



Philequity Corner (October 12, 2020) By Wilson Sy

Mining revival

“The government is pushing for the revival of the mining industry,” Finance Sec. Carlos Dominguez announced last week. The government plans to privatize several of its mining assets, including mining claims of Basay Mining Corp., Hercules Mining, Marinduque Mining, and Nonoc Mining. The aim is to increase public tax revenues, attract private investments, and provide alternative employment among the locals in the rural areas, Sec. Dominguez added. With tourism receipts falling and income from POGO declining, the country needs other revenues sources.

One of the world’s most mineralized countries

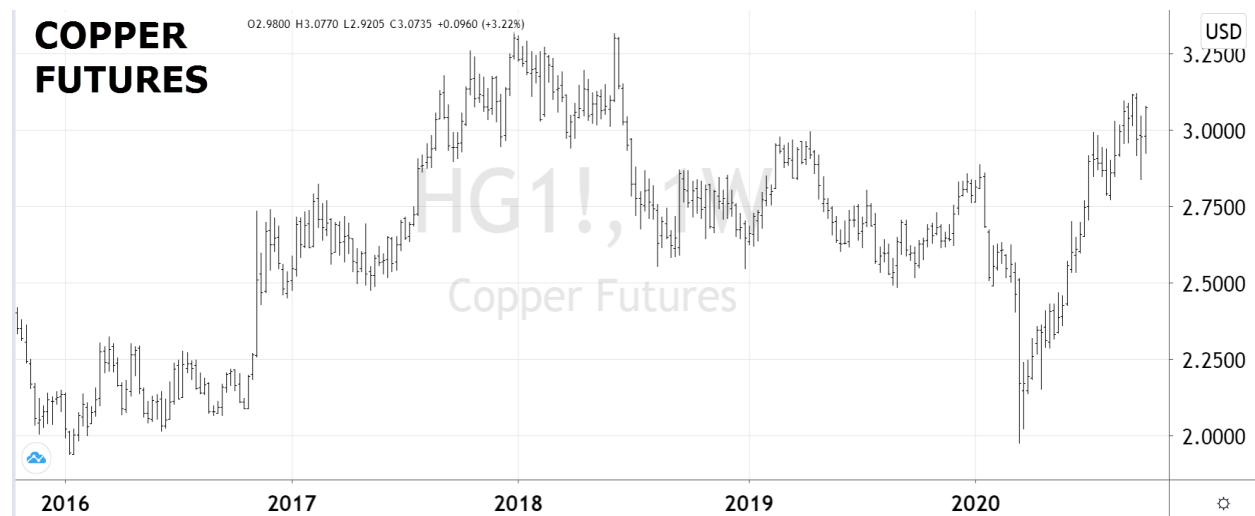
The Philippines is the fifth most mineralized country globally, 3rd for gold, fourth for copper, fifth for nickel, and sixth for chromite. Copper is often found with gold in the Philippines as a by-product. According to the latest report by the Mines and Geosciences Bureau (MGB), the Philippines has total gold reserves of 4.89 million kilograms of gold, 1.14 billion metric tons (MT) of copper, 2.05 billion MT of nickel, and 44.86 MT of chromite as of 2018. In 2019, exports of nickel, gold, and copper alone brought about US\$2.6 billion in revenues.

There are about 190,000 mining jobs in the country as of 2019. There are four indirect jobs created in the upstream and downstream industries for every position in the industry.

Recovery in industrial metal prices

The government’s plan to revive the mining industry is very timely. We have written about gold in previous articles, and we showed how strongly gold performed this year (see *Pandemic sparks gold rush*, June 29 and *Gold at historic highs*, August 10). The Philippines is not only benefitting from the rise of gold but also from the recovery of other metals.

As a group, industrial metals have climbed steadily since May as China’s recovery from the COVID-19 pandemic has gathered momentum. Copper is back in a bull market, with prices gaining 8% for the year and 54% since the Covid-19 lows recorded in March.



Nickel has increased 5% year-to-date and 33% since the lows recorded in March. Other industrial metals like Aluminum and zinc have also recovered.



When the global economy recovers from the pandemic upon the discovery of an effective vaccine or cure, industrial metal prices may rise further.

A Biden win will boost industrial metals

According to a Bloomberg report last Friday, Biden's odds of winning the US election jumped to 82.6%. A Biden win will be a boost to prices of industrial metals. His \$1.7 trillion clean energy plan and \$1.3 trillion infrastructure improvement program would boost demand for copper used in construction wiring, plumbing, and electricity transmission. Used in EV and renewable energy projects, other industrial metals like nickel, cobalt, lithium, and manganese would also benefit.

Competitive advantage

The Philippine mining industry has a definite competitive advantage compared to other mining nations. The world's top copper smelters are in China, Japan, Korea, and India, which are basically in our neighborhood. To ship copper ores from Chile to China takes 32 days. It takes seven days if it comes from Australia, but only two days from the Philippines. Hence, the Philippines has the advantage not only in terms of production but also on transport. If we do this right, we could be a mining powerhouse again, just like in the 1970s.

Responsible mining

Philippine mining stocks welcomed the government's plan to revive mining. PSE's mining index increased by 12% last week. We hope that the country will successfully revive a responsible mining industry that will create jobs and generate revenues for the government, and at the same time, safeguard the environment. Responsible mining and environmental protection can go hand in hand.

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email ask@philequity.net.