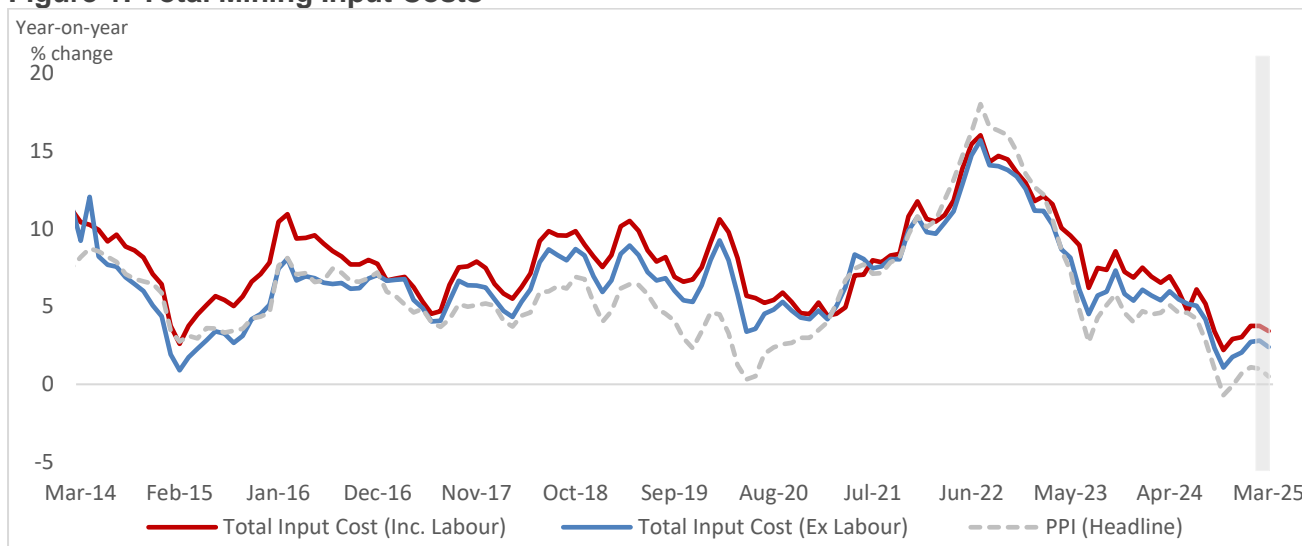


Mining Input Costs rose by 3.6% in Q1 2025, down sharply from 2024

The increase in mining input costs moderated to 3.4% year-on-year (y-o-y) in March, down from 3.8% in February, marking a continuation of the downward trend that began late last year. With March data completing the first quarter, Q1 2025 input costs averaged 3.6% y-o-y. While this is higher than the subdued 2.7% recorded in Q4 2024, the outcome is unsurprising given volatility in both the domestic and global economy, much of which has intensified since January.

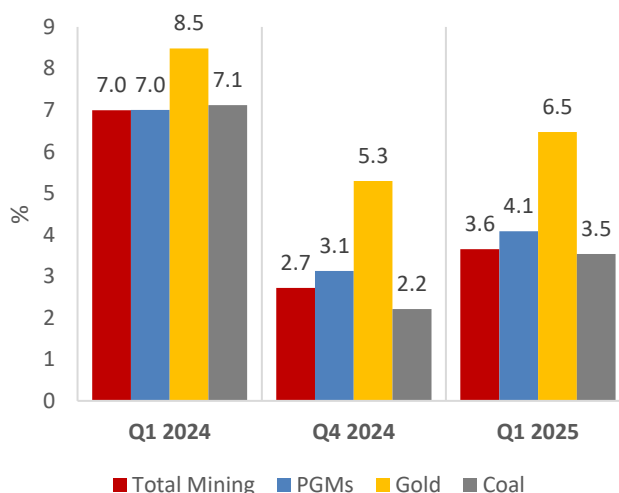
A complex set of pressures continues to shape the cost landscape. These include global trade frictions, (weakening) pressure on the rand, and fluctuating Brent crude oil prices, which have all raised input cost volatility. Domestically, political and economic uncertainty have further dampened sentiment, weighing on capital markets and prompting the South African Reserve Bank (SARB) to maintain a cautious monetary stance, delaying much-needed interest rate relief.

