



2020

Investing in African Mining Indaba 2020

ECONOMIC CONTRIBUTION

Produced by



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Contents

| | |
|---|----|
| Foreword | 3 |
| Headline Findings | 4 |
| Introduction | 5 |
| 1. Conventions, Exhibitions and Economic Benefits | 6 |
| 2. Visitor Days | 7 |
| 3. Macroeconomic Contribution | 9 |
| 3.1 Contribution to Gross Domestic Product | 10 |
| 3.2 Job Creation | 12 |
| 3.3 Taxes, Household Income and Foreign Exchange | 14 |
| 4 Conclusion | 15 |

List of Tables

| | |
|---|----|
| Table 1: People Attending | 7 |
| Table 2: Delegate Origin | 7 |
| Table 3: Delegate Days | 7 |
| Table 4: Contribution to Gross Domestic Product | 10 |
| Table 5: Jobs (full-time annual equivalent) | 12 |
| Table 6: Taxes, Household Income and Forex | 14 |

List of Figures

| | |
|--|----|
| Figure 1: Visitor Days | 7 |
| Figure 2: Contribution to Cape Town (Direct GDP-R) | 11 |
| Figure 3: GDP Cumulative Contribution | 11 |
| Figure 4: Jobs (full-time annual equivalent) | 13 |

Abbreviations

| | |
|-------|---------------------------------|
| GDP | Gross Domestic Product |
| GDP-R | Regional Gross Domestic Product |
| SAM | Social Accounting Matrix |

Foreword

The Investing in African Mining Indaba has been a staple of the Cape Town calendar for over a quarter of a century. From its humble beginnings in the old Cape Sun Hotel, it has become a truly global gathering of 6,500 mining experts, who descend on the city every February for five days of powerful networking and deal-making.

This report into the 2020 Mining Indaba was commissioned to understand the economic impact of the event, so we as organisers can understand where to improve, but also see our successes. Though this report was created before the world felt the full effects of the COVID-19 pandemic, we believe that the current economic situation in South Africa makes its public release even more important. We hope that, when the time comes, it will enable us to work more closely and more effectively with our South African partners, in order to do our part to stimulate the country's economic recovery and future prosperity.

As the headlines on page 3 show, the Investing in African Mining Indaba made a significant impact on the regional and wider economy of South Africa in 2020. As well as contributing R177m to South African GDP (of which 80% was from international sources), it generated 274 full-time annual job equivalents in the country and contributed R22m to national taxes.

We understand that, as an event organiser operating in South Africa, it is important to support not only the country's larger businesses, but also SMMEs (Small, Medium and

Micro Enterprises). SMME business development is a key component of any poverty alleviation and economic empowerment strategy. For example, we are proud of our partnership with the Western Cape based company Township Bags, who created the conference's 4,800 delegate bags. We are committed to prioritising SMMEs where possible in future, so that the Mining Indaba's positive impact can be felt by the broadest possible spectrum of South Africans.

It is for this reason that in 2020 we chose to make our charitable contribution of R180,000 to Cotlands, an organisation that works towards making South Africa a more equal society by initiating and facilitating innovative, play-based early learning opportunities for children.

Overall, we hope that this report proves insightful for those interested in the economic impact of the 2020 Mining Indaba on South Africa. We have taken the findings on board and look forward to utilising them to continue supporting the South African economy and to increase our positive impact for years to come.

Finally, we would like to sincerely thank our partner, StratEcon, a South Africa based economic research consultancy, who independently researched and compiled this report.

Simon Ford
Portfolio Director



Headline Findings

There were 6,500 people who attended the Investing in African Mining Indaba (the Mining Indaba) in 2020. They spent a total of 36,100 days in Cape Town, distributed 57% international, 40% South Africans from other provinces and the balance from the Western Cape.

The most important headline finding is contribution to GDP. The Mining Indaba increased GDP in:

- South Africa by R177m of which 80% was from international sources.
- The Western Cape by R144m.
- Cape Town by R120m.

Job creation rivals GDP in importance in countries like South Africa. The accepted protocol for short conventions is to report 'full-time annual job equivalents'. The Mining Indaba generated full time annual jobs of:

- 274 in the country.
- 233 of which were in the Western Cape.
- and 184 in Cape Town.

