On-going restructuring in the South African PGM industry is expected

commodity prices ahead. We believe this view ignores the real threat from a Chinese slowdown," says van Graan.

Further, Nedbank CIB mining analyst Leon Esterhuizen notes that considering China and its impact on the world's commodity prices, their expectation for 2018 is a bit more bearish.

"China drives the fortunes of most commodities and though the threat of a hard landing in China seems to have dissipated, future growth rates are still expected to be lower – in particular when we look at 2017," notes Esterhuizen.

He mentions that the Chinese credit impulse is a leading indicator of GDP growth. Credit growth in China has been a key driver of commodity prices, as traders and speculators used cheap credit to drive up commodity prices. When this is combined with the synchronised global growth view, it could be that South Africa could essentially stumble through another year of flat commodity prices.

"Possible exceptions would have to be commodities with particularly tight supply-demand dynamics. PGMs and copper fit this bill," he comments.

Esterhuizen and van Graan assert that the PGM market is set for a rally in the price of platinum on improving supply-demand fundamentals. The production base continues to shrink while underlying demand drivers remain more robust than most commentators are factoring in and we expect this trend to continue, despite a slowdown in China. "The current high palladium price further supports this view, as we believe substitution pressure will drive increasing platinum demand."

"We believe that the threat of electric vehicles is overblown. We also believe that the market is overestimating the demise of the diesel auto market share, as growth in other markets offset some of the European market share losses. Platinum is therefore our favoured metal as we expect substitution back into platinum, at the expense of palladium."

According to Beech, the percentage fluctuations that were seen in 2017 in commodities such as gold, platinum, iron ore, etc. are likely to be the same. "There may however be an increase in commodity prices for those commodities that are integral to the successful implementation of the Internet of Things, Artificial Intelligence and, of course, electric vehicles."

Global diamond industry

According to independent diamond industry analyst Paul Zimnisky, through mid-December 2017 rough diamond prices were up 2.7% year-to-date, while polished prices were down 3.5%. However, despite shrinking manufacturer margins the midstream segment of the industry still bought US$5.3 billion worth of diamonds from De Beers in 2017 including $450 million at the final sight which was 7% over the comparable sight in 2016 and 81% over 2015.

Global diamond supply is estimated to marginally decrease about 1.5% in 2018 and global polished diamond wholesale demand is estimated to hit $26.6 billion next year

Zimnisky states that 2017 has been a year of excess inventory shifting from the upstream segment of the diamond industry to the mid-stream segment. For instance, industry leaders De Beers and ALROSA have both seen their inventories decrease by an estimated 1.6 million and 2.3 million carats, respectively through to Q3, 2017. This was despite both producers also increasing production in 2017 and not replacing depleted resources.

Further he mentions that world-wide natural diamond production was estimated to rise to approximately 148 million carats in 2017 which would be a 7% increase in volume over 2016. The increase is mostly due to the commencement of production at three new mines, the ramping-up of production at previously curtailed operations and expansion projects at legacy mines.

In addition Zimnisky explains that despite various operating setbacks and political challenges that have disrupted production at multiple mines this year, including an accident that has since halted production at ALROSA's Mir mine, most major miners are still on track to produce towards the higher end of guidance ranges.

"Global diamond supply is estimated to marginally decrease about 1.5% in 2018 to 146 million carats; and global polished diamond wholesale demand is estimated to hit $26.6 billion next year, which would be a 3.8% increase over 2017. Possible diamond industry catalysts to watch for in 2018 are:

- Indian billionaire Anil Agarwal, who has a fond interest in diamonds and is now the largest shareholder of De Beers' parent Anglo American after accumulating shares throughout 2017, could make a move to gain control of the company in 2018.
- In 2018 ALROSA will decide whether to rebuild or close the Mir mine after it sustained a flooding accident in August 2017. A decision to permanently close the mine would be supportive of global supply/demand dynamics; e.g. the loss of Mir production would offset the combined new supply from Renard and Liqhobong (two of the three mines that commenced production in 2017).
- In December Tiffany & Co. stock rallied to just shy of an all-time high in part due to takeover speculation, an event that could possibly play out in 2018 as favour for international luxury returns
- Lucara Diamond Corp. is back to mining fresh South Lobe ore, the portion of the Karowe ore body that produced the Lesedi La Rona and Constellation diamonds. With a new advanced large-stone recovery system in place, Lucara has the potential to produce more newsworthy diamonds in 2018.
- Signet Jewellers could recover after a disappointing 2017 as company-wide restricting plays out including, selling its customer credit portfolio, closing underperforming mall-based stores, expanding at off-mall locations, integrating web and digital into sales strategies and executive level change.
- Zimbabwe's government-run ZMDC has commenced conglomerate mining at the Maragne fields with $30 million of new equipment which could increase production in 2018 to an estimated 3.5 million carats from just over 2 million carats in 2017.
- De Beers' Voorspoed mine in South Africa, Gem Diamond's Ghaghoo mine in Botswana and previous Rio Tinto diamond project Bunder are all up for sale and could have new owners in 2018.
- As production at De Beers' and Mountain Province Diamonds' Gahcho Kué mine approaches deeper depths in 2018, more production could come from centre-lobe ore which is expected to be of lower grade but host higher-quality diamonds.
- Kennady Diamonds and Peregrine Diamonds both disclosed that they had been in discussions with potential strategic partners in 2017, an indication of possible deals in 2018.
- Stornoway Diamonds' waste sorting circuit, which is being installed to alleviate diamond breakage during processing, could prove effective when it goes live in Q2, 2018 – the likely result being a higher average diamond price achieved for Stornoway's Renard goods.

Regulatory impacts on mining in 2018

Beech points out that the regulatory environments across Africa remain of

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