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September 2026 Inflation Tightens the Squeeze on South African Mining

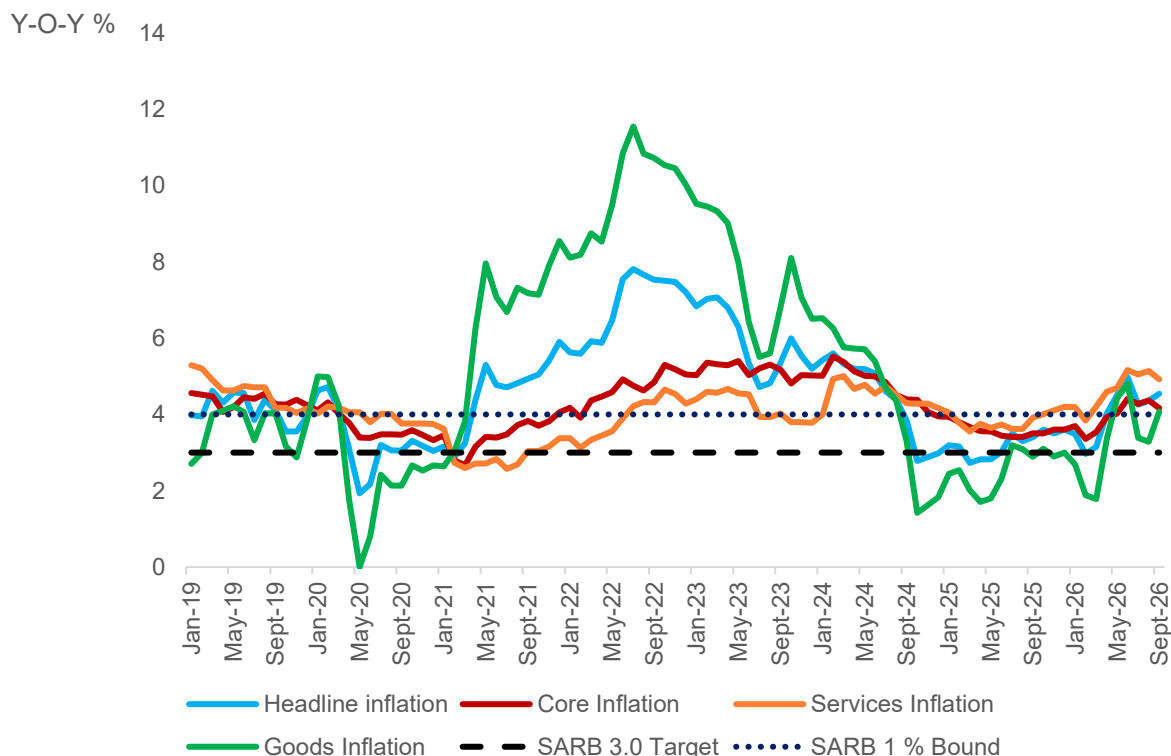
South Africa's headline consumer inflation rose to 4.5% year-on-year (y-o-y) in September 2026, from 4.4% in August, while prices increased by 0.4% month-on-month (m-o-m). This brief examines the components driving inflation and the channels through which they affect mining costs, profit margins, investment and labour pressures. Transport, housing and utilities, and insurance and financial services were the main contributors to the increase in the y-o-y inflation.

Current headline CPI	4.5% ▲	September 2026	
Previous month	4.4%	August 2026	
Inflation target	3% ± 1%		
Medium-term Inflation Forecasts			
Institution	2026	2027	2028
SARB (September MPC)	3.0%	3.0%	3.0%
National Treasury (February '26 Budget)	3.4%	3.3%	3.2%
SARB Policy Rate		Prime Lending Rate	
7.25%		10.75%	
Next SARB interest-rate decision: 19 November 2026 at 15:00			

The table shows headline inflation above the 3% ± 1% target range, while the SARB and National Treasury expect inflation to moderate over the medium term. The current policy and prime lending rates nevertheless keep financing conditions restrictive.

Goods and services inflation. Beneath the headline figure, goods inflation accelerated to 4.1% from 3.3%, while services inflation eased to 4.9% from 5.1%, indicating that near-term cost pressure is increasingly concentrated in goods and operational inputs for now. This is to be expected as services inflation typically follow changes in the price of goods.

Figure 1: Headline CPI rises marginally as services inflation eases and goods inflation accelerates



Source: StatsSA, SARB, Minerals Council

Breakdown:

1. **Transport** prices rose 10.8% y-o-y and contributed about 1.5 percentage points. Fuel prices rose 27.9% y-o-y and 4.6% m-o-m, while passenger transport services rose 12.3% y-o-y and the transport of goods rose 6.8% y-o-y. Fuel is used in operations for mobile equipment, generators and operational vehicles, while purchased transport services connect production to domestic and export markets.

Higher fuel and freight prices increase both on-site operating expenses and the cost of moving mineral products to markets. Bulk commodities such as coal, manganese, chrome and iron ore are especially exposed because they rely heavily on road haulage. The impact on profit margins depends partly on commodity prices. When export prices are strong, mining companies can absorb some of the higher transport costs without a major reduction in profitability. When commodity prices are weak, however, companies have less revenue available to cover these costs, so profit margins narrow more sharply. This pressure is difficult to pass on to customers because most mining products are sold at prices determined in international markets.

2. **Housing and utilities** prices increased by 5.2% y-o-y, contributing a further 1.3 percentage points to headline CPI. Within this category, water supply and related services rose 7.4%, while electricity, gas, and other fuels rose 7.9%. These are discussed in turn:

Electricity and water are essential for ventilation, pumping, hoisting, cooling, processing, dust suppression and mine-water treatment, so tariff increases raise the minimum cost of maintaining production.

Deep-level, energy-intensive and water-intensive activities are most exposed. Additionally, utility-cost increases can compress margins and affect output, employment, and remaining economic life; the effect is felt especially by junior and emerging miners and by mines in industries experiencing sustained production declines, e.g., diamond mines. This pressure also affects capital allocation. Higher tariffs strengthen the case for renewable energy, water recycling, and efficiency technologies, but upfront capital costs can force constrained companies to choose between current cost relief and investments that lower future costs.

Further, rising essential costs reduce real purchasing power and can influence wage expectations and demand for support. Pressure is strongest when essential prices rise faster than wages, increasing calls for transport, housing and other assistance.

3. **Insurance and financial services** prices increased by 5.4% y-o-y, contributing 0.6 of a percentage point to headline inflation. These services are especially relevant to mining because of the sector's capital intensity, long investment horizons and complex operational risks. These services protect people, assets, production and environmental liabilities and fund working capital and projects. Higher premiums and financing costs increase current expenditure and reduce investment affordability, especially when infrastructure damage, theft, illegal mining, or production interruptions tighten cover and security requirements.

Bottom line

September's CPI data show that inflationary pressure is concentrated predominantly in costs that matter directly to mining: transport, fuel, electricity and water, which shape wage demands, as well as insurance and financial services. These pressures affect operating costs, margins and investment decisions, with the greatest strain falling on energy-intensive, road-haulage-dependent and financially constrained activities.

We expect cost-push pressures, mainly dominated by higher fuel prices, push headline CPI higher – above the upper band of the SARB's inflation-targeting framework. The second-round effect of higher inflation will certainly manifest itself in higher wage negotiations and settlements in 2027.

-Ends-

DIMPHO MOEPANE
ECONOMICS DEPARTMENT

Tel: 011 498 7100

Email: dmoepane@mineralscouncil.org.za