The Mining Indaba increased:

- National taxes by R22m of which R18m was from international sources.
- Household incomes by R68m.
- Net foreign exchange holdings by R75m.

Introduction

South Africa's industrial roots lie in mining. This started with the discovery of diamonds in Kimberly during the 1870s and, more important, gold during the 1880s. These resources were far from the coast or navigable waterways. This led to rail links and the need for water and power. South Africa was, by the early 20th century, the leading gold producer in the world and was destined to become a mining superpower.

It is fitting that South Africa is the host country for the internationally prestigious Investing in African Mining Indaba (the Mining Indaba). The very first Mining Indaba was held in 1994 in Cape Town at the dawn of this country's democracy. The recent 2020 Mining Indaba is the 26th time this event has been held and Cape Town has always been the host city. This speaks volumes to the importance attached to the Mining Indaba by the international mining community.

The Mining Indaba was created post-apartheid and the intention of the earlier Mining Indabas was to gather key mining companies, investors and governments with a focus on bringing investment back into Africa. This function has evolved over the years and, today, participants range from governments, suppliers, service providers, engineering firms, banks, consultancies and law firms. This represents the entire mining supply industry.

The Mining Indaba brings many economic and social benefits. National and international benefits follow when major investment agreements are initiated or concluded. Exhibitors, large and small, have important exposure and sales. People learn and network. Many of these benefits accrue to South Africa. The benefits to Cape Town are a

little different but just as important. Mining is not a major industry in the Western Cape although local exhibitors benefit. The benefits for Cape Town come from all the people, local and international, who attend the event and from all the money that is spent in restaurants and hotels, travelling and sight-seeing. Arguably the most important benefit is how the Mining Indaba showcases Cape Town and the province. This exposure draws delegates back as tourists and raises the international profile of the city.

This report covers only some potential economic benefits of the Mining Indaba. It focuses only on the value derived from hosting the Mining Indaba and spending by delegates at and outside the Mining Indaba. This is a subset of the total benefits.

The report has four sections.

- The first positions this report within the context of all the potential economic benefits from conventions and exhibitions.
- The second reports the key metric of total days spent in Cape Town by delegates and travelling companions.
- The third reports the macroeconomic benefits from the Mining Indaba, within the constraints of this report.
- Part four concludes the report.

1. Conventions, Exhibitions and Economic Benefits

There are several economic benefits of successful conventions and exhibitions, of which only the first two are included in this analysis.

First, the benefit of setting up and running the convention and exhibition. This includes spending by convention and exhibition organisers, exhibitors at the event, delegates attending the convention and visitors attending the exhibition. This was estimated from event management information and StratEcon databases.

Second, the benefit of delegate spending on accommodation, travel, sightseeing, meals, souvenirs, etc. This was estimated using StratEcon databases and the most recent South African tourism data.

Third, anecdotal evidence suggests that many delegates from other countries on the continent purchase consumer durables.

Fourth, some international delegates return with their family as tourists and some become regular visitors.

Fifth, there can be business to business benefits. Business to business conventions and exhibitions are a key meeting place and often generate a range of business deals. These can be orders, cooperation agreements and foreign direct investment, to name a few. The deals can be between business people within the Western Cape, between the Western Cape and other provinces and between South Africa and other countries. Various events supporting both the conference and the expo, such as the content features, Ministerial Symposium and Intergovernmental Summit, the General Counsel Forum and the Anglo American Gala Dinner, are specifically designed to promote networking.

Sixth is potential SMME business development. Small business development is a key component of any poverty alleviation strategy. SMMEs offer a way out of poverty through economic empowerment that is far more efficient than reliance on hand-outs.

Seventh is the promotion of sustainability in the industry.

2. Visitor Days

As mentioned above, the economic benefits from the Mining Indaba are large and broad ranging. As also mentioned, this report only focuses on the benefits from people who attended the Mining Indaba. It is therefore important to establish how many people attended, where they came from and how much they spent.

Hyve Group Plc, the event organiser, supplied information on the number of people who attended or worked at the

Mining Indaba. This is summarised in Table 1. There were 6,507 people at the Mining Indaba who ranged from Heads of State to students.

