exists from potential energy transitions and bullish views on stocks, protracted policy impasses risk prolonging low GDP growth forecasts around 1% for 2025, hindering overall capital inflows and recovery efforts.

The mining sector's stagnation restricts ZAR performance, as reduced mineral exports detract from the trade balance and currency's stability. With mining accounting for substantial foreign exchange earnings, policy-induced declines amplify vulnerability to global price fluctuations, undermining economic resilience amid global uncertainties.

Investors living in hope



One can only explain the ZAR's performance due to some improvement in general sentiment, partly stemming from policy positions that are deemed more constructive. Operation Vulindlela is one such initiative; the SARB's efforts to reduce the inflation target are another.

If that accompanies some fiscal reforms and efforts to rejuvenate local government, SA's story takes a turn for the better.

After decades of maladministration, corruption and malfeasance, most market watchers will label this wishful thinking and would be justified. However, as the political tide turns against the ANC and forces political parties into greater accountability, one hopes that this will eventually lead to more prudent policy making and the weeding out of underperforming cadres.

Unfortunately, while Minister Mantashe remains in charge of Minerals and Petroleum Resources, change might be slow.

However, the upcoming local elections may change some political dynamics leading to improved grassroots service delivery, which is vital for economic activity and confidence in the economy. Significant progress on this front might fundamentally change SA's prospects. Due to inappropriate policies, it would be a crying shame for SA to lose out on another generation of miners. One can only hope that the improved sentiment surrounding the GNU and the more reformist agenda continues to buy SA enough time to ensure the mining sector receives the attention it deserves to lend real sustainable support to the ZAR.

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