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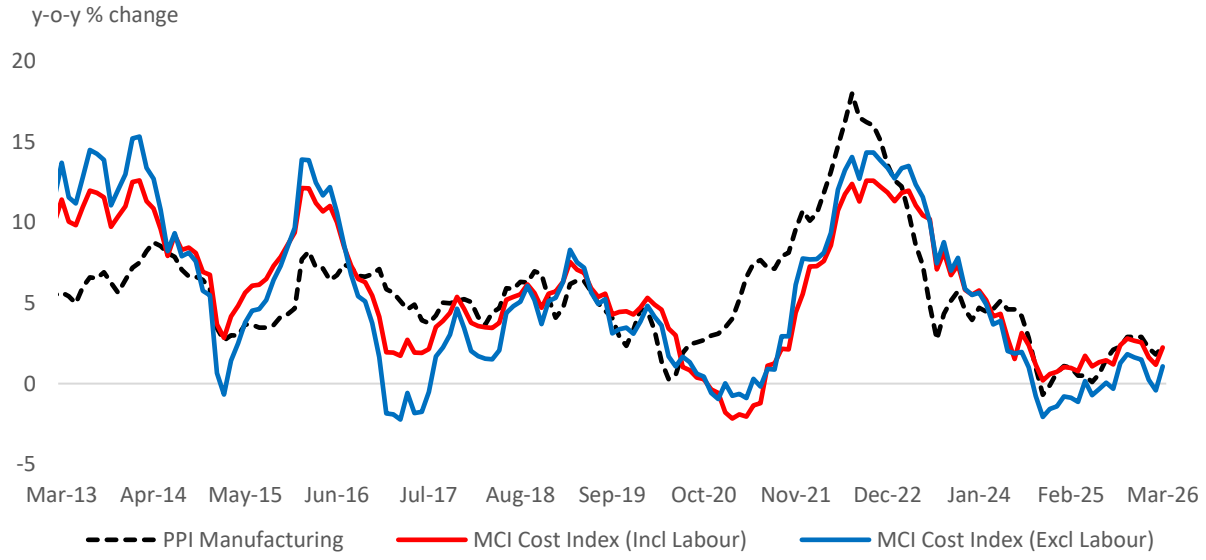
MINERALS COUNCIL
SOUTH AFRICA

Input cost inflation climbed to 2.3% year-on-year in March 2026

As anticipated, the Minerals Council South Africa's Mining Composite Input (MCI) Cost Index increased sharply by just over a full percentage point to **2.3% year-on-year (y-o-y) in March**, up from 1.2% recorded in February 2026. March was the first full month reflecting the impact of the conflict in the Middle East. Three key effects were evident: a sharp increase in crude oil prices (rising by nearly 40% month-on-month (m-o-m)), a depreciation of the rand (with the nominal effective exchange rate (NEER) weakening by more than 3% m-o-m), and higher prices for basic and other chemical products. Together, these factors drove input cost inflation in March.

These trends did not reverse in April and remain evident in May, as the conflict in Iran and the disruptions to shipping and oil supplies through the Strait of Hormuz continue. As such, input cost inflation is likely to persist at elevated levels in April, likely peaking, and remain volatile in the coming months, depending on the duration of the conflict and its impact. Below, we illustrate trends in input costs, **including and excluding labour**, alongside the Producer Price Index (PPI) for Final Manufactured Goods.

