

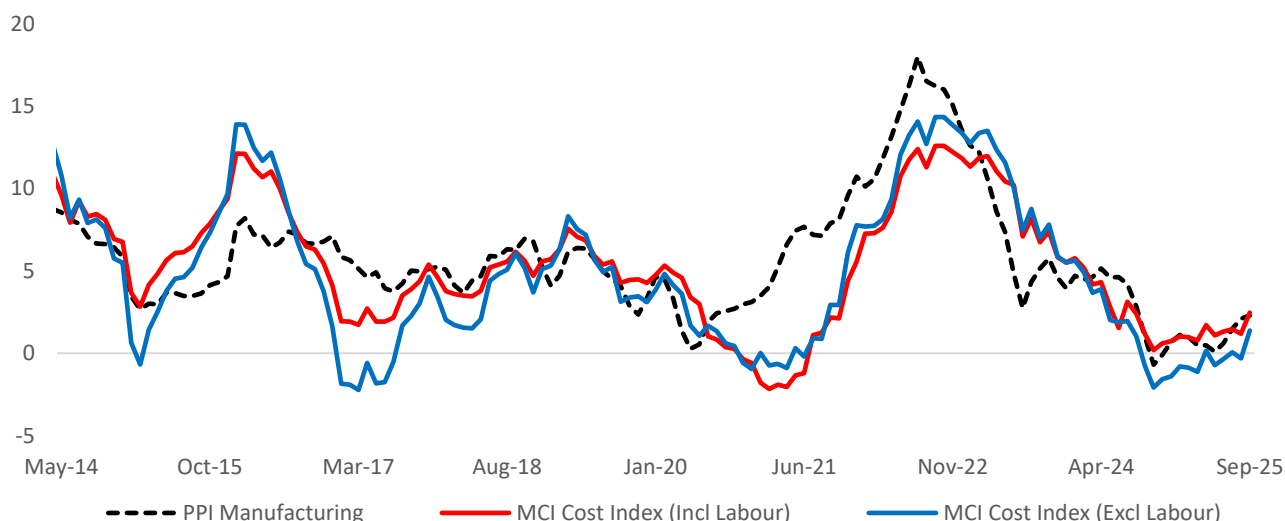
Mining Input Costs Increased in September, Hitting 2.5% y-o-y

In September, mining input costs accelerated to 2.5% year-on-year (y-o-y), marking the highest rate recorded in our Mining Composite Input (MCI) Cost Index for the year. This increase was primarily driven by a significant rise in intermediate mining and quarrying inputs, such as copper, iron and steel. Additionally, transport and storage exerted upward pressure on input costs, largely due to higher road and rail freight charges, and increased costs across storage facilities—particularly rented ones. Beyond these factors, electricity, water, and labour continued to contribute substantially to the annual input cost burden.

The graph below illustrates trends in mining input costs, both including and excluding labour, alongside the PPI for Final Manufactured Goods.

Figure 1: Total Mining Input Costs

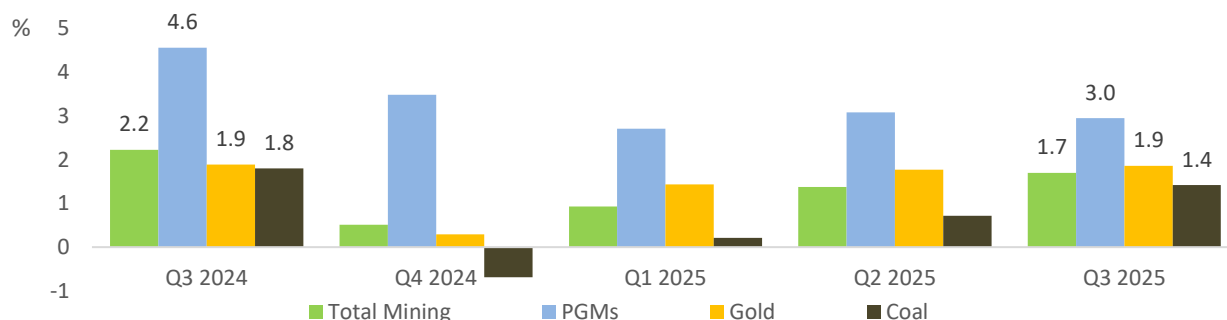
Y-o-Y % change



Source: Statistics SA & Minerals Council

With September marking the close of the third quarter, we observed a rise in coal input cost inflation, while key commodity groups such as PGMs and gold remained relatively stable. Encouragingly, overall input cost pressures are lower than they were at this time last year, offering some relief to the industry.

