14 January 2026

Mining Input Costs Ease Slightly, Moving from a Revised 2.8% in October to 2.7% in November

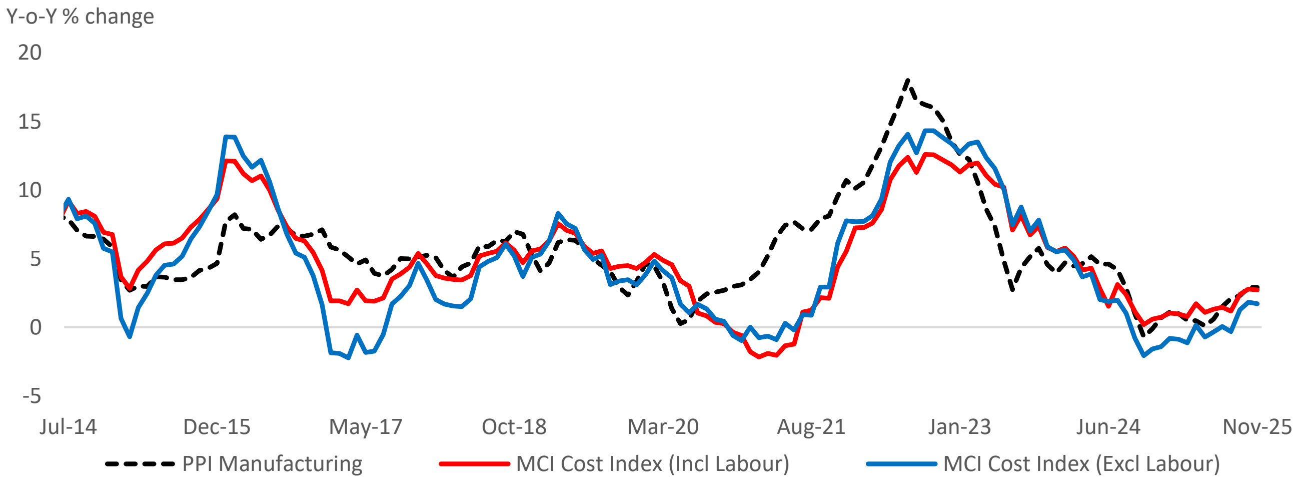
Our Mining Composite Input (MCI) Cost Index **eased to 2.7% year-on-year** (y-o-y) in November, driven largely by lower petroleum product prices, reduced financing costs, and a stronger rand. **Prices for coke and refined petroleum products fell by 1.4% y-o-y**, reflecting a substantial **13.4% decline in crude oil prices** over the same period. This translated into lower fuel and diesel costs, as well as broader reductions in petroleum-related input prices, which helped ease cost pressures for mining operations.

In addition, the South African Reserve Bank (SARB) implemented another **25-basis-point cut to the repo rate in November, bringing the repo rate down to 6.75%, which contributed to an 8.9% y-o-y reduction in finance and business service costs**.

Finally, the rand continued to strengthen relative to the US dollar—a trend that began around July 2025—resulting in a **0.6% y-o-y appreciation in the nominal effective exchange rate**. This made imported intermediate goods more affordable, further supporting cost relief in the mining sector.

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



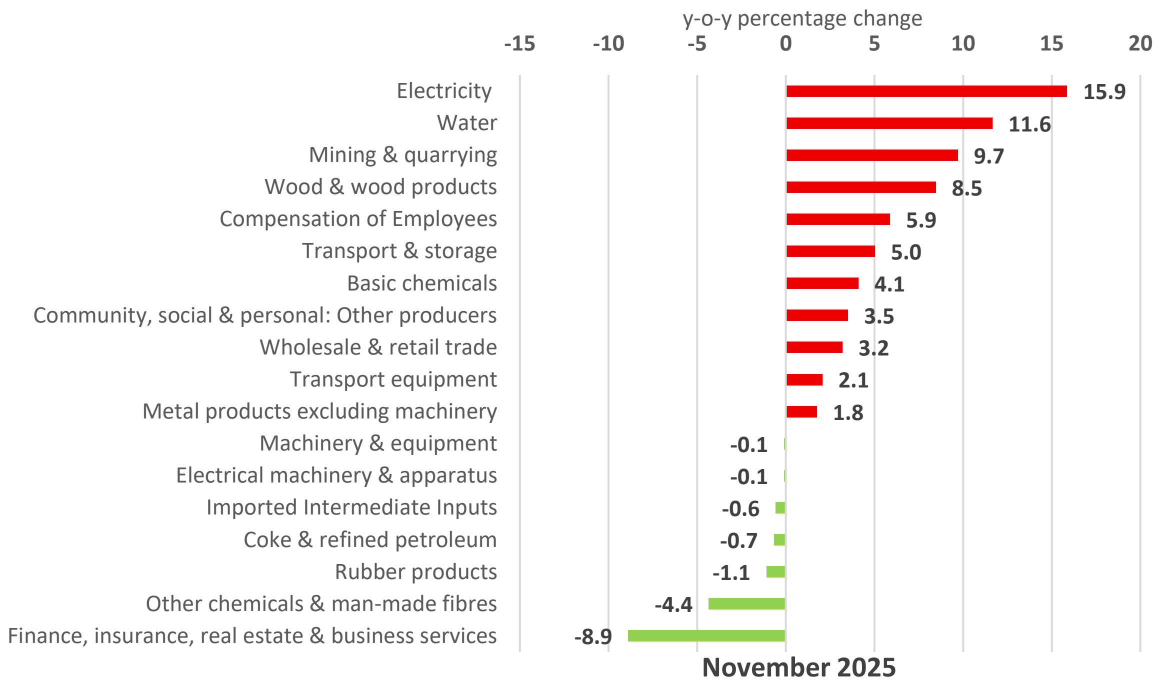
Source: Statistics SA & Minerals Council

On an annual basis, several additional cost components also eased, although their combined effect was relatively modest compared to the major drivers outlined earlier. Prices for **other chemicals and man-made fibres declined by 4.4% y-o-y in November**, largely due to lower polymer prices, including LLDPE, LDPE and polypropylene. **Rubber prices also dropped sharply**—by between 11% and 14% y-o-y—making rubber products, particularly tyres, more affordable for mining operations.