Figure 1: Total Mining Input Costs

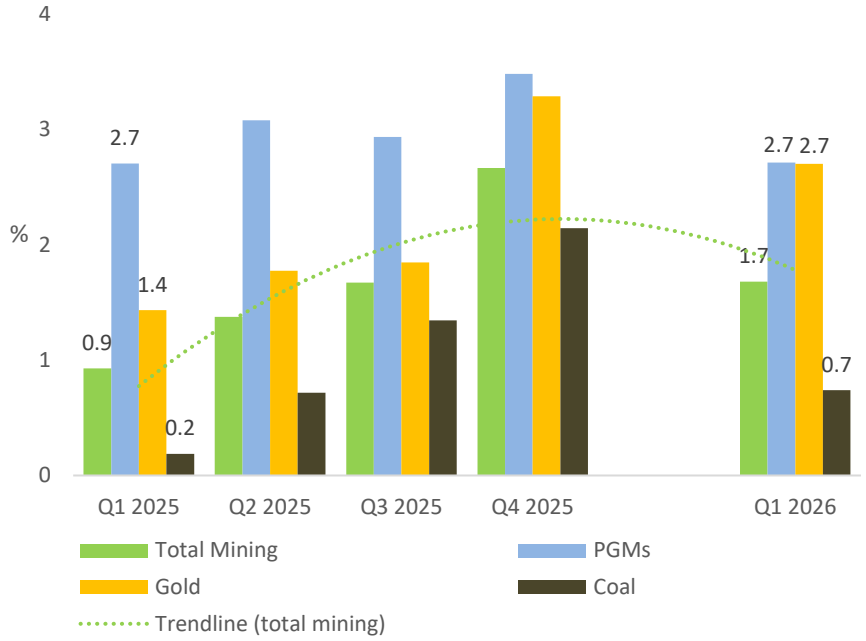


Source: Statistics SA & Minerals Council

March also marks the availability of **full-quarter data for Q1** 2026. Below, we illustrate the quarterly movements across the sector and selected commodities.

Compared to the same period a year earlier, input costs increased across the board, except for Platinum Group Metals (PGMs). Input costs for PGMs have remained broadly flat over the past four quarters, while those for coal have stayed subdued. When assessing developments on the electricity generation side of the economy, electricity production has been on a downward trend, with coal burn similarly suppressed. This aligns with the trends observed in input costs, all else equal. The PGM industry has undergone a structural rebalancing, which appears to be reflected in the relative stability of input costs over the past year. **2**

Figure 3: Quarterly Movement in Input Costs

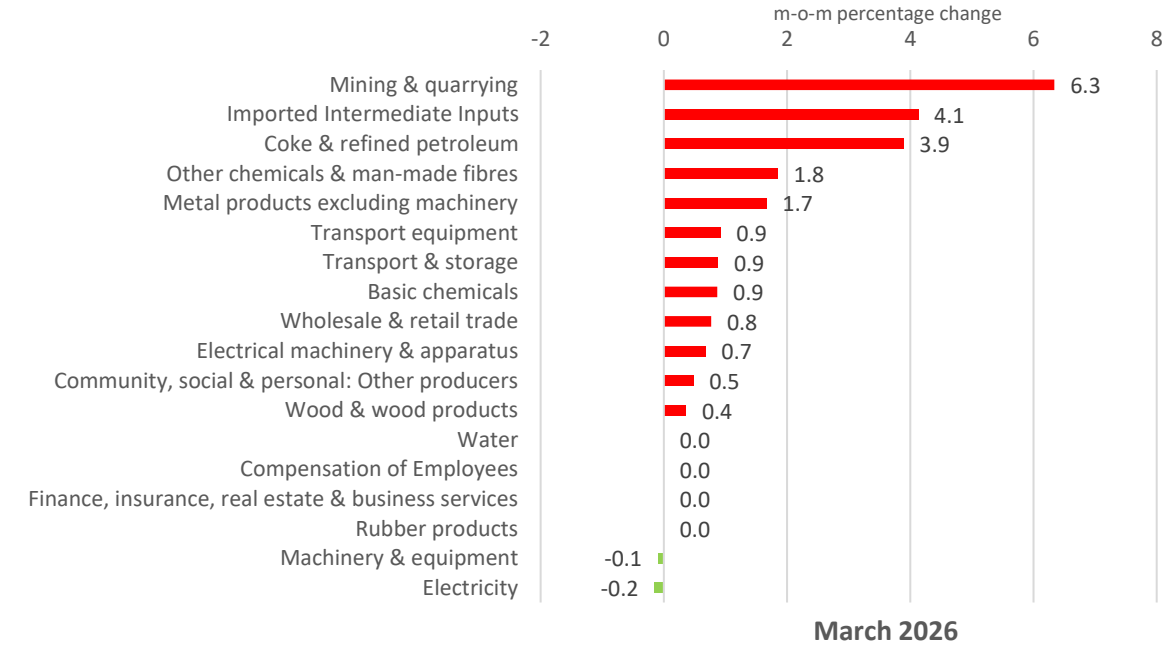


In Figure 4, we illustrate the change in input costs by category that contributed to cost pressures in March. Virtually all categories recorded m-o-m increases, except for a slight easing in electricity and machinery and equipment costs. However, on a y-o-y basis, electricity costs remain 19% higher than a year earlier.

