03 October 2025

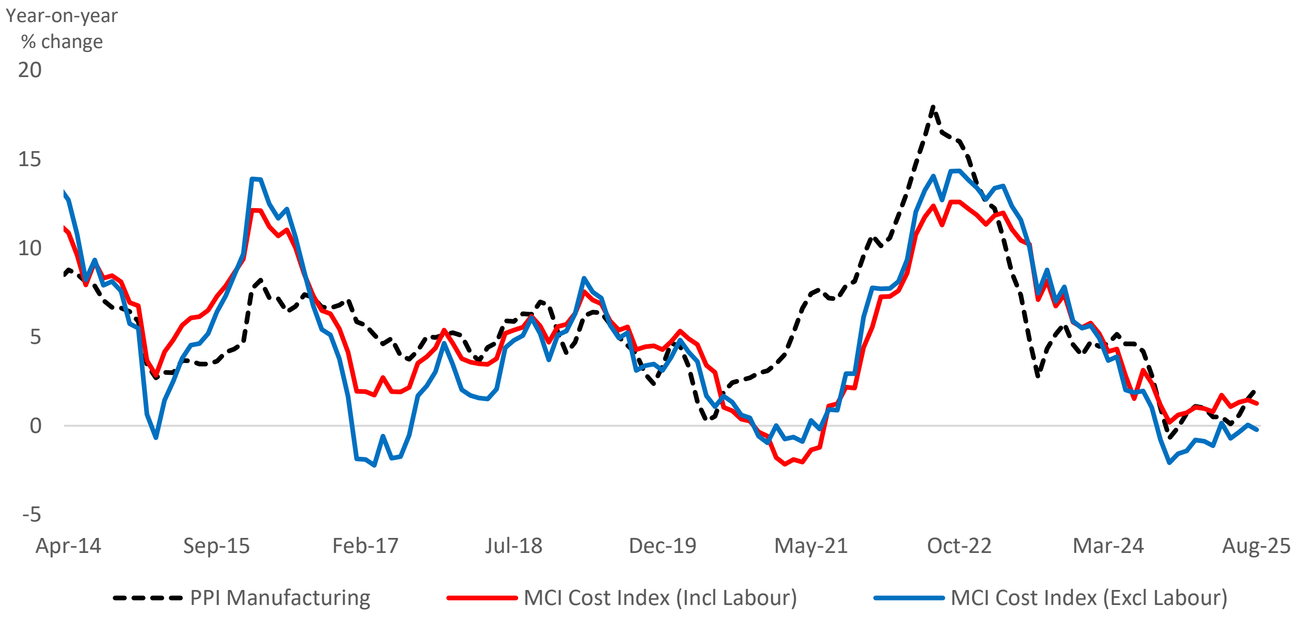
Mining input costs eased in August, yet electricity, water and labour remain key cost drivers

In August, the Minerals Council South Africa's Mining Composite Input (MCI) Cost Index remained at historic lows. Total mining input costs, including labour, rose just 1.3% year-on-year (y-o-y), while costs excluding labour continued their marginal deflationary trend, declining by 0.2% y-o-y. This subdued cost environment mirrors both global and domestic trends, with headline consumer inflation and the Producer Price Index (PPI) for final manufactured goods also at multi-year lows. Importantly, the mining sector is experiencing significant relief from several fronts: interest rates have eased over the past year, the rand has strengthened, easing import costs, and Brent crude oil prices have moderated to levels last seen during the COVID-19 pandemic in 2020. These factors have collectively reduced cost pressures for mining operations.

This context is precisely why the South African Reserve Bank (SARB) has chosen to target the lower end of its inflation band, aiming for 3%. With inflationary pressures already muted, the SARB sees an opportunity to anchor inflation expectations at a lower level without risking economic growth. This policy shift is reflected in the ongoing lack of cost pressure on mining inputs. At present, the only significant drivers of mining input costs remain electricity and labour.

