04 September 2026

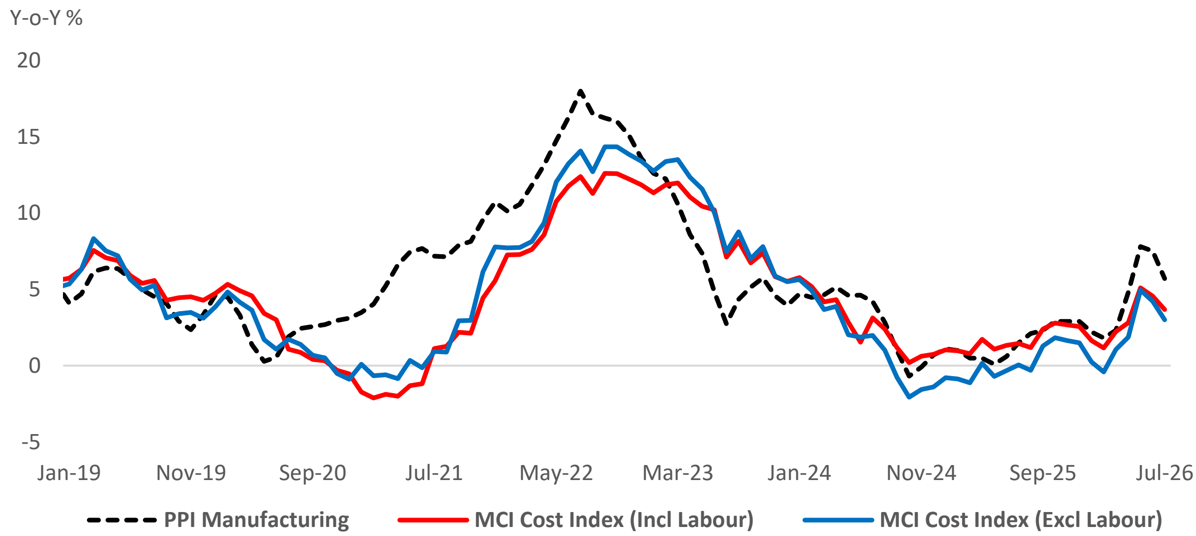
Mining Input Cost Inflation Slows, but Risks to the Outlook Remain

Mining input cost inflation moderated further in July, reflecting a temporary easing in fuel and crude oil prices. The Minerals Council South Africa's **Mining Composite Input (MCI) Cost Index** slowed to **3.8% year-on-year (y-o-y)**, down from 4.8% in June.

Input cost pressures remained influenced by disruptions to global energy markets arising from the conflict in the Middle East. On an annual basis, the largest contributor to cost inflation, despite a monthly decline, was still coke and refined petroleum products, followed by other chemicals and man-made fibres. July also marked the annual wage adjustment cycle, with labour costs increasing by 5.9% y-o-y. While labour costs typically rank among the largest contributors to mining input cost inflation, the current global cost environment meant labour ranked only among the top ten cost drivers. These trends are illustrated in Figure 2.

Below, we present trends in input costs, both **including and excluding labour**, alongside the Producer Price Index (PPI) for final manufactured goods, which reflects the average net selling prices manufacturers receive.

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



Source: Statistics SA & Minerals Council

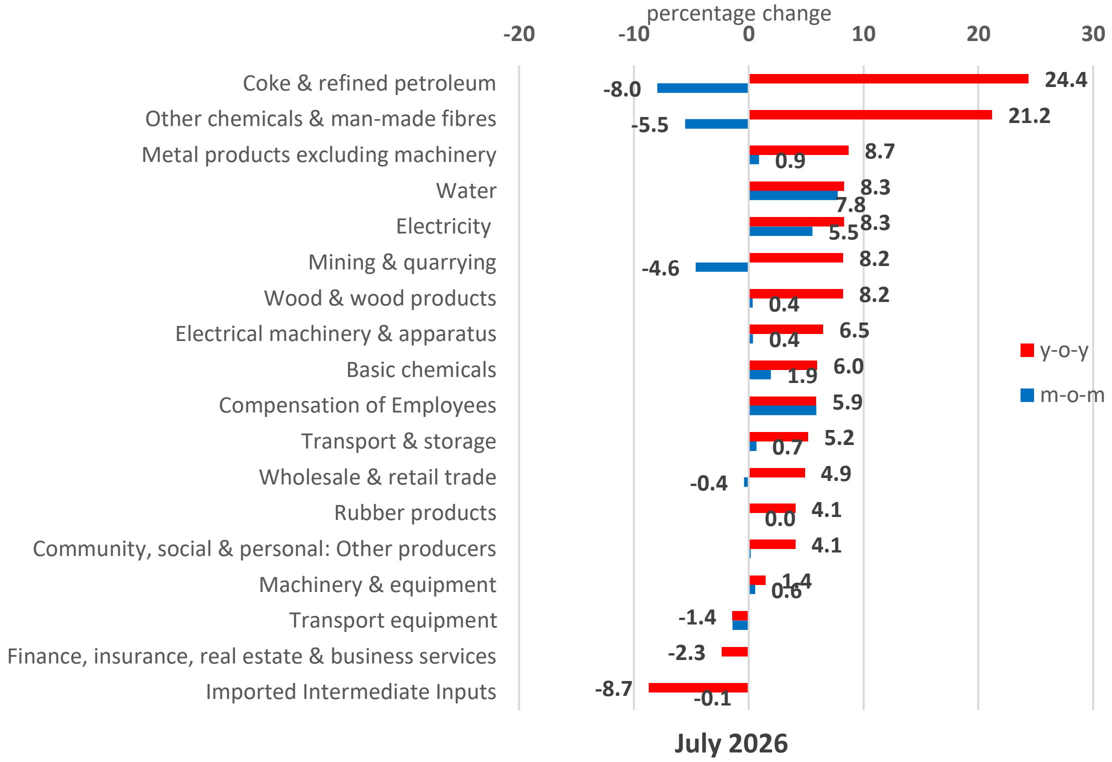
As noted earlier, **coke and refined petroleum products** remained the largest contributor to mining input cost inflation in July, as was the case in June. On an annual basis, prices increased by **24.4% y-o-y**, although this represented a moderation from previous months as crude oil and fuel prices continued to ease. Looking ahead, fuel prices remain elevated and volatile – a bad combination for the mining sector's long-term performance. August saw petrol prices increase while diesel prices declined, but September brought broad-based increases across both petrol and diesel prices. This largely reflected renewed concerns over geopolitical tensions in the Middle East, which contributed to upward pressure on global oil prices.

