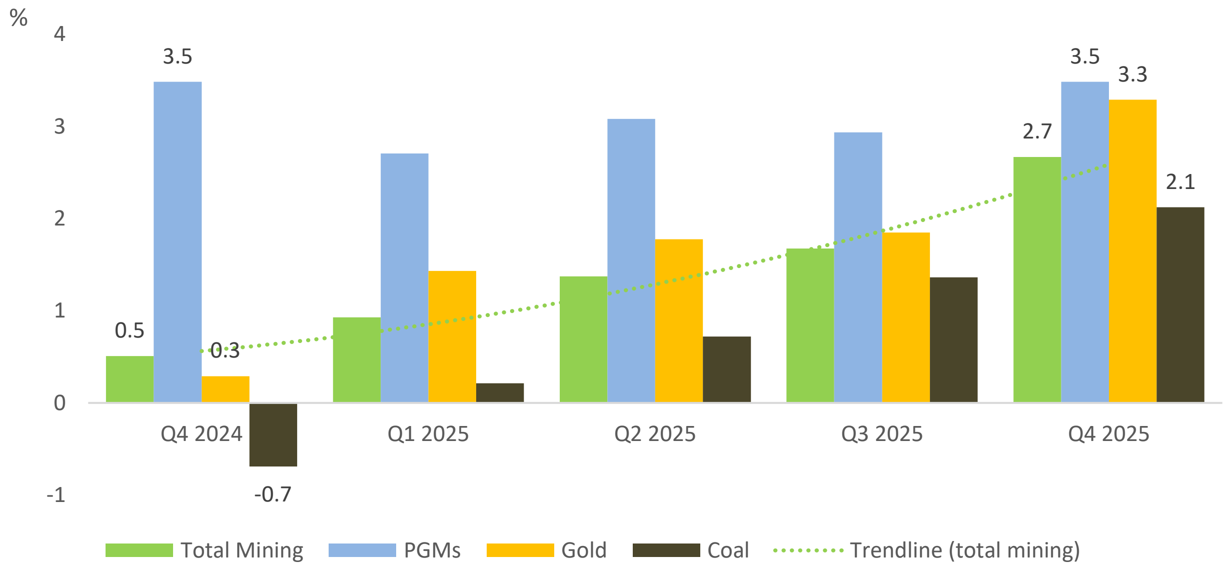
05 February 2026

Overall mining input costs average 1.7% in 2025, compared to 2.7% in 2024

For December 2025, the Minerals Council South Africa's Mining Composite Input (MCI) Cost Index eased slightly to **2.6%** year-on-year (y-o-y). With December completing the dataset for the calendar year, average input cost inflation for 2025 was 1.7%, the lowest since 2021. Although 2025 recorded low input-cost inflation, consistent with headline consumer inflation, early indications suggest a clear upward trend taking shape in 2026.

The chart below (quarterly view, including labour) shows that although input costs remained at historically low levels on average during 2025, the quarter-to-quarter (q-o-q) momentum is turning upward.

Figure 1: Quarterly Mining Input Costs



Source: Statistics SA & Minerals Council

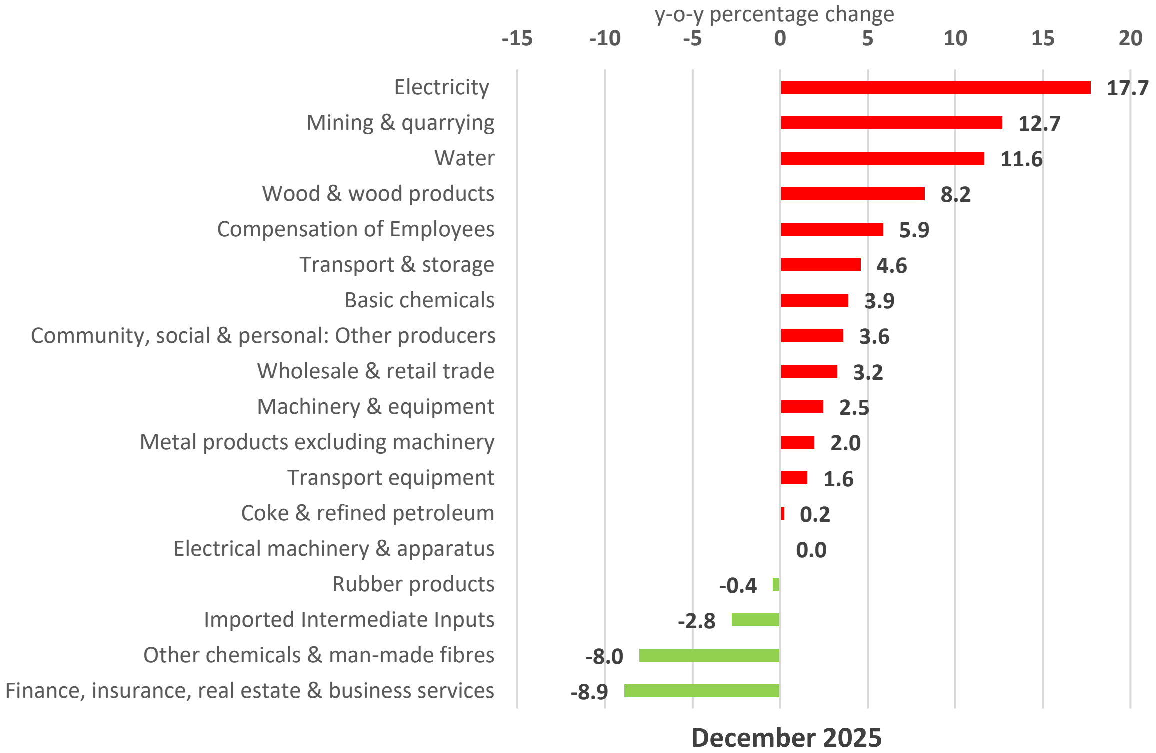
Looking at input costs over the past year, total mining input costs have risen steadily - from **0.5% in Q4 2024** to **2.7% in Q4 2025** - pointing to a clear upward trend heading into 2026. Part of this increase reflects cost-push inflation, driven by rising administered prices and labour costs. At the same time, strengthening demand for PGMs, gold, and other minerals is generating demand-pull pressures, driven by stockpiling and a strong investment- and consumption-led appetite for metals. Rising **geopolitical and economic uncertainty** is prompting countries, particularly China, to stockpile minerals such as iron ore, chrome, and manganese, pushing demand higher. At the same time, robust **investment interest** and genuine consumption needs are supporting increased global production of gold and PGMs, even though South Africa is not part of this upswing in production. On both fronts, meeting this heightened demand requires not only more employees and greater quantities of energy, capital and other inputs, but also securing these inputs **at higher cost** in many cases.