The graph below illustrates trends in mining input costs, both including and excluding labour, alongside the PPI for Final Manufactured Goods.

Figure 1: Total Mining Input Costs



Source: Statistics SA & Minerals Council

Figure 2 below highlights the cost categories contributing to the annual headline figure. In August, water supply costs remained the most significant driver of y-o-y input cost increases, rising by 11.6% following municipal tariff hikes effective 1 July. Water remains a critical input for mining operations, essential for washing and treating ores and stockpiles, as well as for cooling and operations in underground mines. Labour costs rose by 5.9% y-o-y, underscoring labour's continued role as a major contributor to mining input costs. According to the latest Quarterly Employment Survey (QES) from

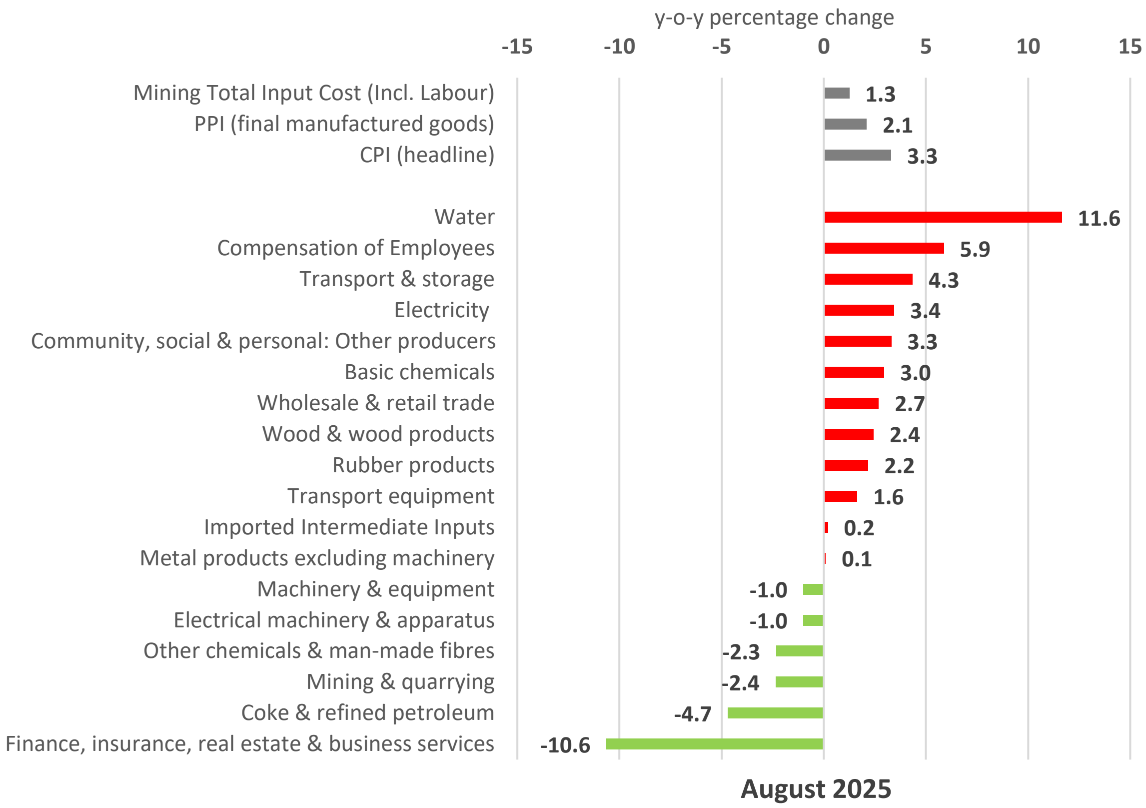
Statistics South Africa, the mining sector employed 467,934 people at the end of Q2 2025, with gross earnings totalling R49.8 billion for the quarter—emphasising the scale and impact of labour costs in the industry.