Figure 1: Total Mining Input Costs



Source: Statistics SA & Minerals Council SA

Figure 2: Changes in Quarterly Mining Input Cost



Source: Statistics SA & Minerals Council SA

Encouragingly, Q1 2025 inflation is now **half the 7.0% recorded in Q1 2024**, highlighting a significant year-on-year improvement, though the relief has not been evenly distributed across the major cost components or commodity sectors.

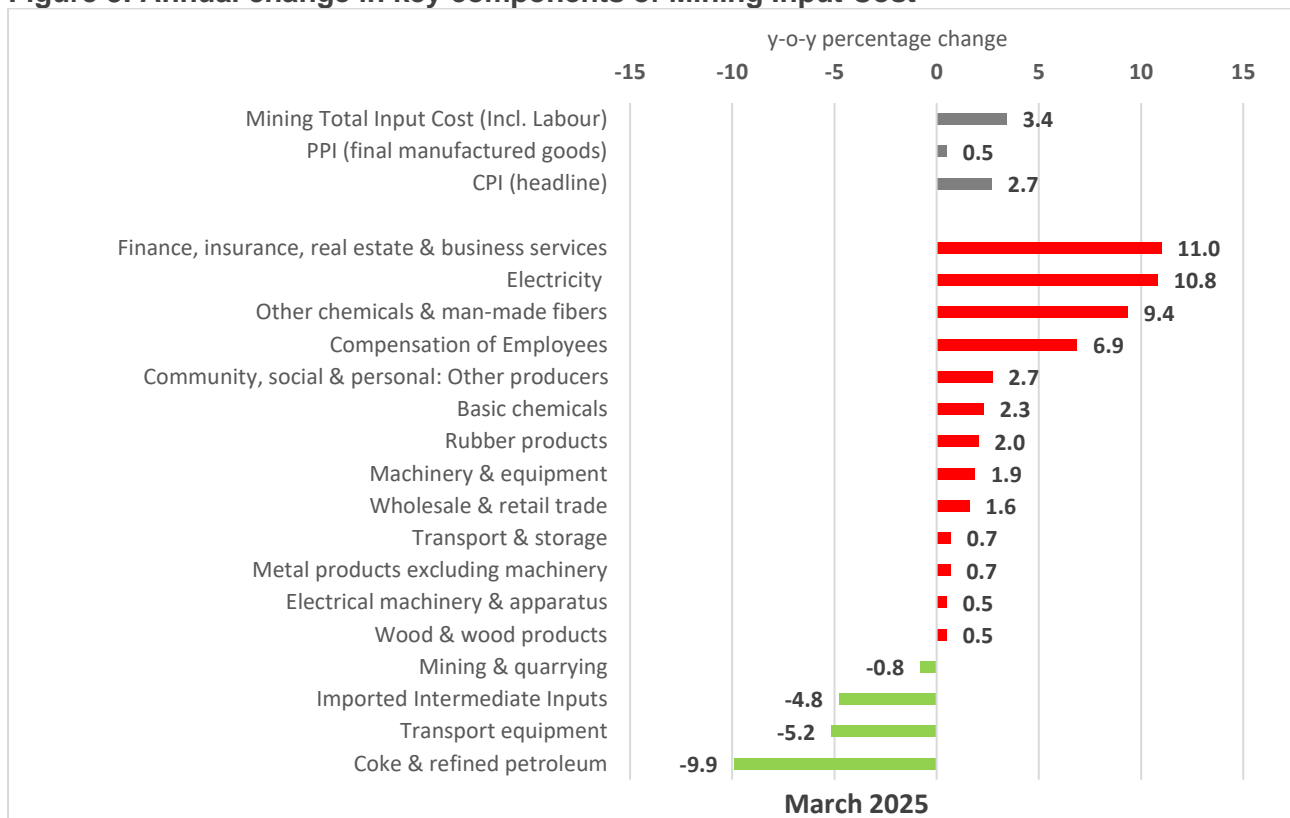
Financing costs remain a key burden.

Although unchanged in March, the prime lending rate of 11%, held steady by the SARB since February, continues to elevate capital financing costs. Besides the period 2023-2024, this is still the highest prime rate in more than 15 years. It reached 11% in June 2009.

Electricity costs also remain elevated. March marked the final month before NERSA’s approved 12.74% tariff increase for direct Eskom customers came into effect on 1 April 2025. This rise will be reflected in next month’s input cost figures and is expected to drive a notable rise in this cost subcomponent. To some degree, the impact of higher electricity costs will be softened by further fuel price declines at the start of April (and in May).