In the case of PGMs and gold in South Africa, while output might not be increasing, lower ore grades and the high fixed-cost nature of deep-level mining mean that more inputs are required per ounce produced. This combination of **higher input utilisation and/or rising factor prices** is placing upward pressure on production costs, contributing to the firmer cost environment now emerging as we move into 2026.

On an annual basis, several cost categories are already signaling what may prevail in 2026, most notably **electricity**, a clear cost-push inflation driver. In December 2025, electricity costs were **17.7% higher y-o-y**, which is around **5 percentage points above** the **12.74% approved tariff increase** implemented in April 2025. This additional increase most likely reflects the impact of Eskom's tariff restructuring and last year's amendments to the **Retail Tariff Plan**, which altered the relative weighting of fixed and variable charges.

Looking ahead and pending the outcome of the National Energy Regulator of South Africa (NERSA)'s decision, electricity tariffs are currently set to rise by **5.36% on 1 April 2026**. However, this figure will likely be revised upward once NERSA adjusts for the calculation shortfall identified in its initial determination.

Figure 2: Cost Pressures Continue to Dominate



Source: Statistics SA & Minerals Council

Second, we note the increase in **mining and quarrying prices used as intermediate inputs**—that is, primary mining products consumed within mining operations themselves. These include, for example, **metallurgical coal** used as an energy and heat source in certain processing steps, **gold** used in sensors and high-precision electronic equipment, **PGMs** used in catalytic converters in diesel and petrol mining vehicles, **copper** used extensively as electrical cabling, and **iron ore** which is processed into steel for machinery, support structures, and other critical equipment. As the prices of these primary commodities rise, the cost of their **intermediate use** within mining rises as well.

Lastly, water costs increased by **11.6% y-o-y in December 2025**, another cost-push driver. While water represents a relatively small cost share for some operations, its availability and function are indispensable. Water is essential for activities such as washing and processing coal and in other mineral extraction processes; without it, mining cannot operate. The continued rise in water costs is therefore concerning.

Conclusion

Taken together, the 2025 data paints a picture of an industry that has experienced a year of relatively subdued cost inflation, yet one that is clearly entering a period of renewed upward pressure. With average mining input cost inflation easing to **1.7%**, 2025 stands out as the most cost-benign year since 2021. However, the closing months of the year reveal momentum building beneath the surface: quarterly trends are turning, intermediate input prices are firming, and several key cost categories have begun to accelerate.

Electricity remains the most notable pressure point, with year-end increases far outpacing the approved tariff adjustment and signaling bigger structural changes in Eskom's tariff design. This is compounded by expectations of another increase in April 2026—one that is likely to rise further once regulatory recalculations are finalised. At the same time, the cost of primary mining products used within the sector, such as steel, gold and copper-based components, PGMs in catalytic systems, and specialty materials, continues to lift the intermediate cost base, tightening margins from within the value chain itself. Water, though often a smaller expenditure line, has also emerged as a vulnerability given its essential role in mining and processing and its sharp price increase at year's-end.

Overall, while 2025 offered some welcome relief, the signals entering 2026 point to a more demanding cost environment for the sector. A key uncertainty is whether economic agents, particularly labour and administered price setters, will align their inflation expectations with the SARB's newly announced 3% target. The combination of rising administered prices, higher intermediate input costs, and increasing input requirements underscores the urgency of addressing structural electricity pricing challenges and ensuring a regulatory and administrative environment that supports long-term competitiveness. Without progress on these fronts, cost pressures are likely to intensify, further constraining the industry's ability to invest, grow, and sustain operations.

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