Transport and storage costs increased by 4.3% y-o-y in August, driven mainly by higher road transportation costs and increased tonnages railed at a higher cost per dry tonne compared to the previous year. Electricity costs continued to rise in August, following a sharp increase in June and a further uptick in July, driven by winter tariffs for large industrial users. August marked the last full month under winter electricity tariffs for intensive users, with September being a transition month before tariffs revert to lower summer rates. Overall, these trends reinforce that while input cost pressures remain subdued in most categories, water, labour, transport, and electricity continue to be the primary cost drivers for the mining sector.

On a more positive note, several cost categories provided relief over the year:

- Financing costs declined by 10.6% y-o-y
- Coke and refined petroleum products fell by 4.7% y-o-y, largely due to lower Brent crude prices
- Intermediate mining and quarrying input costs eased further by 2.4% y-o-y.

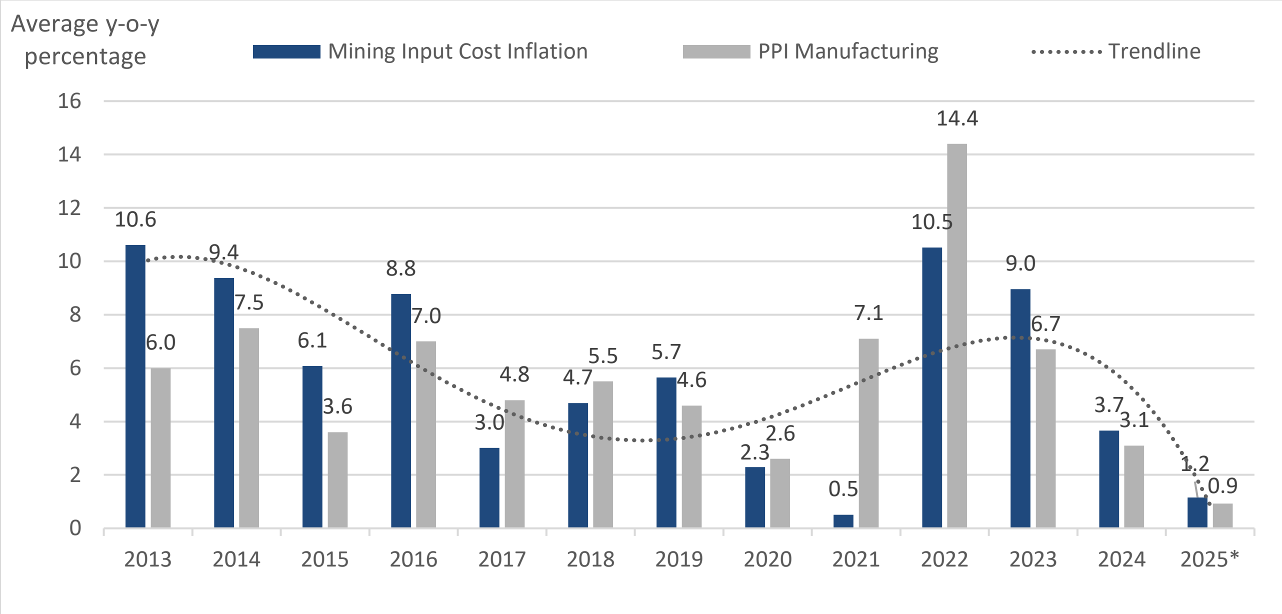
Figure 2: Annual change in key components of MCI Cost Index



Source: Minerals Council

To illustrate the difference in the MCI cost index versus the headline PPI for final manufactured goods, we illustrate the annual averages below.

