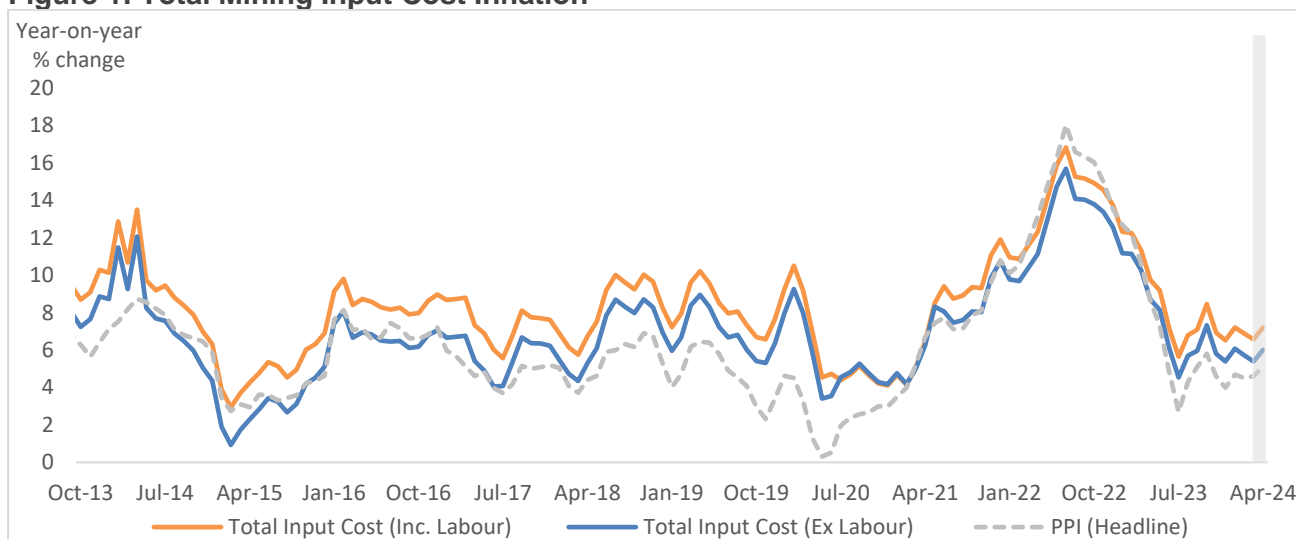


Update: Mining Input Cost Inflation – April 2024

In April 2024, the Minerals Council's index of mining input costs increased by 7.2% year-on-year (y-o-y), matching the highest rate so far in 2024, which was recorded in January. This rise in input costs coincided with an acceleration in the rate of increase for the Producer Price Index (PPI), which rose by 5.1% y-o-y in April 2024, up from 4.6% in March. Figure 1 depicts the trajectory of mining input inflation.

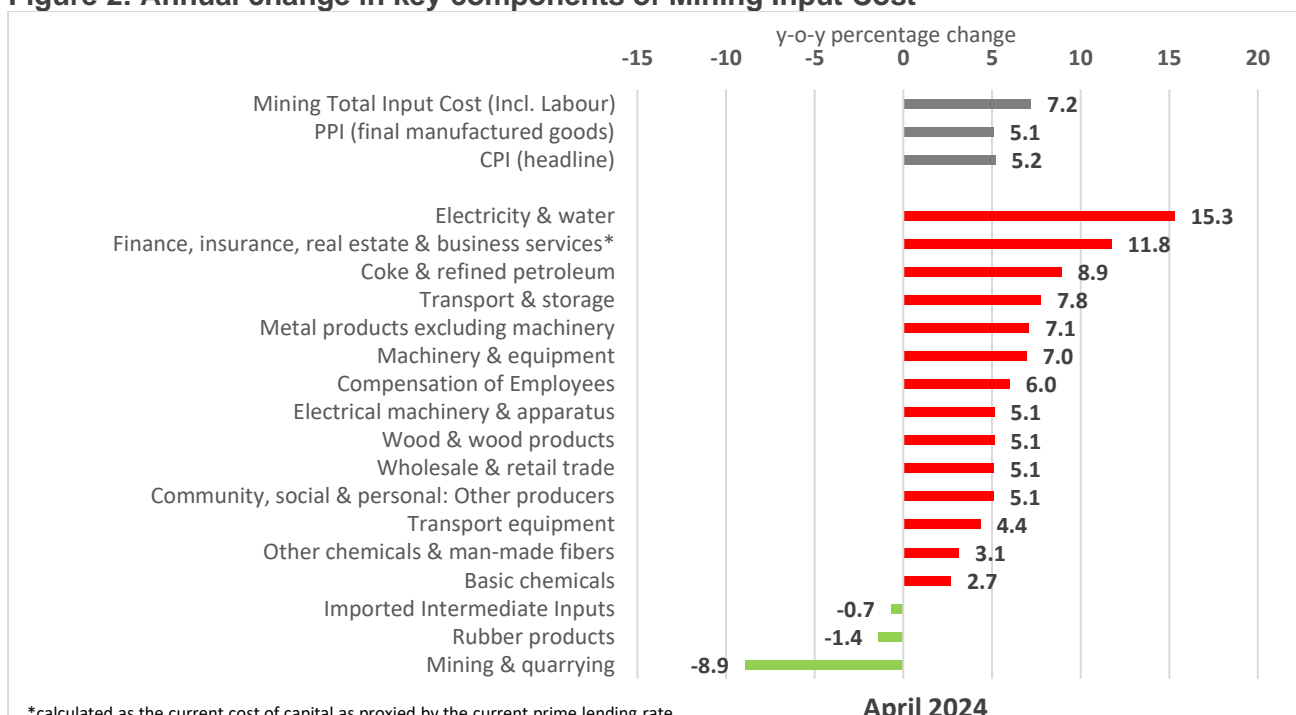
Figure 1: Total Mining Input Cost Inflation



