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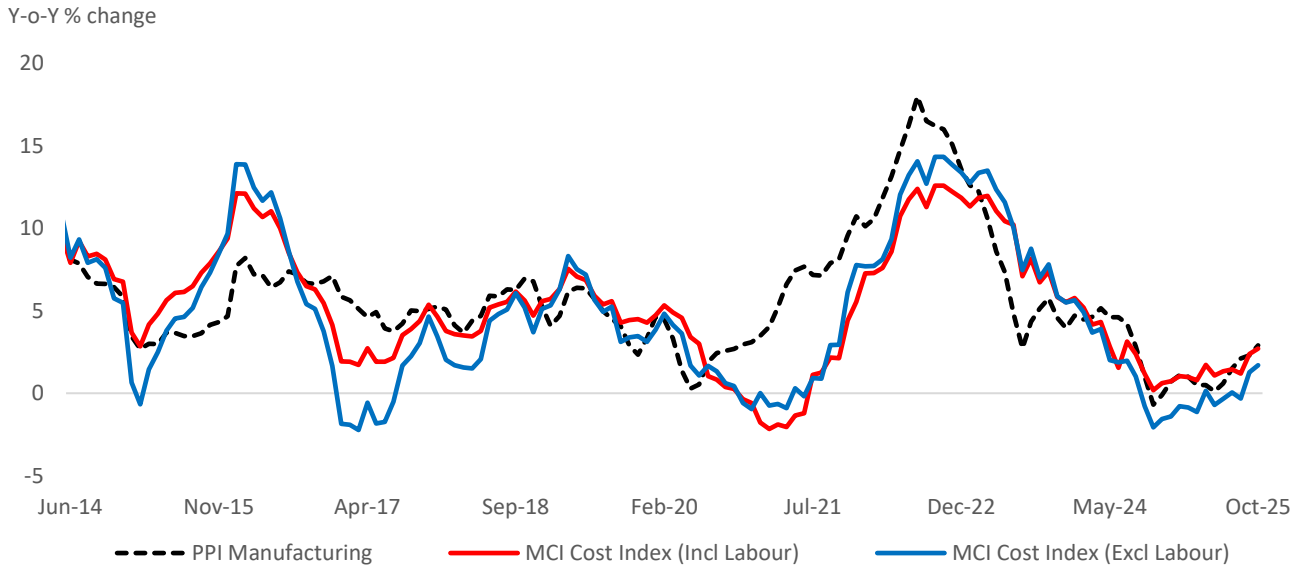
MINERALS COUNCIL
SOUTH AFRICA

Mining Input Costs Edged Up Higher in October, reaching 2.7% year-on-year

In October, the Minerals Council South Africa's Mining Composite Input (MCI) Cost Index rose to 2.7% year-on-year (y-o-y), up from 2.4% in September. Year-to-date, mining input costs are averaging 1.5% y-o-y for 2025, compared to 3.1% over the same period in 2024. While overall input cost pressures remain historically subdued, an upward trend is emerging. This is driven primarily by higher prices for intermediate mining inputs, including iron ore—which is performing stronger than a year ago. These increases are putting pressure on costs where these and other minerals are used in intermediate processes. Additionally, there has been a notable rise in sawmilling and wood costs, electricity and water tariffs, and significant increases in road transportation costs. These factors are collectively driving the upward trend observed over the past three months.

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



Source: Statistics SA & Minerals Council

On an annual basis, we are able to identify a few trends. **Firstly**, October marked the end of winter electricity tariffs which started in June and ended in September. After the end of the winter electricity tariffs, which saw prices increase by up to 36% in June on top of the standard tariff, the expectation was that electricity tariffs would be reduced to the National Energy Regulator of South Africa (Nersa) approved 12.74%. The data suggests that this is not the case. In October, electricity costs are 16.8% y-o-y higher, still above the Nersa-approved 12.74%.

Members of the Minerals Council, the Energy Intensive Users Group (EIUG) and the Ferro Alloy Producers of South Africa (FAPA) raised concerns that electricity tariff increases exceeded Nersa's approved 12.74% for FY26. The issue was **escalated to Nersa**, prompting the regulator to launch a market inquiry into the increases. Submissions closed in November 2025, and the regulator's assessment and the outcome of the inquiry are still pending. Preliminary indicators suggest that changes to Eskom's Retail Tariff Plan have resulted in additional costs for consumers, influenced by