The economic analysis is based on expenditure rather than visitor numbers. So, some adjustment was made to the total. Contractors and Hyve staff are included in event costs and not included as delegates to avoid double counting. 'Limited access delegates' did not attend the

Table 1: People Attending

| | | | |
|-------------------------|--------------|---|------------|
| ■ Mining Company | 805 | ■ EXH - Manufacturer/Supplier | 32 |
| ■ Junior Mining Company | 290 | ■ EXH - Professional/Technical Services | 148 |
| ■ Investor | 621 | ■ SP - Manufacturer/Supplier | 33 |
| ■ General Counsel | 60 | ■ SP - Professional/Technical Services | 149 |
| ■ General Delegate | 1,859 | ■ Other | 613 |
| ■ Government | 755 | ■ Contractors | 321 |
| ■ Student | 35 | ■ Staff | 33 |
| ■ Young Leader | 128 | ■ Speaker | 137 |
| ■ Press | 286 | ■ Limited Access | 201 |
| Total 6,507 | | | |

entire Mining Indaba. In the absence of better information, it was assumed these limited access delegates attended half the Mining Indaba. Exhibitors and service providers are accounted for separately. Finally, students, while important, were nearly all from Cape Town and only

attended for an afternoon. This meant that 5,655 were included in the 'delegate spending' calculations.

It is important for the analysis to know where delegates came from. The spending at the Mining Indaba by

Table 2: Delegate Origin

| | |
|----------------------|--------------|
| Western Cape | 358 |
| Rest of South Africa | 3,006 |
| Rest of Africa | 1,381 |
| Rest of the world | 1,762 |
| Total | 6,507 |

Table 3: Delegate Days

| Days | People | Total Days |
|--------------|--------------|---------------|
| 4.5 days | 150 | 675 |
| 3.0 days | 3,670 | 11,010 |
| 3.5 days | 1835 | 6,423 |
| Total | 5,655 | 18,108 |

people from Cape Town is probably at the expense of other spending. Such visitors make a small contribution to the economic benefit measure in this report. A similar argument is true for people from the Western Cape on provincial benefits and South Africans on national benefits. Delegate origin is reported in Table 22. Only a small proportion of people were from the Western Cape (6%). About half (46%) from the rest of South Africa and 21% from the rest of Africa. Just over a quarter (27%) came from the rest of the world.

