

South African Mining Problems Contribute to Rise in Price of Platinum and Gold

In the past year, the price of gold has risen 16%, and the price of platinum 46%. Gold has risen steadily as the value of the dollar falls and it is stockpiled for investment purposes. Mining problems in South Africa have also contributed to the price increase, but have had a more significant impact on the production of platinum. The price of platinum was expected to rise in the past year, but no one estimated just how substantial the increase would be.

Analysts predicted that the platinum price would reach \$1495 per ounce this year, with the average hovering around \$1350. In 1999, the unit price for platinum was \$360, rising in price to reach \$900 by 2004. The price reached over \$2200 in early March, although it has dropped in recent weeks to just over \$2000. In March, the price of gold hit \$1,000 for the first time.

Platinum is extremely rare, 30 times more so than gold. Approximately 80% of the world's platinum is mined in South Africa, followed by Russia and Canada. The world's gold supply is a bit more diverse. South Africa has the largest deposits, and has historically been the largest producer, however with the mining problems, China became the world's largest producer in 2007. Other major gold producers include the United States, Australia, Russia, and Peru.

There are two major mining issues in South Africa currently, power cuts and employee strikes. The country has been suffering from a spate of recent cuts, and state power company Eskom has implemented rolling blackouts, stating it could not guarantee supplies. The country's three largest gold producers and the largest platinum producer suspended production early in 2008. The government has failed to build new power stations to keep up with growing demand, and the crisis is likely to exist until 2013.

The second problem, which may worsen, is striking employees. 270,000 workers from more than 60 mining companies stayed home one day in December to protest poor safety conditions. In October, 3,200 workers were stranded underground in a gold mine after an air pipe explosion cut power to the elevator shafts. All miners were rescued, but 200 died last year, and the death rates are significantly higher than those in Australia or the United States. The mining companies pledged to increase safety standards, but fatality rates continue to climb and the power cuts have not increased confidence.

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