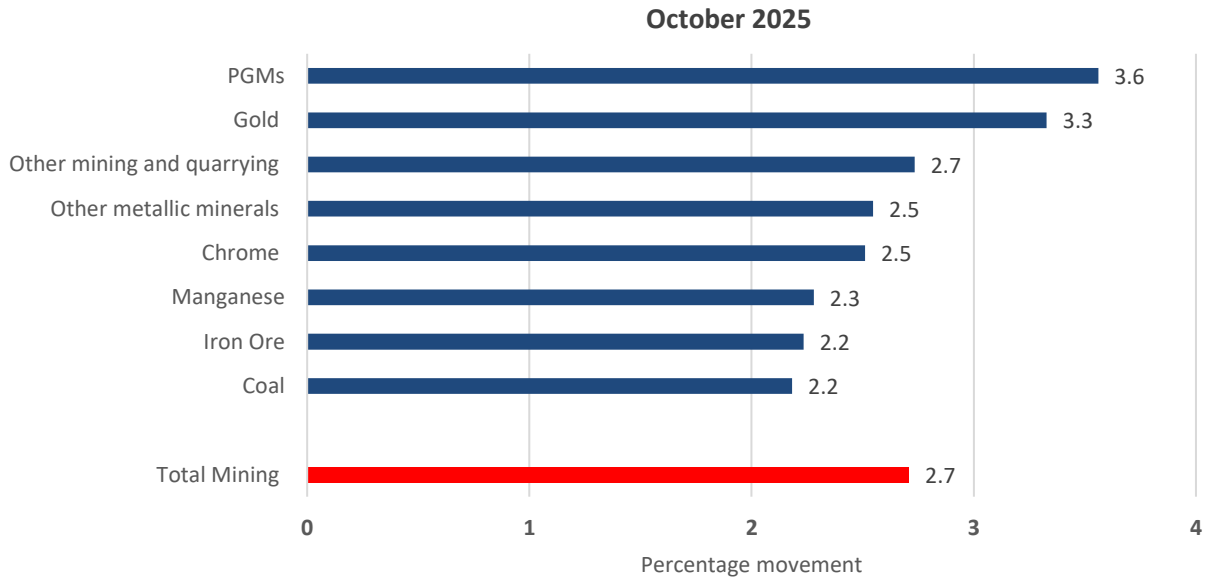
factors such as line voltage and distance from substations, resulting in tariff increases on top of the 12.74%. We expect an outcome from the regulator in January 2026.

Beyond electricity, water costs have also risen sharply. In October, water prices were 11.7% higher than a year earlier, raising concerns about the long-term trajectory of water costs and signalling that the availability and affordability of water could become a major challenge for mining operations.

Additionally, transportation and logistics continue to exert pressure on mining input costs. The MCI Input Cost Index captures expenses associated with moving minerals and metals to market, with transport and logistics being key components. In October, road freight costs increased by approximately 5.3% y-o-y. **However, rail performance has been a positive surprise**: over the past two months, rail volumes have increased notably while associated costs have remained relatively stable. This improvement in the cost-to-volume ratio has provided welcome relief to the sector. Still, where rail capacity is unavailable, mining operations are forced to rely on road transport—whose costs show no signs of easing.

Figure 2 below illustrates the y-o-y increase in mining input costs per commodity subsector for October.

Figure 2: Commodity-Specific Input Cost Inflation



Source: Minerals Council

In October, PGMs and gold recorded the highest levels of input cost pressure among major commodities. Interestingly, the gap between the two has narrowed over recent months. One contributing factor is the increase in structural and fabricated metal products—though modest at around 1%, these materials are widely used in gold mining operations, making their cost rise disproportionately impactful on gold input costs. On the opposite end of the spectrum, coal and iron ore experienced the smallest increases in input cost pressures. As noted in the September update, the release of the Integrated Resource Plan (IRP) 2025 is expected to negatively affect the coal industry by incentivising reduced **coal** usage for electricity generation. For **iron ore,** the easing of cost pressures may partly reflect the closure of the Beeshoek mine, which previously supplied ArcelorMittal South Africa (AMSA). AMSA terminated its supply contract following the shutdown of its

long steel business, which relied on iron ore for steel production. Beeshoek produced approximately 2.2 million tonnes of iron ore annually. At the current 2025 average price of $103 per tonne, this equates to roughly **R4 billion in lost annual sales—on top of more than 600 direct job losses** and significant indirect impacts on the local economy and supply chains.

Conclusion

Mining input costs remain historically subdued but are trending upward, driven by higher commodity-related inputs and rising utility and road transport expenses. Persistent electricity and water cost pressures, coupled with escalating road freight rates, highlight structural challenges for the sector. While rail improvements offer some relief, reliance on costly alternatives continues where rail capacity is limited. Commodity-specific dynamics—particularly elevated input costs for PGMs and gold—underscore the uneven impact across the value chain. These trends signal that cost management and infrastructure efficiency will be critical priorities for sustaining competitiveness. The Minerals Council will continue to lobby for a conducive and competitive mining policy and cost environment, as these are reflected as the cornerstone of sustainable growth, investment attractiveness, and long-term sector competitiveness.

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