

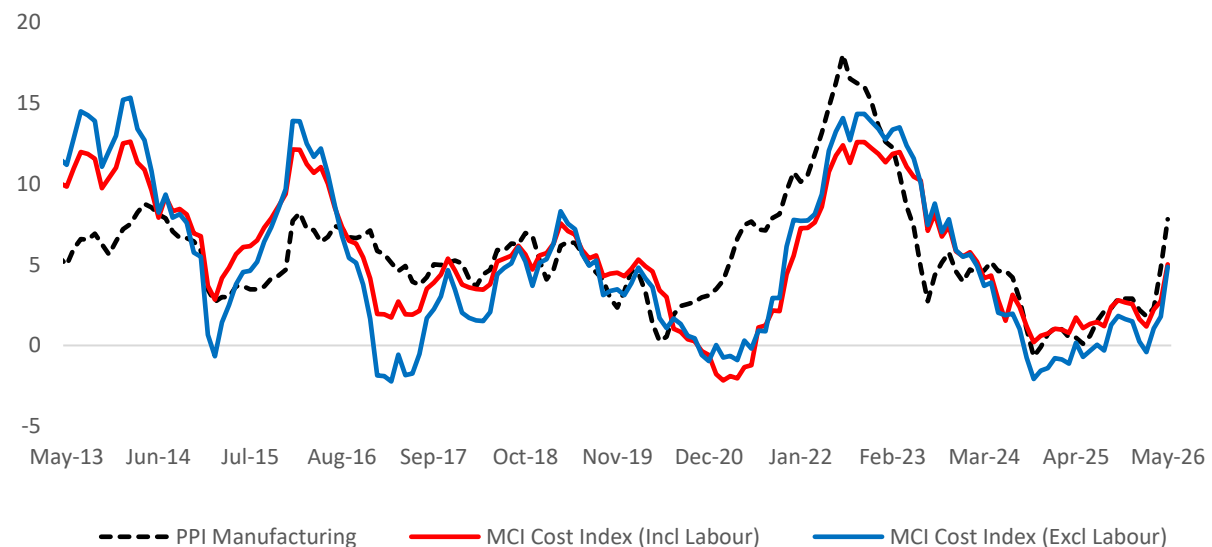
Mining Cost Pressures Accelerate as Energy Shock Takes Hold

Mining input cost pressures accelerated sharply in May, reflecting the transmission of higher global energy prices into the South African economy following the conflict in the Middle East. The Minerals Council's **Mining Composite Input (MCI) Cost Index** rose to **5.3% year-on-year** (y-o-y), up from a revised 2.8% in April. The 2.5 percentage-point increase was driven primarily by higher prices for coke and refined petroleum products, as well as chemicals. Cost pressures are likely to remain elevated on a year-on-year basis in June. While Brent crude prices fell following the ceasefire reached in the third week of the month, oil prices remained above pre-conflict levels for much of June. Consequently, energy-related inputs are expected to continue exerting upward pressure on annual mining input cost inflation, even though month-on-month fuel prices have begun to ease.

Looking ahead, further cost increases are expected as winter electricity tariffs take effect from mid-June, typically raising electricity costs by 20–30% through September, while municipal water tariffs are set to increase in July. Together, these developments point to a period of rising input cost pressures for the mining sector in the months ahead.

Below, we present trends in input costs, both **including and excluding labour**, together with the Producer Price Index (PPI) for final manufactured goods, which reflects the average net selling price in the manufacturing sector.

