



Forecasters or fortune tellers?

The immediate future (forecasting less than 2 years ahead)

There are now market-ready, sophisticated predictive and prescriptive analytics platforms which are increasingly able to make a high volume of low-value decisions faster and more accurately than humans.

Some are already leading here – analytics start-ups are now able to use machine learning and complex algorithms to more accurately forecast commodity prices. Glencore has a pre-determined baseline dividend of approximately one billion US dollars paid directly to shareholders based on its marketing margins which are predicated on accurately timing the market.

The difficult medium-term (forecasting 2-10 years ahead)

Medium-term forecasting is notoriously difficult – extrapolation from the present is stubbornly inaccurate, and the assumptions required for quantitative analysis of the medium-term are nearly impossible to define.

Miners are well placed to develop a new approach in this area that blends technological and human capabilities. Portfolio adjustments take several years, and its supply and demand fundamentals take time to change and provide enough stability to develop useful medium-term models.

Into the future (forecasting more than 10 years ahead)

Looking beyond ten years, the most accurate approaches apply human capability in conjunction with extensive scenario planning. Most established mining companies have explored scenarios; however, challenges remain in using scenarios effectively in major decisions.

Sensitivity analysis or low, medium and high forecasts are not sophisticated enough to accurately predict a range of future outcomes and human bias often impedes strategic decision-making. Given the long-timeframes in our industry, getting this right could prove a significant step forward.