

Mining Input Costs remained well contained in April and May

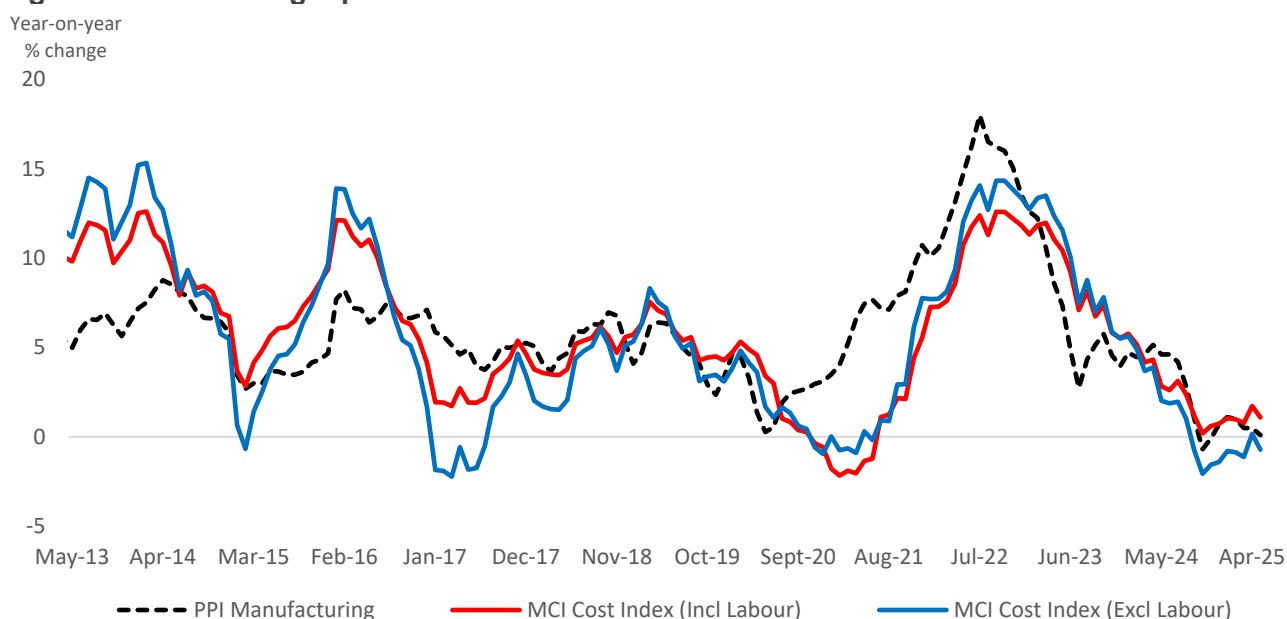
In line with the general inflation trend in South Africa, mining input cost pressures remain well under control, with the latest data (inclusive of labour costs) showing a 1.1% year-on-year (y-o-y) increase in the MCI Cost Index for May. By comparison, the Producer Price Index (PPI) for Final Manufactured Goods rose by just 0.1% in May, following a 0.5% increase in April.

Excluding labour costs, the MCI Cost Index recorded a year-on-year decline of 0.7% in May, indicating deflationary conditions. This is a positive development, reflecting a broader easing of global cost pressures. Key contributing factors include a decline in crude oil prices - reaching a 2025 low of \$64.10 per barrel in May, as well as lower interest rates and an improvement in the nominal effective exchange rate against key trading partners. These factors facilitated cheaper intermediate imports.

Please note that, in line with global best practice, the method of calculating mining input costs has been revised substantively in this third iteration of updating the index since its inception in 2018. For more information, please refer to the [statistical note](#) released alongside this update.

The graph below illustrates the revised trends in input costs, based on the updated methodology and aggregated index.