Figure 2: Quarterly Input Cost Inflation



Source: Minerals Council

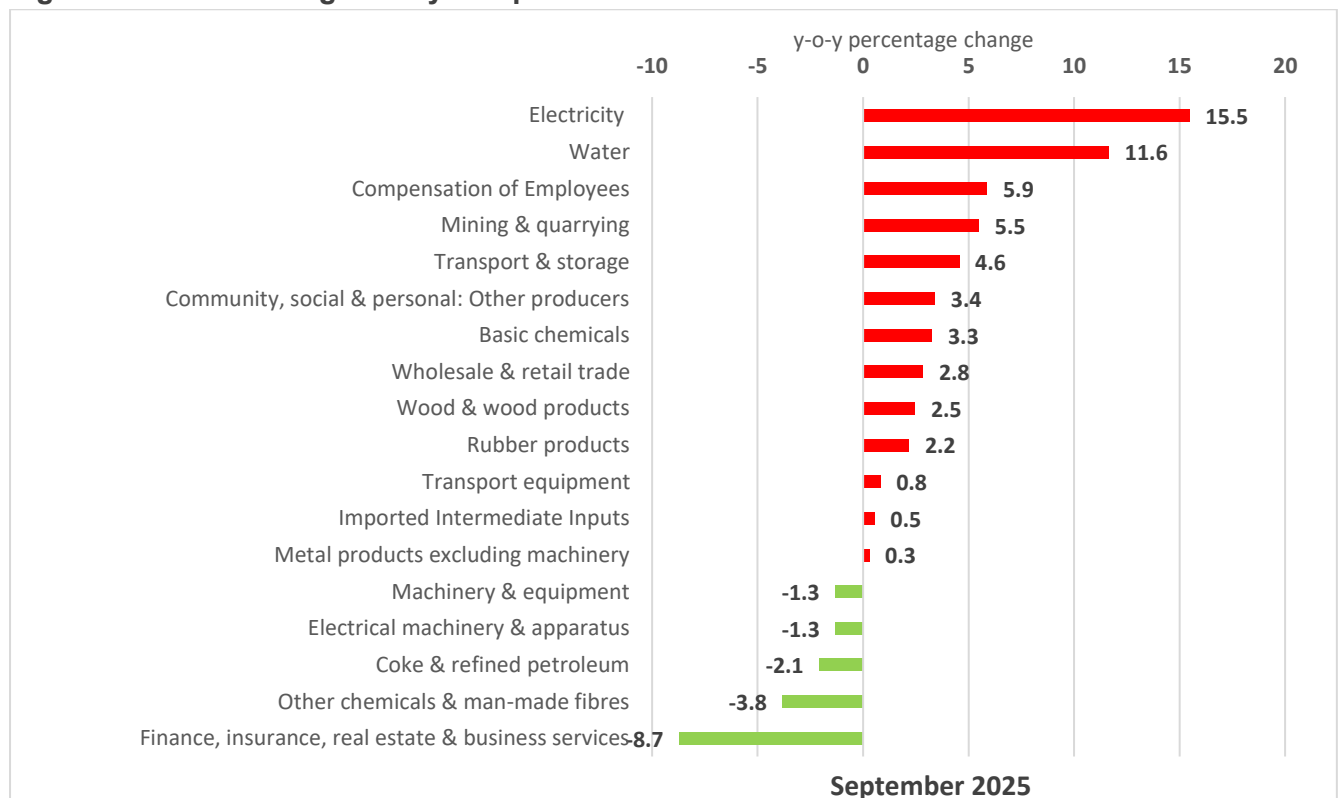
Figure 3 below highlights the cost categories contributing to the annual headline figure. Electricity, water, and employee compensation remain the top three contributors to input cost inflation in the mining sector. In September, electricity costs rose by 15.5% y-o-y, exceeding the 12.74% increase approved by the National Energy Regulator of South Africa (NERSA) for 2025/26 under the MYPD 6. While this spike is likely due to the final month of elevated winter tariffs, broader trends suggest that electricity cost increases have consistently outpaced the approved rate. This pattern points to underlying changes in the tariff structure—such as adjustments to peak-time usage, seasonal rates, and pricing based on voltage and distance from substations—which have collectively driven costs higher. In response, NERSA has initiated a market inquiry into fixed charges, the generation capacity charge, legacy charges, and other fees imposed by electricity distributors and municipalities. The findings, expected in early 2026, will be crucial in understanding the impact of these structural changes on the mining sector’s competitiveness and profitability.

Following mining and quarrying costs—which are used as intermediate inputs in mining—transport and storage costs rose by 4.6% y-o-y in September. This increase was driven by notable rises in road freight costs (+3.9%) and rail transportation costs (+3.8%). While rail tonnages remained relatively stable compared to August, the cost per dry tonne was higher than the same period last year, indicating increased pricing pressure despite consistent volumes.