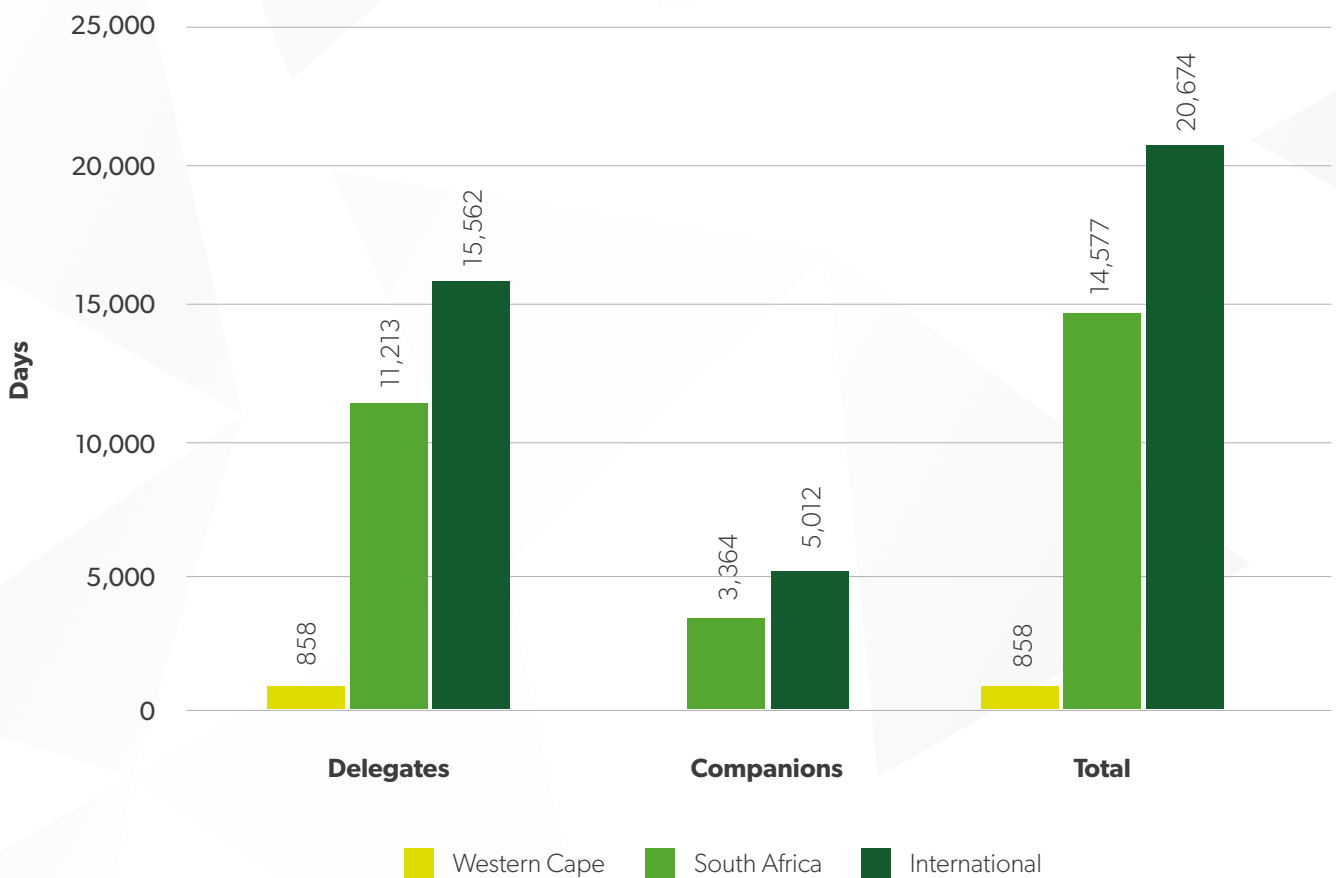
It is equally important to know how long visitors stayed. This was guided by Hyve. Approximately 150 delegates attended the Ministerial Symposium on the opening day and stayed for the full four and a half days. Most delegates stayed for three days although some stayed for the final

morning. This distribution of people by length of stay is summarized in Table 3. The Mining Indaba generated over 18,000 delegate days in Cape Town.

Many delegates also spent time taking in the tourist delights of Cape Town. Some delegates had travelling companions. These features add to the total time people spent in Cape Town. This type of information is known to StratEcon but is proprietary. It is included in the analysis, but details cannot be revealed.

The Mining Indaba gave Cape Town 36,100 visitors days, the details of which are illustrated in Figure 1. The distribution was 57% international (20,700 days), 40% South African from other provinces (14,600) and the rest from the Western Cape.

Figure 1: Visitor Days



3. Macroeconomic Contribution

The key objective of this analysis is to report the macroeconomic contribution of the 2020 Mining Indaba. There are several types of macroeconomic effects, of which the most important are contribution to gross domestic product (GDP) and creation of jobs. The importance of job creation is obvious. Increases in GDP are synonymous with increases in peoples' economic standards of living. Increased GDP – i.e. increased production – is experienced in the form of more jobs, higher wages and reduced economic hardship. It is clearly an important measure.

The actual task of calculating the macroeconomic impact of the Mining Indaba demanded a detailed and multifaceted approach, not least because of the so-called multiplier effects. It is well recognised that the simple act of spending – hosting an exhibition, for example – leads to other economic effects. Demand for building supplies to construct exhibition stands can lead to increased production in those industries. Increased demand for steel and wood, in turn, leads to increased demand for mining output which uses wood, water, electricity and so on. These are the so-called multiplier effects. While this process unfolds, each industry employs more people and pays more wages. Employees and contractors, in turn, spend their income and cause further multiplier effects through the economy. Measuring this is further complicated by the fact that different industries demand different skills. This leads to different wage structures across the various industries. People at different income levels have different spending patterns. Thus, the change in overall spending is dependent on which industries are affected.