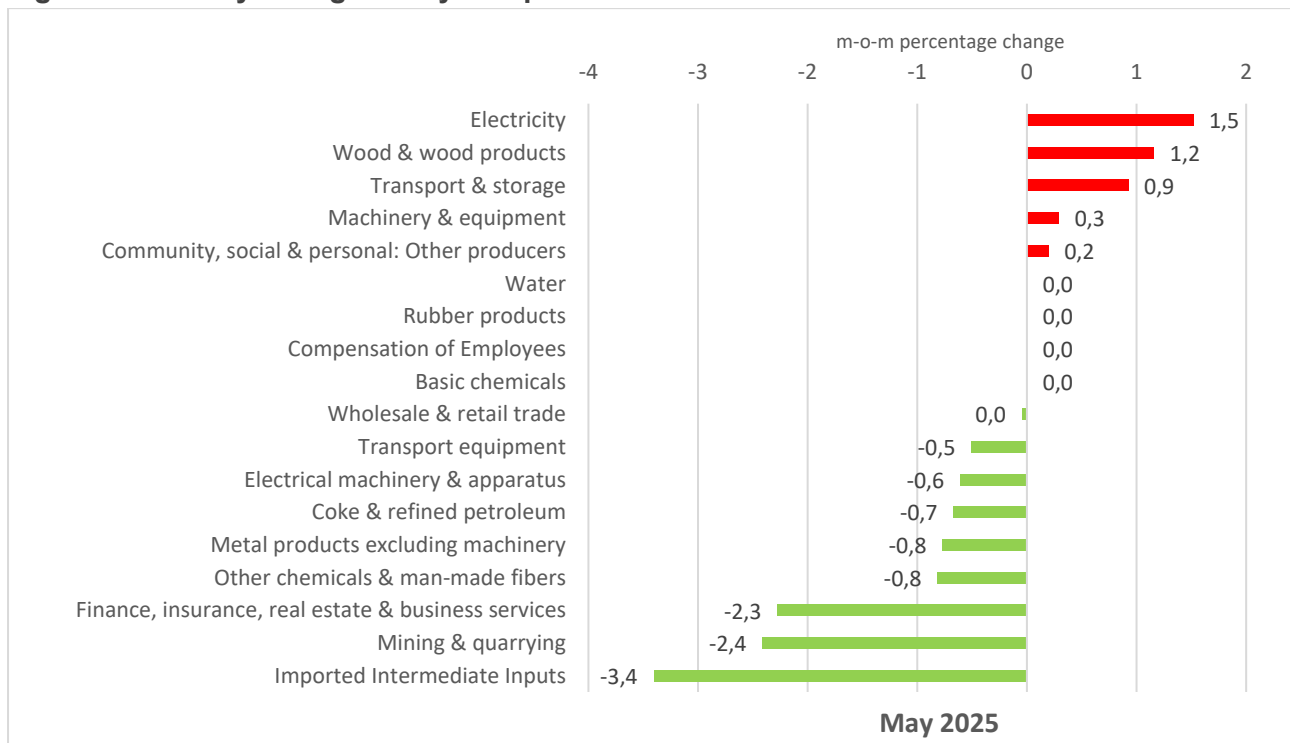
Figure 1: Total Mining Input Costs



Source: Statistics SA, SARB, SEIFSA & Minerals Council

Figure 2 below presents the cost categories that experienced monthly changes in input costs between April and May. The overall decline in input costs during May was largely driven by a 3.4% month-on-month improvement in the nominal effective exchange rate, which eased the cost of imported intermediate goods. This was accompanied by a 2.4% decrease in mining and quarrying input costs and a 2.3% reduction in financing costs, following the South African Reserve Bank's interest rate cut in May. In contrast, the most significant upward pressures came from electricity, which rose by 1.5% month-on-month, and wood and wood products, which increased by 1.2%.