Source: Statistics SA & Minerals Council

The largest monthly increase came from the mining and quarrying sub-category, which recorded a 6.3% m-o-m rise. This was primarily driven by substantial increases in coal (+14.2%) and iron ore (+6.6%) prices. The next largest increases were largely linked to the war in the Middle East. Amid the conflict, the rand depreciated against all major trading partners, with the NEER weakening by 4.1%, making imports more expensive. Coke and refined petroleum products rose by 3.9% m-o-m, while chemicals and man-made fibres increased by 1.8%. These four categories, together, account for nearly a third of total input costs, excluding labour.

Figure 4: Monthly Change in Cost Categories in the Mining Sector

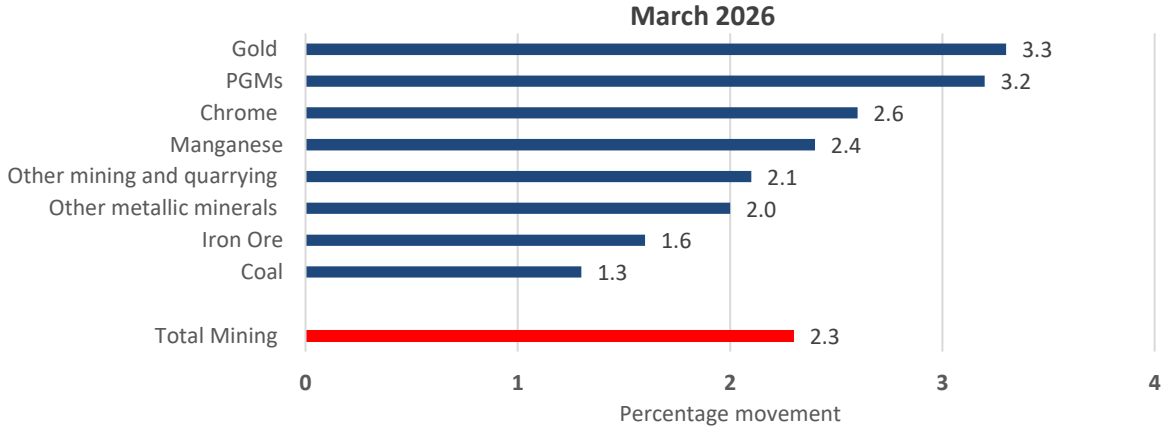


Source: Statistics SA & Minerals Council

As with the Covid-19 pandemic, the current inflation shock may continue to affect mining input costs in the months ahead. The extent to which these price increases are generating second-round effects, by structurally altering both the trajectory and level of input costs across sub-categories, remains uncertain, but could lead to more sustained cost pressures. There are also potential supply-side implications, particularly if higher prices begin to affect the availability of key inputs such as crude oil and chemicals. The evolution and duration of the conflict will therefore be important determinants of the path of mining input costs. As observed in the aftermath of Covid-19, a global inflation surge can follow a macroeconomic shock.

Below, we illustrate input costs per commodity using a weighted basket that reflects the relative importance of each input.

Figure 54: Commodity-Specific Input Cost Inflation



Source: Statistics SA & Minerals Council

Gold overtook PGMs in March, with input cost inflation at 3.3%, followed closely by **PGMs** at 3.2%. **Chrome** and **Manganese** also recorded substantial increases in costs, likely reflecting their reliance on transportation and storage. Higher crude oil prices translated into increased fuel costs, which in turn raised logistics expenses. In this context, both road and rail costs relative to payload increased in March, exerting additional pressure on these commodities.

Conclusion

Input cost pressures in the mining sector have firmed in response to external shocks, with energy prices, particularly fuel, exchange rate movements, and logistics costs emerging as key transmission channels. We anticipate these pressures to persist into April and May, given ongoing disruptions to global crude oil supply, continued geopolitical uncertainty, and broader impacts on the global economy. While the extent of persistence remains uncertain, risks remain tilted to the upside, particularly if second-round effects begin to take hold.

André Lourens
Economist
Tel: +27 11 498 7100
Email: **alourens@mineralscouncil.org.za**

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