Input-output analysis was used for the measurement of the macroeconomic impact of the Mining Indaba. This meant that all expenditure in and around the event was identified, estimated and linked to the Standard Industrial Classification of all Economic Activity (SIC codes). In addition, estimates

had to be made of the likely items of expenditure as a result of wage payments if employment was part of the expenditure.

Measuring the economic contribution of the Mining Indaba was done in five stages:

- First, identify relevant costs.
- Second, determine the relative proportions of profit, labour, machinery and materials.
- Third, assign a SIC code to the different expenditure types.
- Fourth, decompose and apportion labour and profit into income categories and use this to estimate spending by income group.
- Finally, bring all the SIC coded items together. The total multiplier effect is the aggregate SIC code spending on plant, material and consumption.

In a nutshell, the economic estimate includes the direct cost of hosting the Mining Indaba, travel and related expenditure. The multiplier estimates include all the backward economic linkages for the event and forward economic linkages for example, where people spend their salaries.

Direct jobs are calculated using a South African Social Accounting Matrix (SAM). The SAM gives average sector salaries and turnover. Direct jobs were calculated from these proportions given the calculated sectoral spending. Indirect jobs were calculated using the same principles as GDP calculations.

3.1. Contribution to Gross Domestic Product

Gross Domestic Product (GDP for a country and GDP-R for a city or region) is the total value of all final goods and services produced in the country. It is clearly fundamental to the economic quality of life of people in Cape Town, the Western Cape and South Africa. It is also the most important and all-encompassing measure

of the macroeconomic effect of the Mining Indaba. The economic contribution is reported as direct for the city and total (direct and multiplied) for the city, province and country. The direct Cape Town GDP-R is from direct expenditure in the city. The multiplied are the result of the multiplier effect through backward and forward linkages¹.

Table 4: Contribution to Gross Domestic Product

| | Direct GDP-R | Total GDP | | |
|----------------------------|--------------|--------------|--------------|--------------|
| | | Cape Town | Western Cape | South Africa |
| Event Management | R28m | R61m | R28m | R88m |
| Exhibitors | R5m | R10m | R28m | R14m |
| Delegates | R24m | R43m | R28m | R65m |
| Travelling Companions | R4m | R6m | R28m | R9m |
| Total | R60m | R120m | R144m | R177m |
| International Contribution | R47m | R97m | R115m | R142m |

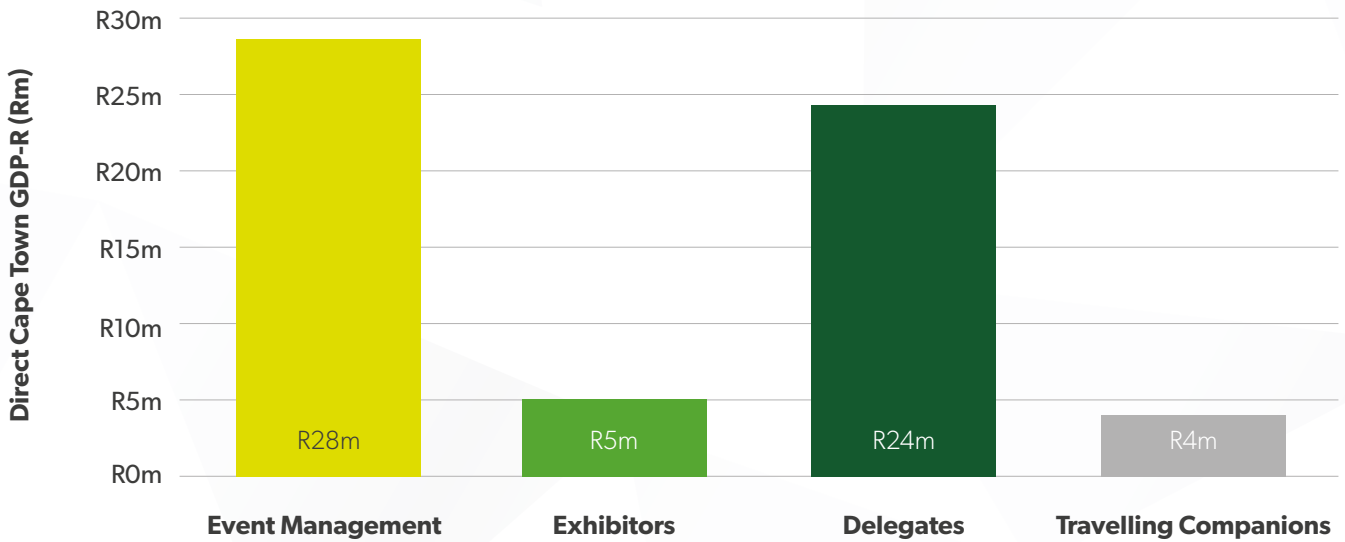
The most important headline finding is that this year’s Mining Indaba increased South African GDP by R177m. Importantly, R142m of the R177m was from international sources – this is 80%. This includes spending on event management, international exhibitors, delegates and travelling companions. This makes the internationalism of the Mining

