

12 October 2026

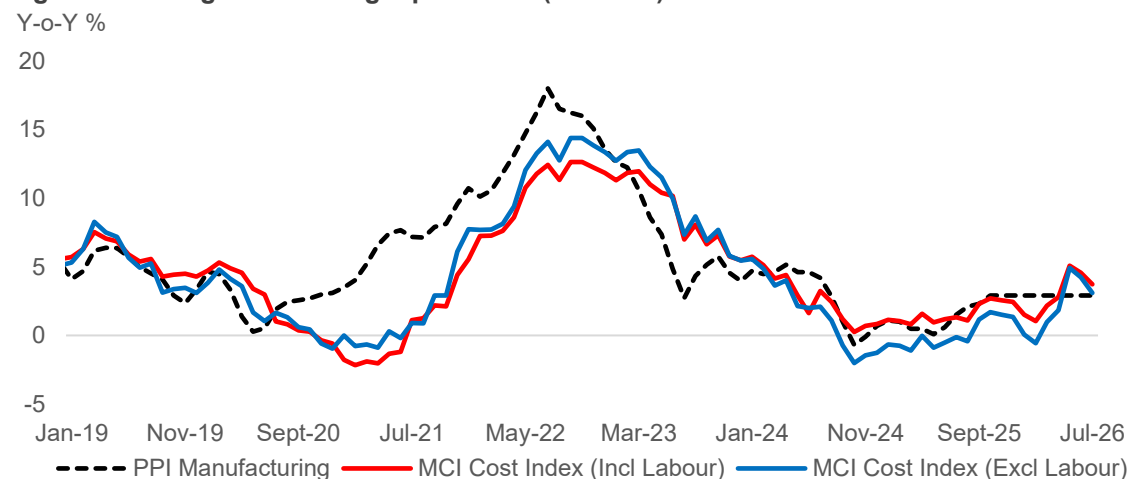
Mining Cost Inflation Eases, But the High Input Prices Keep the Sector Under Pressure

Mining input cost inflation moderated marginally in August 2026 as lower month-on-month (m-o-m) prices for coal and petroleum products, chemical products and electricity provided some relief. The Minerals Council South Africa Mining Composite Input (MCI) Cost Index contracted further to **3.7% year-on-year (y-o-y)** in August 2026, compared with 3.8% in July 2026, indicating that cost pressures remained elevated despite the modest easing.

The moderation should therefore be interpreted as a temporary easing in the pace of cost growth rather than a broad-based reduction in mining operating costs. Several essential inputs remain materially more expensive than a year ago, continuing to pressure margins, particularly for operations with high energy, transport, and processing requirements.

Figure 1 compares the movement in mining input costs, both including and excluding labour, with the Producer Price Index (PPI) for final manufactured goods. The MCI has followed a modest downward trajectory since June 2026. This suggests that the intensity of mining cost inflation has softened in recent months; however, the level of the index remains high, and the decline is not yet sufficiently broad-based to signal a sustained improvement in the sector's cost base.

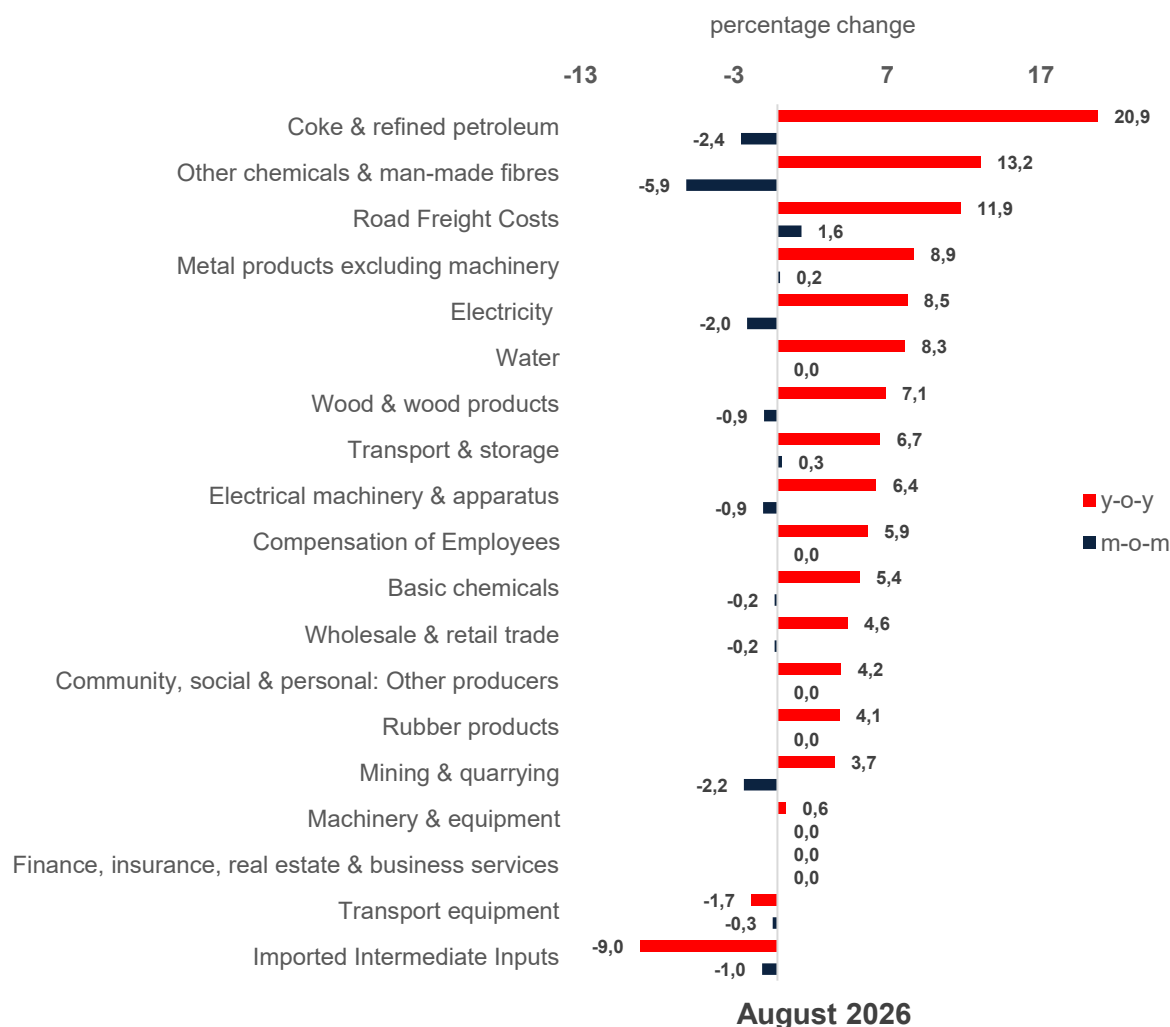
Figure 1: Easing Total Mining Input Costs (Y-O-Y %)