Figure 1: Total Mining Input Costs, y-o-y percentage

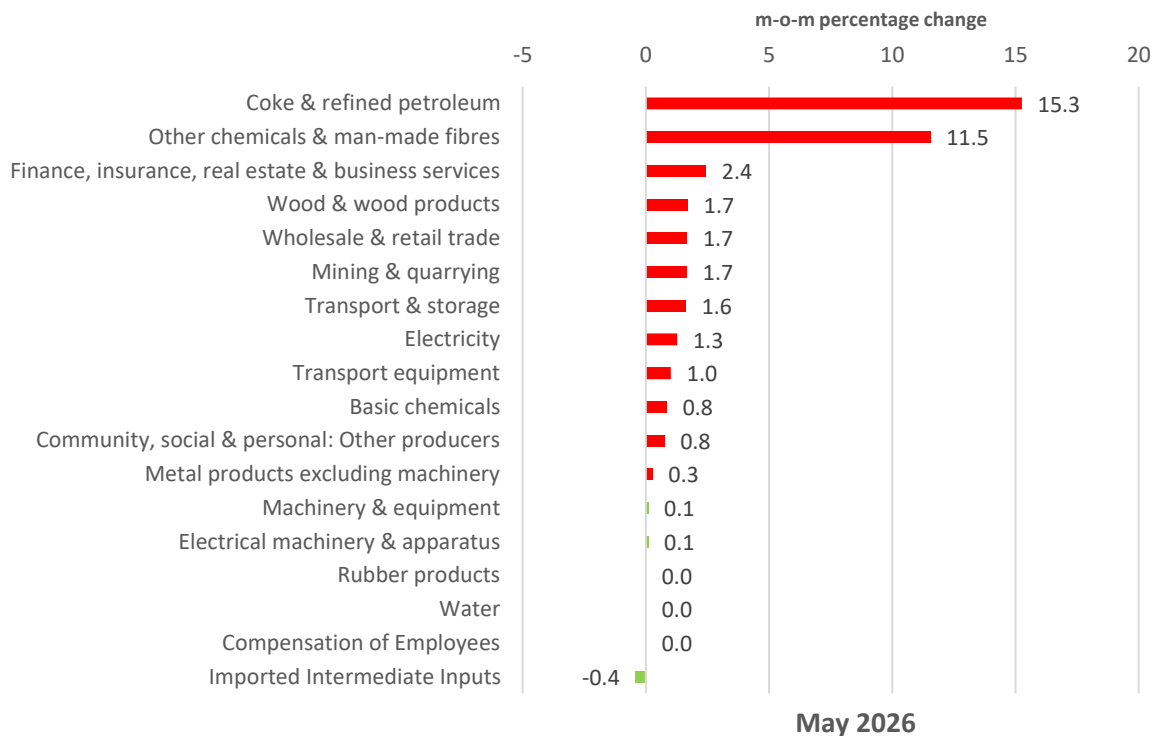


Source: Statistics SA & Minerals Council

On a **month-on-month (m-o-m)** basis, almost all cost baskets comprising the MCI Cost Index recorded increases in May (Figure 2). The most significant contributor was coke and refined petroleum products, which rose by 15.3% m-o-m, reflecting the sharp increase in global energy prices during the month. This was followed by chemicals and man-made fibres, which increased by 11.5% m-o-m. Broad-based price increases across the remaining categories also contributed to the acceleration in mining input cost inflation, resulting in the MCI Cost Index rising by 2.3 percentage points compared with April.

The only category to record an improvement was imported intermediate goods, which declined by 0.4% m-o-m. This reflected an improvement in the nominal effective exchange rate (NEER), supported by a stronger rand against a basket of currencies of our major trading partners. In May, the rand appreciated by 0.5% against the US dollar relative to April, while also strengthening against the euro (0.7%), pound sterling (0.2%), Japanese yen (0.3%) and Chinese yuan (0.6%). This helped to partially offset broader cost pressures stemming from imports.

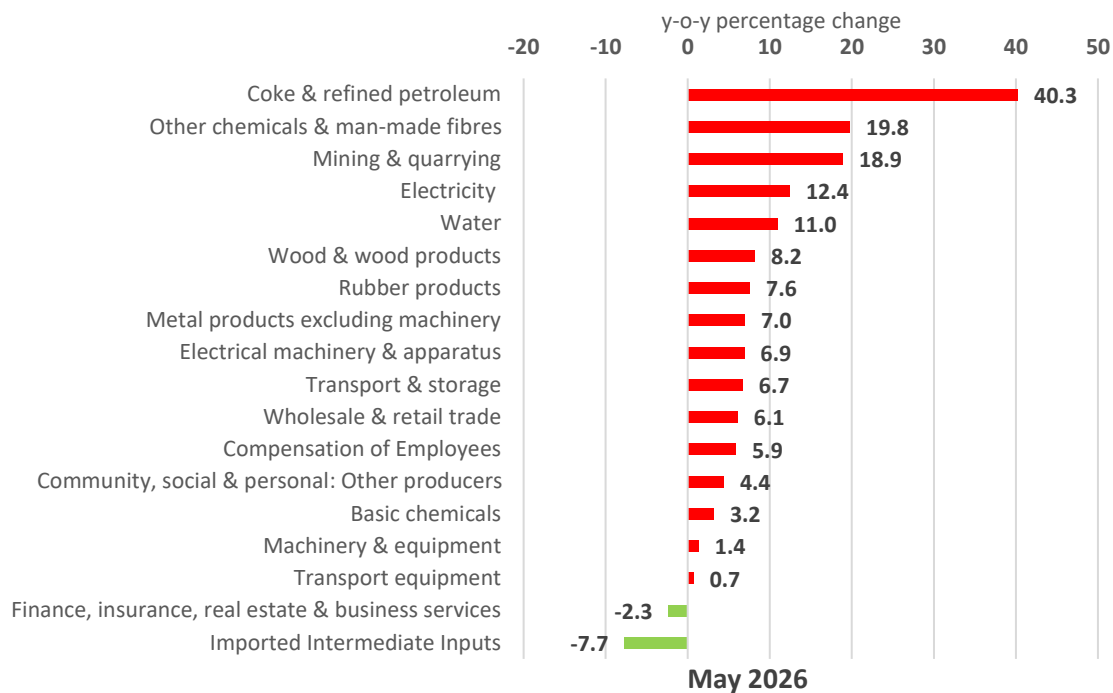
Figure 2: Monthly Change in Cost Categories in the Mining Sector