Indaba an important contribution to local economic growth.

Nearly half was from spending on event management. Exhibitors added a further 8%, delegates 37% with travelling companions making up the remainder. These proportions are illustrated in Figure 2.

¹ Technically these multiplied changes are disaggregated into indirect which are backward linkages and induced which are forward linkages.

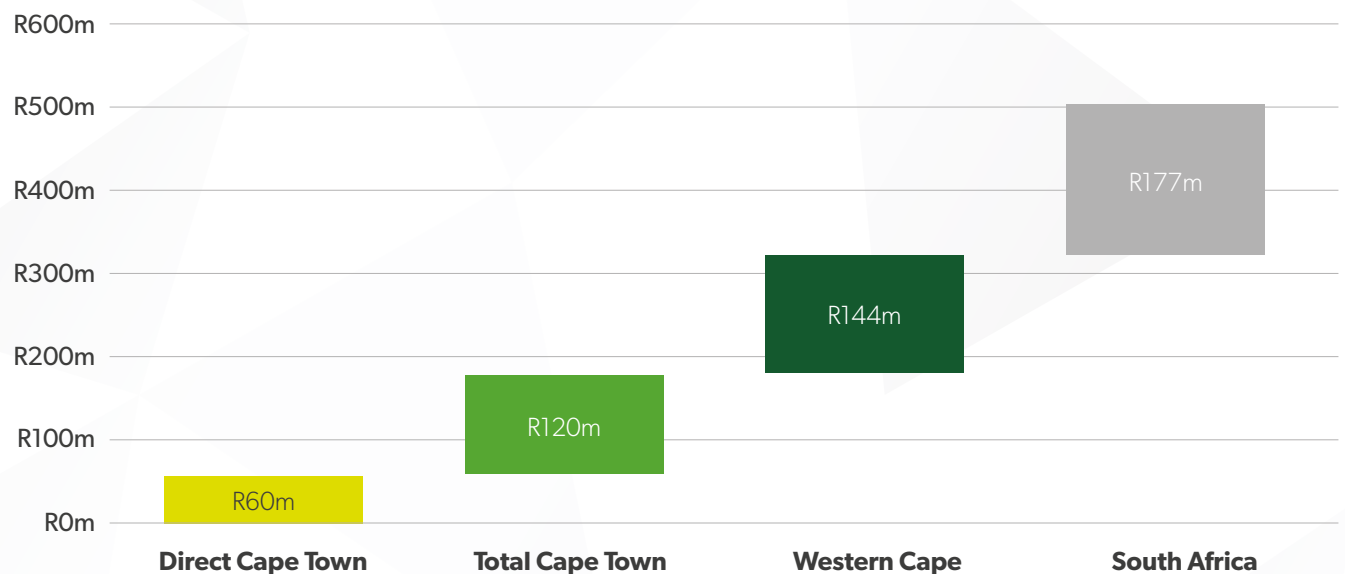
Figure 2: Contribution to Cape Town (Direct GDP-R)



Cascading these contributions, the Mining Indaba made a total (direct and indirect) contribution of R144m to the Western Cape and R120m to Cape Town. The narrowest measure was direct Cape Town value

added (direct GDP-R) at R60m. The relative size and cumulative value of the economic contribution to Cape Town, the Western Cape and South Africa is illustrated in Figure 3.