On a more positive note, several cost categories provided relief on a y-o-y basis:

- Financing costs declined by 8.7%
- Other chemicals and man-made fibres were 3.8% lower
- Coke and refined petroleum products fell by 2.1%, largely due to a sustained oversupply of crude oil and weakened global demand amid economic pressures

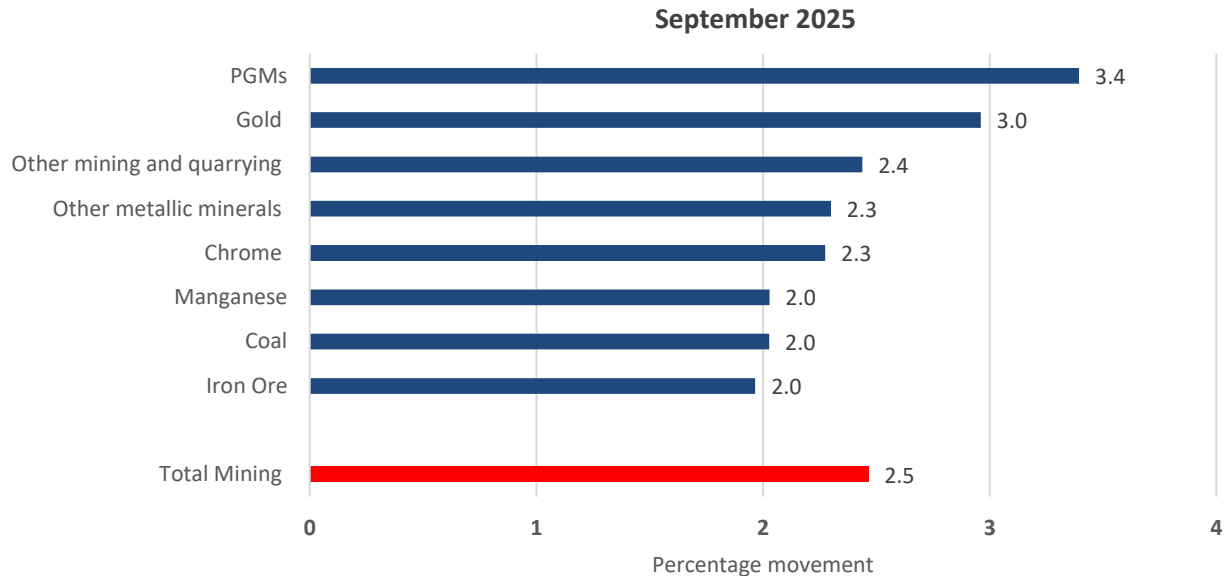
Figure 3: Annual change in key components of MCI Cost Index



Source: Minerals Council

Figure 4 below illustrates the y-o-y increase in mining input costs per commodity subsector for August. These differences continue to reflect the distinct cost structures of each subsector, with the latest 2024 weightings applied to ensure accuracy and comparability.

Figure 4: Commodity-Specific Input Cost Inflation



Source: Minerals Council

September saw a broad-based uptick in input cost pressures across commodity groups. As expected, the PGMs and gold sectors experienced the most significant increases, largely driven by elevated electricity costs. Additionally, transportation and storage costs rose notably on an annual basis, contributing to higher input costs across the board. The improved commodity pricing environment also played a role, with higher prices filtering through to the sector in the form of increased intermediate costs for mining and quarrying inputs such as copper, coal, and iron—all essential to some mining operations. Despite these pressures, iron ore and coal subsectors recorded the lowest levels of input cost inflation, offering some relief within the broader mining landscape.

Conclusion

The mining sector recorded a 2.5% year-on-year increase in input costs for September - the highest rate observed so far in 2025. While still below historical highs, this uptick may signal a potential trend reversal and aligns with movements seen in the Producer Price Index (PPI) for Final Manufactured Goods. Electricity costs continue to be a persistent challenge for the sector. Without sounding repetitive, it's worth emphasising that power remains a significant cost pressure for mining companies and the economy more broadly. The recent release of South Africa's Integrated Resource Plan (IRP) 2025, which outlines the country's energy roadmap to 2042, has important implications. The IRP signals a strong policy shift toward renewable energy sources, with solar and wind projected to grow from 8% and 10% of the energy mix in 2025 to 20% and 30% respectively, by 2042. In contrast, coal's share is expected to decline from 58% to 11% over the same period. While this transition is not unexpected, it carries cost implications. Despite significant price reductions over the past decade, solar and wind generation remain more expensive per MWh than current coal-based (R546/MWh) and nuclear-generated (R107/MWh) electricity. Currently, as per the IRP 2025, electricity from renewable IPPs costs an average R2,189/MWh. Moreover, the shift will require substantial

infrastructure investment—including hundreds of new substations, more than 14,000 kilometres of transmission lines, and upgrades to South Africa's fragile distribution network.

Taken together, these factors suggest that the electricity tariff trajectory is likely to continue rising. The Minerals Council has expressed concern that sustained increases in electricity costs could undermine the mining sector's competitiveness and growth prospects. South Africa's intentions of adding more value to its minerals and metals domestically hinge on globally competitive electricity prices. The more than 900% increase in electricity prices since 2008 has, for example, contributed to widespread closures and suspensions of ferrochrome and ferromanganese smelters because they cannot compete at a global level despite the abundance of chrome and manganese ore.

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