Source: Statistics SA & Minerals Council

The comparison with the PPI matters because it shows whether mining-specific cost pressures are moving in line with, or diverging from, broader producer inflation. Persistent mining input inflation above general producer-price growth would weaken the sector's competitiveness by raising the cost of extraction and processing faster than economy-wide output prices.

Figure 2: Monthly & Annual Changes in Cost Categories in the Mining Sector



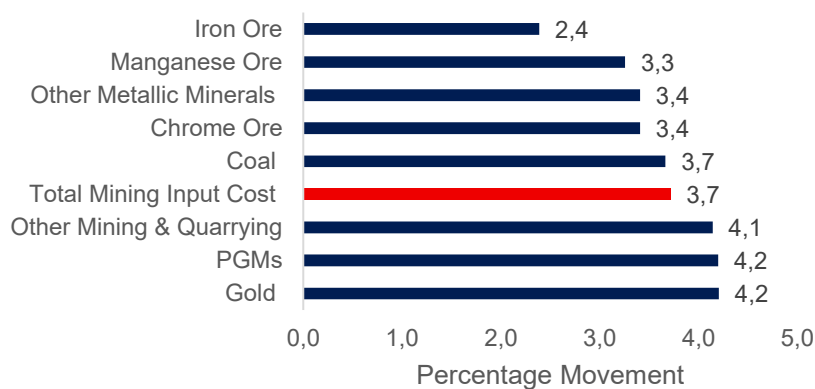
Source: Statistics SA & Minerals Council

On a m-o-m basis, coke and refined petroleum (including coal and petroleum product prices) fell 2.4%, chemical product prices fell 5.9%, and electricity costs fell 2.0%. These movements helped contain the August reading.

The **annual comparison**, however, presents a markedly different picture: coal and petroleum products were 20.9% more expensive than a year earlier, chemical products increased by 13.2%, and electricity rose by 8.5%. Road freight costs increased by 11.9% y-o-y, while water costs rose by 8.3%.

The divergence between monthly and annual rates highlights the cumulative nature of the cost shock. **A single month of price declines does not reverse the substantial increases already embedded in operating expenditure.** The sharp annual rise in fuel-related inputs reflects continued exposure to global energy-market volatility, including risks from conflict in the Middle East. Higher fuel prices also transmit through the mining value chain by increasing extraction, hauling and freight costs.

Figure 3: Gold and PGM Industries Face the Sharpest Input Cost Pressures in August 2026 (m-o-m)



Source: Statistics SA & Minerals Council

Cost pressures were most pronounced in the precious metals partly on account of these industries have relatively deeper mines. Input cost inflation reached 4.2% for platinum group metals (PGMs) and 4.2% for gold, compared with 3.7% for the mining sector as a whole. This differential is economically significant because these operations are generally energy- and labour-intensive. Where commodity prices or production volumes do not rise sufficiently to offset higher costs, elevated input inflation compresses margins, constrains investment capacity and can place higher-cost shafts under additional pressure.

Conclusion

Overall, the August data indicate a moderation in the pace of monthly mining input cost inflation rather than a meaningful reduction in the sector's underlying cost burden. Broad-based annual increases in fuel-related inputs, chemicals, electricity, water, and freight continue to constrain operating margins and competitiveness. The October increase in petrol prices raises near-term upside risk: higher fuel costs will directly affect mobile equipment and transport and may feed through to supplier, distribution, and logistics charges. Unless lower prices elsewhere in the input basket offset this pressure, the recent easing in the MCI could stall or reverse in the coming months. A sustained improvement will require greater stability in international energy markets, moderation in domestic administered prices, and measurable gains in electricity and logistics efficiency. Mining companies should therefore continue to plan for an elevated and volatile cost environment, with the greatest exposure concentrated in energy-, labour- and transport-intensive operations.

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