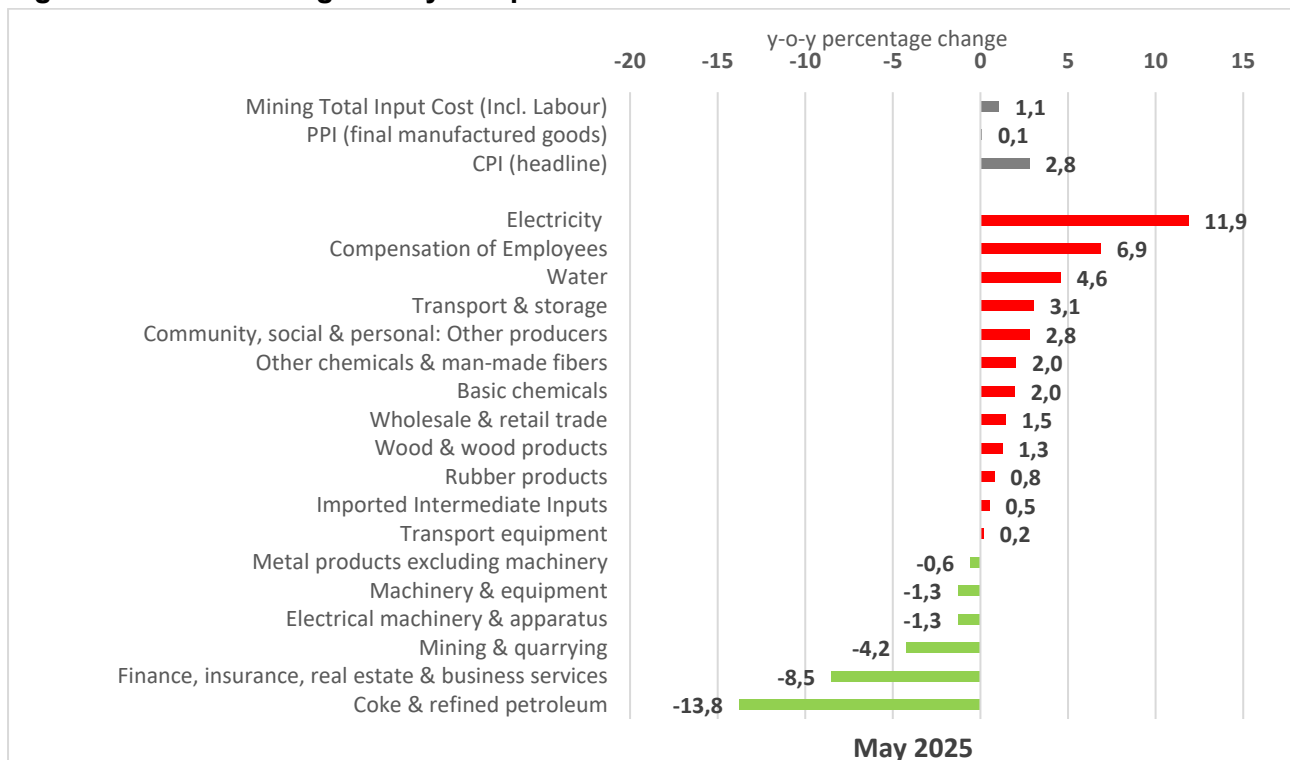
Figure 2: Monthly change in key components of MCI Cost Index



Source: Statistics SA, SARB, SEIFSA & Minerals Council

Figure 3 below illustrates the annual changes in input costs over the 12-month period from May 2024 to May 2025.