Source: Statistics SA & Minerals Council

A closer examination of the factors driving total mining input cost inflation is presented in Figure 2 below. For context, we also compare these figures with consumer inflation (5.2% y-o-y) and producer price inflation for April 2024.

Figure 2: Annual change in key components of Mining Input Cost



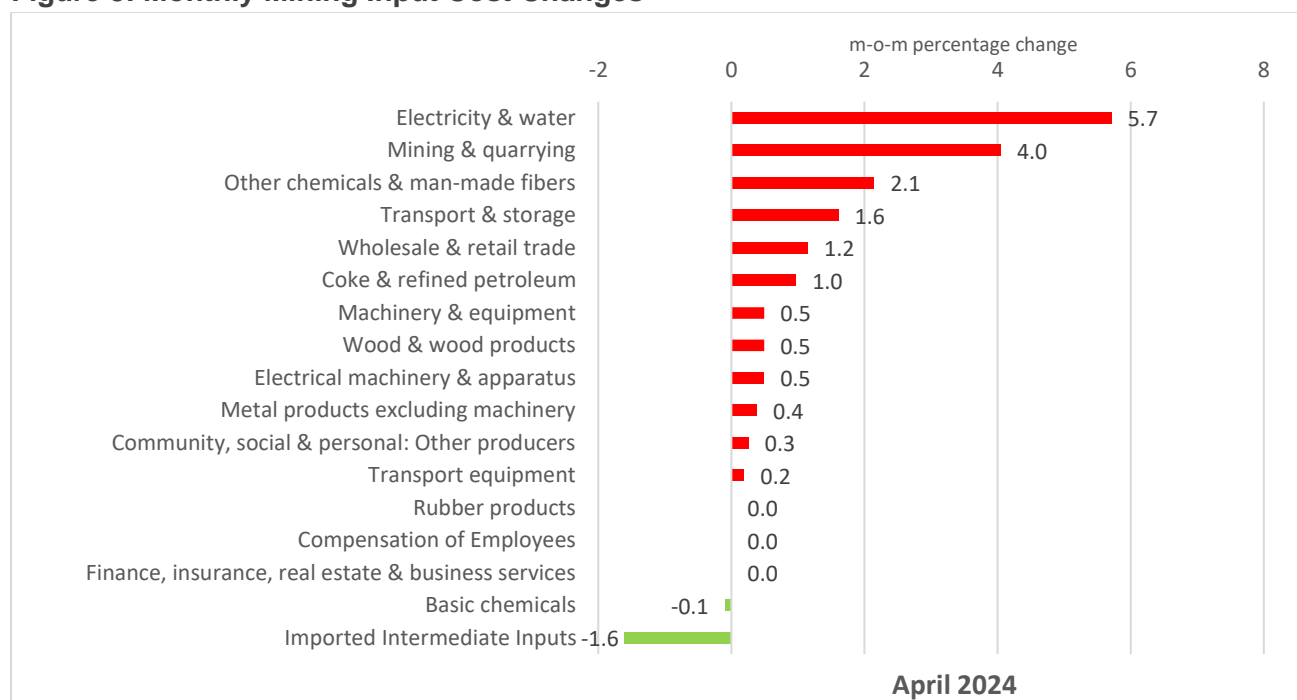
*calculated as the current cost of capital as proxied by the current prime lending rate

Source: Statistics SA & Minerals Council

The analysis of individual components contributing to total mining input cost inflation in April 2024 indicates persistently high inflation rates for *electricity and water*, which increased by 15.3% year-over-year. These administered prices are significantly pressuring mining input costs. Costs for *finance, insurance, real estate, and business services* remained high at 11.8% year-over-year, reflecting the elevated cost of finance and capital, as seen in the prime lending rate in South Africa. Additionally, *coke and refined petroleum* costs rose by 8.9% year-over-year, driven primarily by an increase in Brent crude prices, which averaged \$89 per barrel in April 2024 compared to \$83.5 per barrel a year earlier. *Transport and storage* costs also increased, by 7.8% year-over-year. Conversely, various intermediate inputs, including other mined resources such as coal and metals used in extraction processes, decreased year-over-year in April. This decline in mining and quarrying inputs over the long term has helped reduce the overall input costs coming from this component over the past year.