Figure 3: Average annual change in MCI Cost Index and PPI for Manufacturing

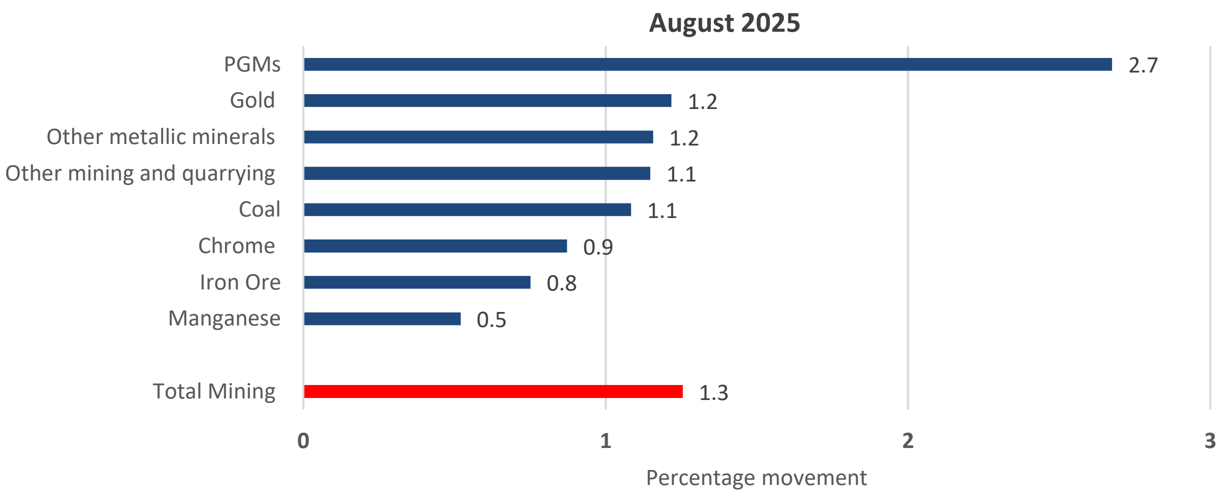


Note:*2025 year-to-date (I.e., January to August)
Source: Minerals Council and Stats SA

Before COVID-19, mining input costs typically averaged about 2 percentage points above the headline PPI for final manufactured goods. During the COVID-19 period, the mining sector froze wage increases to preserve jobs, and operations continued while most other sectors were temporarily shut down. As a result, input cost pressure dropped significantly. Excluding the unique reset and adjustments that occurred during 2020 and through 2021/22, there has been a clear shift in the cost structure. From 2023 to August 2025, mining input costs averaged only 1 percentage point above the headline PPI for final manufactured goods. This marks a notable change from the pre-pandemic pattern, reflecting a new, lower-cost baseline for the sector.

Figure 4 below illustrates the y-o-y increase in mining input costs per commodity subsector for August. 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: Minerals Council

In August, the Platinum Group Metals (PGM) sector continued to experience the highest increase in input costs, followed by the gold and other metallic minerals sectors. Both PGM and gold mining are typically deep-level, underground operations that require intensive use of electricity and water for cooling, pumping, and ventilation, as well as large labour forces to maintain production. Cost pressures were also evident in general mining, quarrying, and coal operations. In contrast, the manganese and iron ore sectors recorded the lowest input cost inflation among major commodities.

Conclusion

In summary, mining input costs remain at historic lows, reflecting a broader environment of subdued inflation both globally and domestically. The sector is benefiting from a combination of easing interest rates, a stronger rand, and lower oil prices, all of which have helped to contain cost pressures. This favourable backdrop has allowed the South African Reserve Bank to confidently target the lower end of its inflation band, aiming to anchor broader economy-wide expectations and support growth.

Despite this relief, electricity, water, and labour continue to be the main sources of upward pressure on mining input costs, particularly for deep-level and energy-intensive operations. Transport and storage costs have also edged higher, with higher trucking costs recorded for coal, chrome and manganese, while most other input categories have either stabilised or declined. Trucking costs will continue to exert pressure in September and likely October.

Importantly, the cost structure of the mining sector has shifted since the pandemic, with input costs now tracking much closer to headline PPI for final manufacturing goods than in previous years. This signals a more competitive and resilient cost base for the industry. However, the variation across commodities remains clear, with sectors like platinum and gold facing higher cost inflation than bulk commodities such as manganese and iron ore.

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