Figure 3: GDP Cumulative Contribution



3.2. Job Creation

It goes without saying that jobs are important. This is true whether they are direct jobs at the Mining Indaba or indirect and induced jobs from multiplier effects. Clearly an event like the Mining Indaba that runs for less than five days cannot be expected to create permanent jobs. In

such cases the convention is to report ‘full-time annual job equivalents’. This means that, for example, there would be one full-year job equivalent if the Mining Indaba resulted in 52 jobs where each lasted one week.

Table 5: Jobs (full-time annual equivalent)

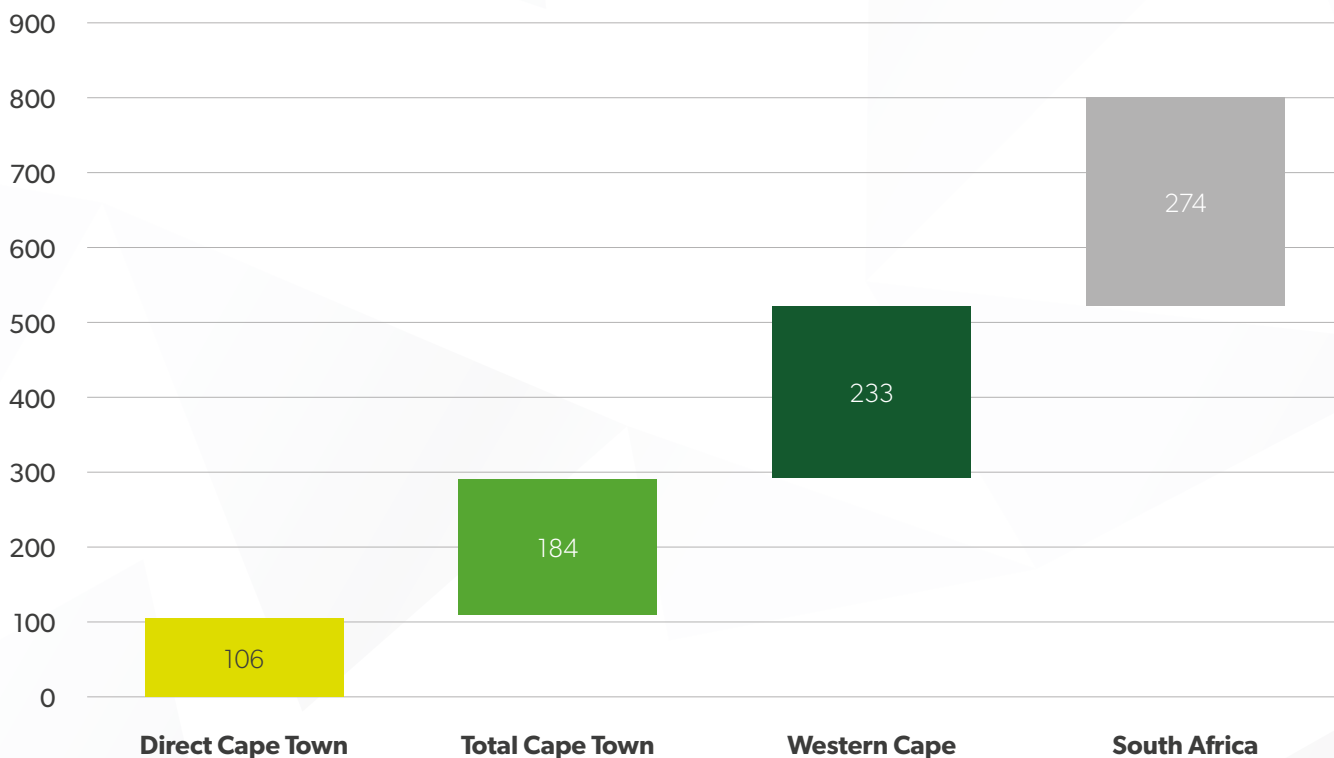
| Days | Direct Cape Town | Total | | |
|----------------------------|---------------------|------------|--------------|--------------|
| | | Cape Town | Western Cape | South Africa |
| Event Management | 59 | 104 | 125 | 146 |
| Exhibitors | 7 | 14 | 17 | 20 |
| Delegates | 35 | 57 | 79 | 94 |
| Travelling Companions | 6 | 9 | 12 | 14 |
| Total | 106 | 184 | 233 | 274 |
| International Contribution | 89 | 153 | 191 | 225 |

The Mining Indaba was extremely job intensive over four and a half days, so much so that it generated over 100 direct full-time equivalent jobs in Cape Town. This, including the multiplier effects, increases to 184 (total full-time equivalent) in Cape Town, 233 in the province and 274 in the country.