Source: Statistics SA & Minerals Council

Figure 3 illustrates that annual mining input cost pressures were dominated by energy-related products. Coke and refined petroleum products rose by 40.3% y-o-y, largely reflecting the 62.0% increase in Brent crude oil prices, which averaged \$103.8 per barrel in May 2026 compared with \$64.1 per barrel a year earlier. Higher oil prices also drove increases across the chemical value chain, with other chemicals and man-made fibres rising by 19.8% y-o-y. Key chemical inputs such as ammonia, ethylene and propylene all recorded substantial annual price increases, underscoring the broad transmission of energy price shocks through industrial supply chains.

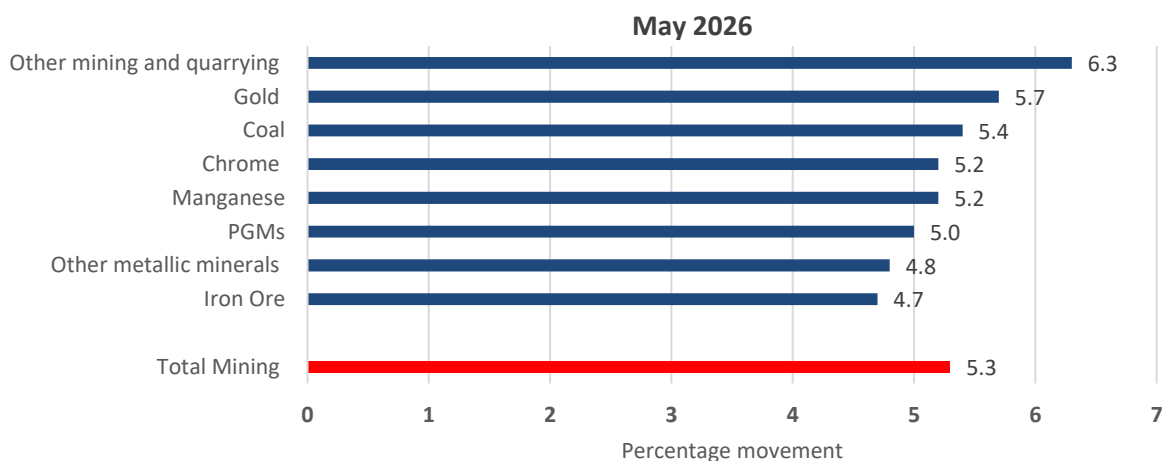
Figure 3: Annual Change in Cost Categories in the Mining Sector



Source: Statistics SA & Minerals Council

Below, we illustrate input costs per commodity using a weighted basket that reflects the relative importance of each input.

Figure 4: Commodity-Specific Input Cost Inflation



Source: Statistics SA & Minerals Council

The impact of the energy shock stemming from the conflict in the Middle East was not uniform across mining commodities, with cost pressures largely reflecting each subsector's exposure to fuel, energy and transport inputs. Other mining and quarrying, which includes aggregates and sand, recorded the highest input cost inflation at 6.3% y-o-y, reflecting its heavy reliance on diesel-powered operations and road-based transport. Similarly, **coal**, **chrome** and **manganese** producers faced disproportionate cost increases due to their significant transport and storage requirements, much of which remains road-based and therefore highly exposed to higher fuel prices.

Gold mining input costs also remained elevated. The energy-intensive nature of deep-level gold mining, combined with annual electricity tariff increases and broad-based increases across key input categories, continued to place upward pressure on operating costs.

Conclusion

The May data show that the energy shock triggered by the conflict in the Middle East has transmitted more forcefully through the mining input cost chain. Cost pressures increased across almost all categories, with the largest annual impacts concentrated in fuel, energy, chemicals, and transport-related inputs. These were the areas most directly affected by heightened concerns over oil supply disruptions through the Strait of Hormuz, a critical global shipping route through which around one-fifth of the world's oil trade passes.

Looking ahead, imported energy-related cost pressures may begin to ease. Following the ceasefire reached in June, Brent crude prices retraced to levels broadly consistent with those seen before the conflict, while tanker traffic through the Strait of Hormuz resumed. However, domestic cost pressures are likely to intensify. June marks the start of the winter electricity tariff period, which typically increases electricity costs by 20–30% through September, while municipal tariff increases, including water tariffs, came into effect from 1 July. Given mining's reliance on both electricity and water, these increases are expected to place further upward pressure on operating costs in the months ahead.

The broader inflation outlook also remains challenging. The South African Reserve Bank has increased its focus on inflationary risks following the energy-driven rise in headline inflation and inflation expectations, raising interest rates in May. With upside risks to inflation still present, the possibility of further monetary tightening later in the year cannot be ruled out. Together, these developments suggest that mining cost pressures are likely to remain elevated over the near term, even as the immediate global energy shock begins to subside.

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