Chemical prices and intermediate industrial inputs also stayed high relative to last year, reflecting persistent pricing pressure in key upstream supply chains. Yet there are **pockets of relief**. Prices for **coke and refined petroleum products** fell by nearly 10% y-o-y, easing fuel-related cost pressure. Meanwhile, **transportation equipment** costs - spanning vehicles, trucks, catalytic converters, motor parts, and railway rolling stock - declined by approximately 5.2%. Moreover, the rand strengthened, with the **Nominal Effective Exchange Rate (NEER)** appreciating by 4.8% against major trading partners, helping to reduce the cost of imported inputs.

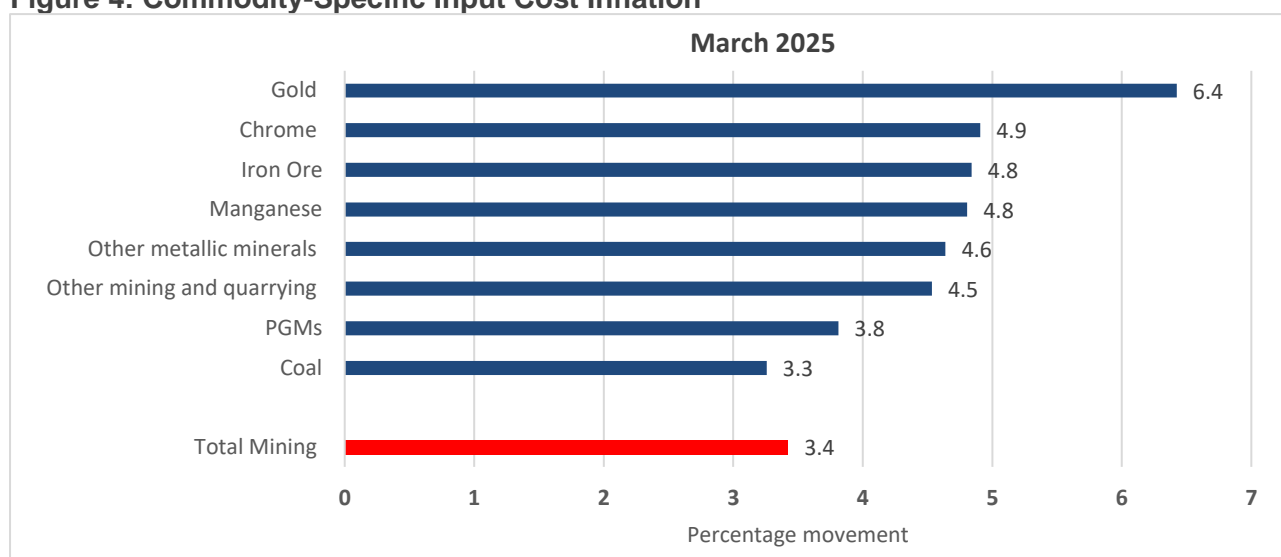
Figure 3: Annual change in key components of Mining Input Cost



Source: Statistics SA & Minerals Council SA

Figure 4 below illustrates the y-o-y increase in mining input costs per commodity subsector. Differences in input cost inflation by commodity continue to reflect the unique cost structures of each subsector.

Figure 4: Commodity-Specific Input Cost Inflation



Source: Statistics SA & Minerals Council SA

In March, the gold sector recorded the highest average increase in input cost inflation, although benefiting from strong market prices - with gold averaging \$2,986/oz (around R1,754,316/kg in March). This underscores the ongoing cost pressures linked to mining deep-level, lower-grade ore bodies. The chrome sector followed, with the third-highest increases recorded in iron ore, manganese, and other metallic minerals. In contrast, the coal sector once again experienced the lowest input cost inflation of the major commodities - offering some relative stability in the cost of producing coal.

Conclusion:

While mining input costs eased in Q1 2025 compared to the same time last year, underlying pressures remain, driven by high financing and electricity costs, as well as persistent uncertainty in the global and domestic environment. Looking ahead, the upcoming electricity tariff hike and sustained interest rate levels are expected to keep overall input costs elevated. In contrast, moderating fuel prices, the prospect of lower interest rates and a stronger/stable rand may provide some relief. The balance of risks suggests that input cost trends will remain uneven across commodities in the near term. However, costs appear to be stabilising at levels well below the long-term pre-COVID average for the mining sector.

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