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Gold miners say output has peaked as losses reshape the industry

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Gold output has peaked in this commodities cycle, according to mining industry leaders and analysts who say few big projects will reach the point of production amid falling prices.

The lack of new assets and declining output at existing mines is expected to curb gold supply, a glimmer of hope for surviving producers of the precious metal in an industry coming to terms with a rush of investment when prices were far higher.

Kelvin Dushnisky, president of Barrick Gold, the world's largest gold miner by annual output, said: "Falling grades and production levels, a lack of new discoveries, and extended project development timelines are bullish for the medium and long-term gold price outlook."

Gold has been one of the commodities hit by the worst environment for mining in more than a decade. The price has declined more than 40 per cent from its 2011 peak, to a level where many gold miners struggle to recoup the costs of extraction.

This year some had expected gold to be under pressure from higher interest rates in the US, after the Federal Reserve began to tighten monetary policy last month.

However the gold price has risen 2.7 per cent so far in 2016, while stock markets around the world have tumbled. A controversial investment with a variety of competing theories for what determines the price, gold has provided comfort for investors who see the inert metal as a haven amid economic and political turmoil.

Miners hope limits to fresh gold supply will increase the chances of longer-term recovery.

“It is fruitless to try to predict demand dynamics for gold — I always put my faith in a recovery driven by reduction in supply and I believe we will see the first signs of impending recovery in the second half of this year,” said Vitaly Nesis, chief executive of Polymetal, a UK-listed gold miner.

According to Thomson Reuters’ GFMS metals research team, global production of gold is expected to fall 3 per cent this year, ending a seven-year period of rising output. GFMS expects gold mine production in 2015 to have risen 1 per cent to a record 3,155 tonnes.

The end of the gold bull market has prompted some miners to abandon growth projects, while ore grades across the industry have been falling as mines become depleted. The strike rate in finding significant deposits has also declined and most mining companies are struggling to attract investment to develop projects.

Mr Nesis said: “The fourth quarter last year was in my opinion the peak quarter for fresh global mine supply. ... I think supply will drop by 15 to 20 per cent over the next three to four years.”

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Nick Holland, chief executive of Gold Fields, a South Africa-based gold miner, said the industry had abandoned a previous fixation on rising output.

“We were all talking about how production was going to increase every year. I think those days are probably gone ... you are not going to see massive production increases in the industry,” Mr Holland said.

Ross Strachan, precious metals demand manager at GFMS, said the expected output fall this year would occur “as the contribution from projects that had been commissioned in previous years fades and the pipeline for new projects is limited given the current stressed financial climate”.

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