Figure 3: Annual change in key components of MCI Cost Index



Source: Statistics SA, SARB, SEIFSA & Minerals Council

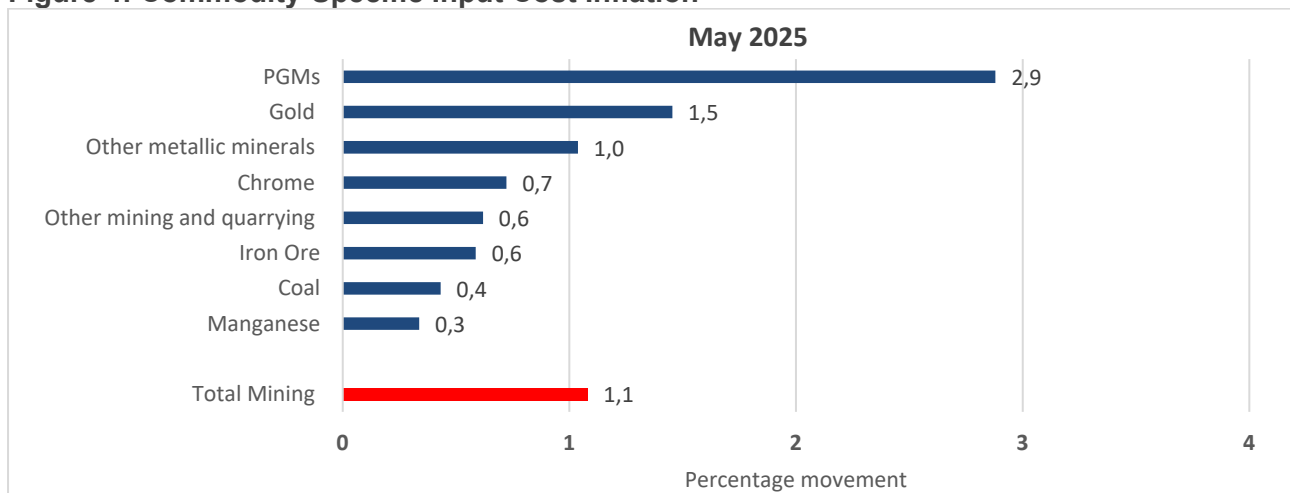
Electricity costs remain elevated, continuing to register double-digit growth following NERSA's approved tariff increase of 12.74% for Eskom's 2025/26 financial year. This adjustment, which applies to direct Eskom customers, came into effect on 1 April 2025. Looking ahead, electricity costs are expected to rise further in next month's data, as mid-June marks the start of the winter tariff period during which electricity rates are typically 25–30% higher.

To some extent, the impact of rising electricity costs has been offset by a 13.8% year-on-year decline in **coke and refined petroleum** product prices, which have eased steadily over the past year as the oil price moved lower and the rand gained against the US dollar. **Labour** costs also continue to be a significant contributor to overall input costs, with the sector disbursing approximately R49 billion in employee compensation during the first quarter of 2025 alone. Additionally, **water** costs rose by 4.6% year-on-year. As a newly introduced component in the index, water is a critical input for mining operations, and its inclusion enhances the comprehensiveness of the index.

Financing costs, by contrast, have eased considerably. Since initiating its rate-cutting cycle in the second half of 2024, the South African Reserve Bank has reduced the prime lending rate by a cumulative 100 basis points. A further 25 basis point cut is anticipated this Thursday, which would provide additional relief to capital financing costs.

Figure 4 below illustrates the y-o-y increase in mining input costs per commodity subsector for May. These differences continue to reflect the distinct cost structures of each subsector, with the latest 2024 weightings applied to ensure accuracy and comparability.

Figure 4: Commodity-Specific Input Cost Inflation



Source: Statistics SA & Minerals Council

In May, the PGM sector recorded the highest rate of increase in input cost inflation - more than double the sector average. This marks a shift from previous months, where the gold sector consistently faced the greatest cost pressures. The elevated inflation in PGMs is partly attributed to the difficulty of mining deep-level ore bodies and sustained upward pressure on labour costs. While the sector has undergone significant restructuring over the past year to improve profitability, input cost pressures remain comparatively high. The gold sector followed closely behind, with notable increases also observed in other metallic minerals, chrome, and other mining and quarrying. In contrast, the manganese and coal sectors experienced the lowest input cost inflation among the major commodities, reflecting more stable cost dynamics in those subsectors.

Conclusion:

As of May 2025, input cost inflation in the mining sector remains well contained, with the Mining Composite Input (MCI) Cost Index rising by just 1.1% year-on-year, inclusive of labour costs. Excluding labour, the index reflects deflationary conditions, highlighting a broader easing in global cost pressures.

This third update and overhaul of the MCI Cost Index introduces a formal aggregate index for the first time, marking a key advancement in how mining input costs are measured. The index has been reweighted using 2024 data and rebased to December 2023, aligning it with the current structure of the mining sector and enhancing its comparability over time. These updates significantly improve the index's soundness and relevance as a tool for monitoring cost dynamics across commodities. For further technical details, please refer to the accompanying [statistical note](#).

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