By comparing price changes from March 2024 to April 2024, we can identify which components have experienced short-term price increases and which have seen price decreases.

Figure 3: Monthly Mining Input Cost Changes

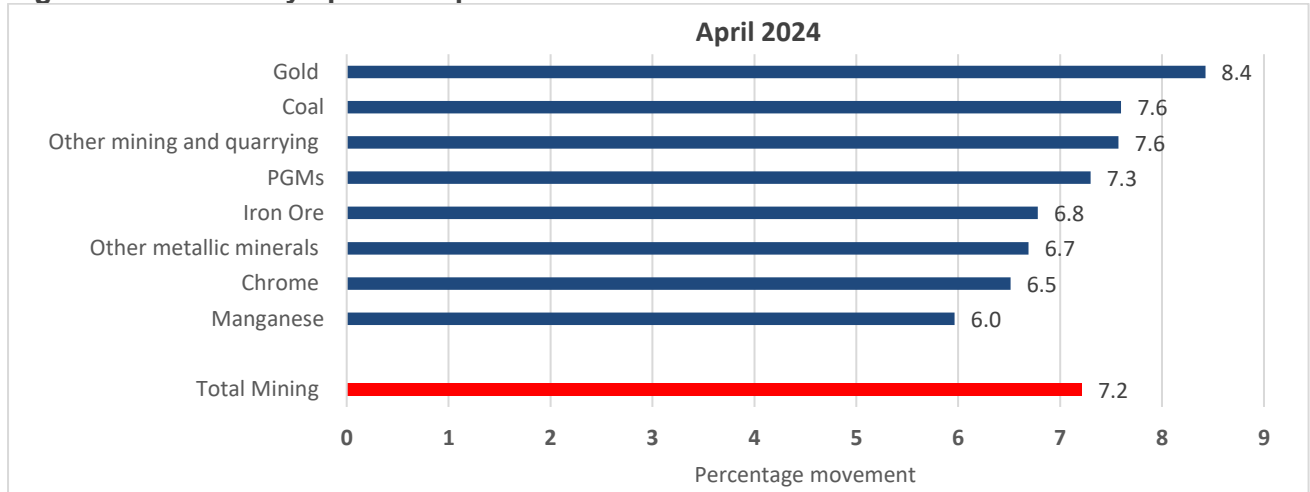


Source: Statistics SA & Minerals Council

One of the main factors driving input cost inflation in April was the 12.74% tariff increase for all direct customers of Eskom (i.e., non-local authorities), which took effect on April 1st. This hike significantly impacted mines that are direct Eskom customers. Furthermore, mining and quarrying input prices increased in April 2024 compared to March 2024, particularly due to higher coal (8.2%), copper (8.7%), and iron ore (1.8%) prices m-o-m. Conversely, the appreciation of the rand versus the US dollar from March to April made imports relatively less expensive, resulting in a 1.6% reduction in the cost of imported intermediate inputs.

Figure 4 below illustrates the year-on-year increase in mining input costs per commodity subsector. The difference in input cost inflation levels is attributed to the weighting of individual components based on the economic structure of the commodities.

Figure 4: Commodity-specific Input Cost Inflation



Source: Statistics SA & Minerals Council

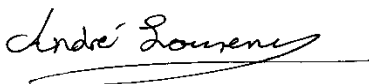
The gold sector once again experienced the highest average increase in input cost inflation in April. Following gold, the coal, other mining and quarrying, and PGM sectors saw the fastest rises in input costs.

Conclusion:

In April 2024, the Minerals Council's index of mining input costs rose by 7.2% year-on-year, matching January's peak, in line with an acceleration in the pace of increase for the Producer Price Index. High inflation rates for electricity, water, coke, petroleum, transport, and storage significantly pressured mining inputs. The NERSA-approved 12.74% electricity price increase for direct customers took effect on April 1st, with further increases expected in mid-June and the start of July as winter tariffs and local municipal increases kick in. This means electricity will remain a significant driver of input costs over the coming months.

In terms of commodities, the gold sector saw the highest rise in input cost inflation, followed by the coal, other mining and quarrying, and PGM sectors. These trends highlight the varied impact of input cost inflation across different mining sectors, with gold being the most electricity intensive.

Yours sincerely,



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