The international part of the Mining Indaba, as with contribution to GDP, made the biggest contribution. This contribution was in the region of 83% whether the jobs were in Cape Town or in the country. It means that 225 of the 274 national jobs came from the internationalism of the Mining Indaba.

The relative and cumulative job contribution of the Mining Indaba to Cape Town, the Western Cape and South Africa is illustrated in Figure 4.

Figure 4: Jobs (full-time annual equivalent)



3.3. Taxes, Household Income and Foreign Exchange

Three additional macroeconomic benefits are reported. These are the generation of tax, indirect household income and foreign exchange and are listed in Table 6.

The Mining Indaba generated R22m for the national fiscus over the short period that it was open. The international part of the event was responsible for R18m of these taxes. Event management generated over half of the total with delegate spending adding another 35%.

In turn the Mining Indaba increased household incomes by R68m, again with the international part making the lion’s share of this contribution of R55m. As before,

event management generated nearly half of the total with delegate spending adding another 37%.

South Africa has a serious current account deficit problem and any contribution to growing foreign exchange is welcome. An event like the Mining Indaba can be expected to use some foreign exchange. There is always the need for specialised equipment that is imported, for example. Yet the international orientation of the Mining Indaba makes it a major forex generator. The event attracted R112m in forex and used R37m. This means that there was a net R75m forex generation. In this instance event management accounted for over 70% of this funding and delegates brought in a further 16%.

Table 6: Taxes, Household Income and Forex

| Day | Taxes | Household Income | Foreign Exchange | | |
|----------------------------|-------------|------------------|------------------|-------------|-------------|
| | | | Earnings | Use | Net |
| Event Management | R12m | R34m | R71m | R16m | R55m |
| Exhibitors | R2m | R5m | R7m | R3m | R4m |
| Delegates | R8m | R25m | R28m | R16m | R12m |
| Travelling Companions | R1m | R4m | R6m | R2m | R4m |
| Total | R22m | R68m | R112m | R37m | R75m |
| International Contribution | R18m | R55m | R112m | R26m | R86m |

4. Conclusion

The Mining Indaba, now in its 26th year, started as a relatively low-key event in a Cape Town hotel and brought together investors and mining houses. Today it is held in one of the world's prestigious convention centres and hosts the entire mining supply chain including: governments, engineers, lawyers and consultants.

The Mining Indaba brings many economic and social benefits. National and international benefits follow when major investment agreements are initiated or concluded. Exhibitors, large and small, have important exposure and sales. People learn and network. This report has focused on a subset of these benefits - value derived from hosting the Mining Indaba and delegate spending.

There were 6,500 people at the Mining Indaba, ranging from Heads of State to students. This number was reduced slightly to avoid issues like double counting and over 5,600 people were included in the analysis.

People spent a total of 36,100 days in Cape Town through the Mining Indaba. These were 57% international, 40% South Africans from other provinces and the rest from the Western Cape.

The most important headline finding is contribution to GDP. It increased GDP in:

- South Africa by R177m, of which 80% was from international sources.
- The Western Cape by R144m.
- Cape Town by R120m.

Job creation rivals GDP in importance in countries like South Africa. The accepted protocol for short conventions is to report 'full-time annual job equivalents'. The Mining Indaba generated full time annual jobs of:

- 274 in the country.
- 233 of which were in the Western Cape.
- and 184 in Cape Town.

Taxes, indirect household income and foreign exchange were also estimated. The Mining Indaba increased:

- National taxes by R22m of which R18m was from international sources.
- Household incomes by R68m.
- Net foreign exchange holdings by R75m.



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