The conflict in the Middle East has also continued to influence chemical input costs. **Chemicals and man-made fibres** recorded inflation of **21.2% y-o-y**, reflecting higher feedstock costs and disruptions to petroleum-based supply chains. Products ranging from fertilisers and industrial chemicals to plastics have been affected by uncertainty surrounding oil flows through the Strait of Hormuz, one of the world's most important energy trade routes. Additional pressure has stemmed from renewed hostilities involving the United States, economic sanctions on Iran, and heightened naval activity in the region. Although the average crude oil price eased marginally to around **US$84 per barrel in July**, from US$84.5 in June, renewed tensions contributed to prices rising to approximately **US$88 per barrel during August**.

On a **monthly** basis, **water supply costs** were the biggest driver of mining input cost inflation in July, increasing by **7.8%**, as municipal water tariff adjustments came into effect. **Labour costs** were the second-largest driver, rising by **5.9%**, reflecting the annual wage adjustment cycle that typically takes place in July. **Electricity costs** ranked as the third-largest contributor. As noted in the previous update, this was expected, as July represented the first full calendar month under winter electricity tariffs, which remain in effect until mid-September. Electricity costs increased by **5.5% m-o-m**, following a substantial **27.8% m-o-m** increase in June.

Electricity and labour remain among the largest components of overall mining input costs. However, over the past year, the sharp increase in **coke and refined petroleum products**, together with their indirect impact on chemical input costs, has been the dominant source of inflationary pressure facing the mining sector. As a result, energy-related costs have exerted significant pressure on operating margins and profitability despite more moderate increases in other major cost categories.

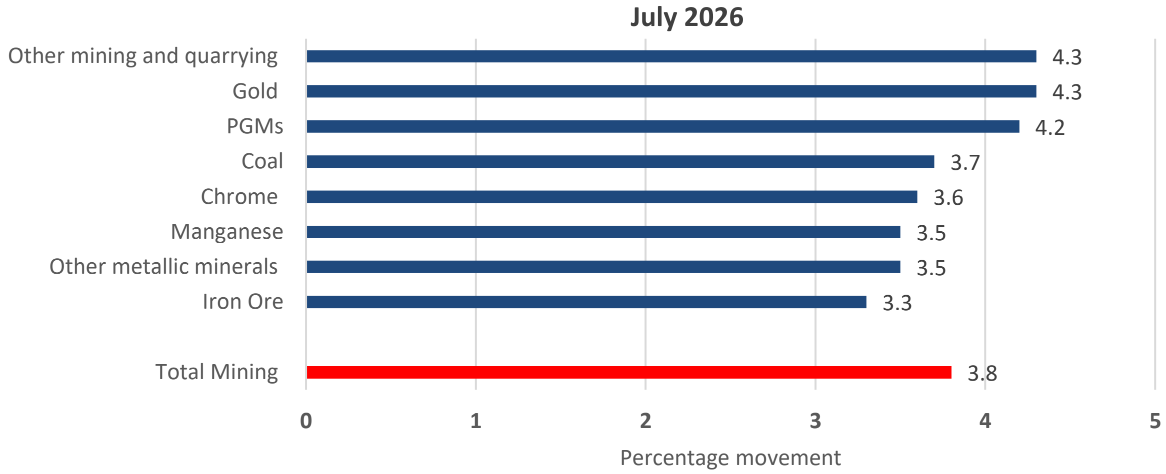
Figure 2: Monthly and Annual Change in Cost Categories in the Mining Sector



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 3: Commodity-Specific Input Cost Inflation



Source: Statistics SA & Minerals Council

July continued to reflect the combined impact of the global energy shock and domestic administered cost increases. Commodities reliant on petroleum products, as well as those exposed to rising electricity and water tariffs, recorded some of the strongest cost increases during the month. Across mining subsectors, input cost inflation remained elevated, with **other mining and quarrying** recording an increase of **4.3% y-o-y**, followed by **gold mining** at **4.3% y-o-y** and **PGM mining** at **4.2% y-o-y**.

Conclusion

While mining input cost inflation has continued to moderate, the outlook remains uncertain. Recent increases in global oil prices, ongoing geopolitical tensions, and the persistence of higher administered costs suggest that cost pressures could remain elevated in the coming months. As a result, the pace of further moderation will depend largely on developments in global energy markets and the extent to which domestic cost increases continue to filter through to mining operations.

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