However, a number of key cost pressures continue to weigh on the sector. Electricity costs increased by 15.9% y-o-y, while water costs rose by 11.6% y-o-y, both remaining significant contributors to operational inflation. Additionally, compensation of employees increased by 5.9% y-o-y, further limiting the extent to which overall input cost pressures can moderate.

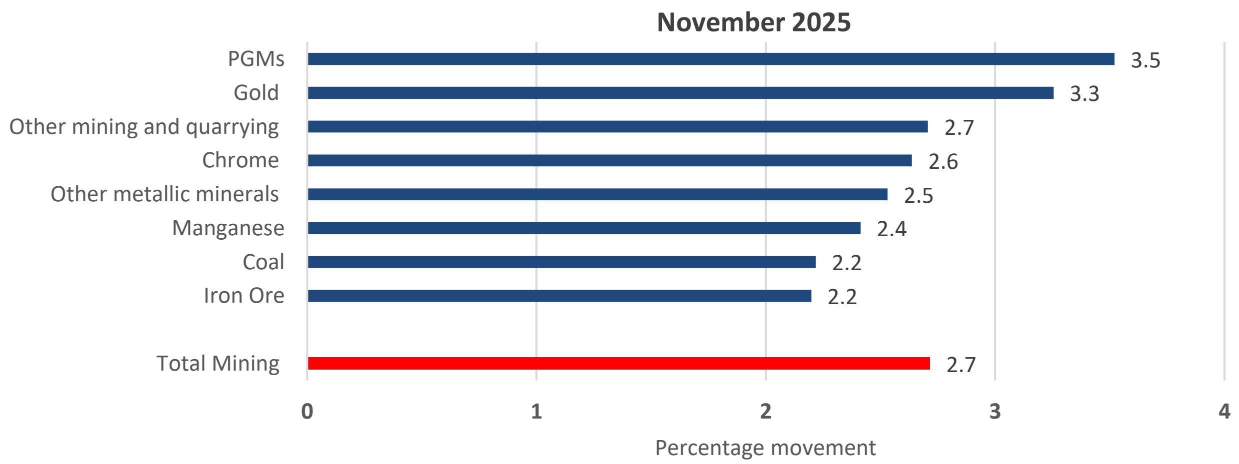
On **electricity**, a major regulatory development emerged in December 2025 when the Gauteng High Court ruled that it would not make the settlement—intended to allow R54 billion in additional revenue over two years—between the National Energy Regulator of South Africa (NERSA) and the power utility, Eskom, an order of the court, indicating that such decisions require public participation, as was the case with the Multi Year Price Determination 6 (MYPD6) submission. Following the ruling, NERSA scheduled public consultation until 21 January 2026 to gather input on the revised R76 billion electricity tariff adjustment meant to compensate Eskom for regulatory errors after the utility claimed it had been shortchanged by R107 billion. NERSA is expected to issue its final determination on 30 January 2026 after completing the public participation process. The Minerals Council is actively commenting on this, as the proposed increases—on top of already approved adjustments—would be a further blow to the industry's prospects.

Figure 2: Cost Pressures Still Outweigh Categories Showing Price Relief



Source: Statistics SA & Minerals Council

Figure 3: Commodity-Specific Input Cost Inflation



Source: Minerals Council

Figure 3 illustrates the y-o-y increase in mining input costs per commodity subsector for November.

In November, the relative cost-pressure structure across commodities remained largely unchanged. Gold and PGMs continued to face the highest levels of input cost inflation, consistent with trends seen throughout the year. Fortunately for producers, both commodities also experienced strong improvements in market prices. With full-year 2025 data now available, the dollar price of gold averaged **44.1% higher than in 2024**, while the rand price rose **40.5%**. The PGM basket price also strengthened meaningfully, recording increases of **10–20%** compared to 2024. These price gains provide much-needed support for profitability in both commodity groups. At the other end of the spectrum, **iron ore and coal recorded the slowest increases in input costs in November**, reflecting comparatively mild cost pressures relative to other commodities.

Conclusion

We expect to have comprehensive full-year data in the first week of February, which will allow us to take proper stock of input cost developments for 2025. All indicators, however, suggest that mining input costs this past year settled at levels similar to those seen in 2020 and 2021. Given the geopolitical turmoil that shaped global financial and commodity markets in 2025, the easing of inflationary pressures for consumers, and the general uncertainty that dominated global trade, this outcome seems less a reflection of genuine improvement in South Africa's underlying cost structure and more indicative of a cautious, wait-and-see environment across the sector and world economy.

At the same time, despite shifting sentiment around South Africa as an investment destination, we have yet to see substantive reforms to the institutional arrangements that matter most for mining — the labour market, the electricity market, Transnet's logistics system, and other structural constraints to growth. While there are encouraging signs that some of these areas are beginning to progress, meaningful, sustained reform has not yet materialised. Until it does, the sector is likely to remain constrained, even in the face of temporarily subdued input-cost pressures.

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