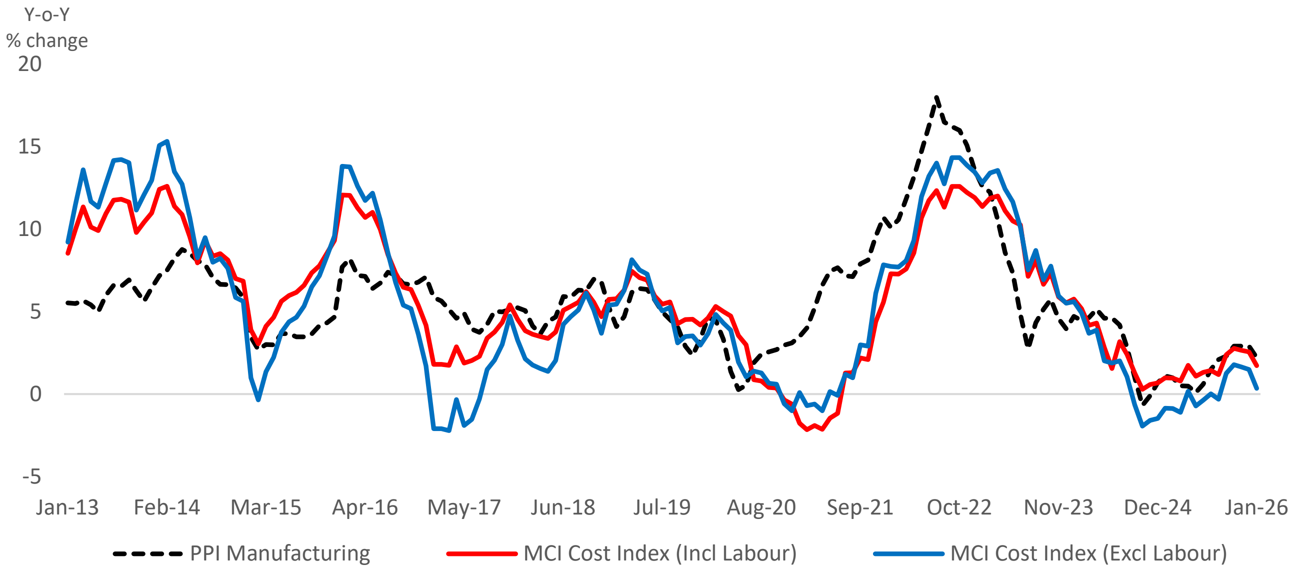
04 March 2026

Input cost inflation was 1.7% year-on-year in January 2026, in line with the 2025 average

In January 2026, the Minerals Council South Africa's Mining Composite Input (MCI) Cost Index eased to **1.7% year-on-year (y-o-y)**, down from **2.6% in December 2025**. This outcome aligns with the **average level of input cost inflation recorded during 2025** and marks a reversal of the upward trend observed in the final months of last year, when input cost inflation peaked at **2.8% in October 2025**. The increasing trend in input costs late last year was largely driven by annual **base effects**, reflecting subdued inflation levels in late 2024 and early 2025.

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



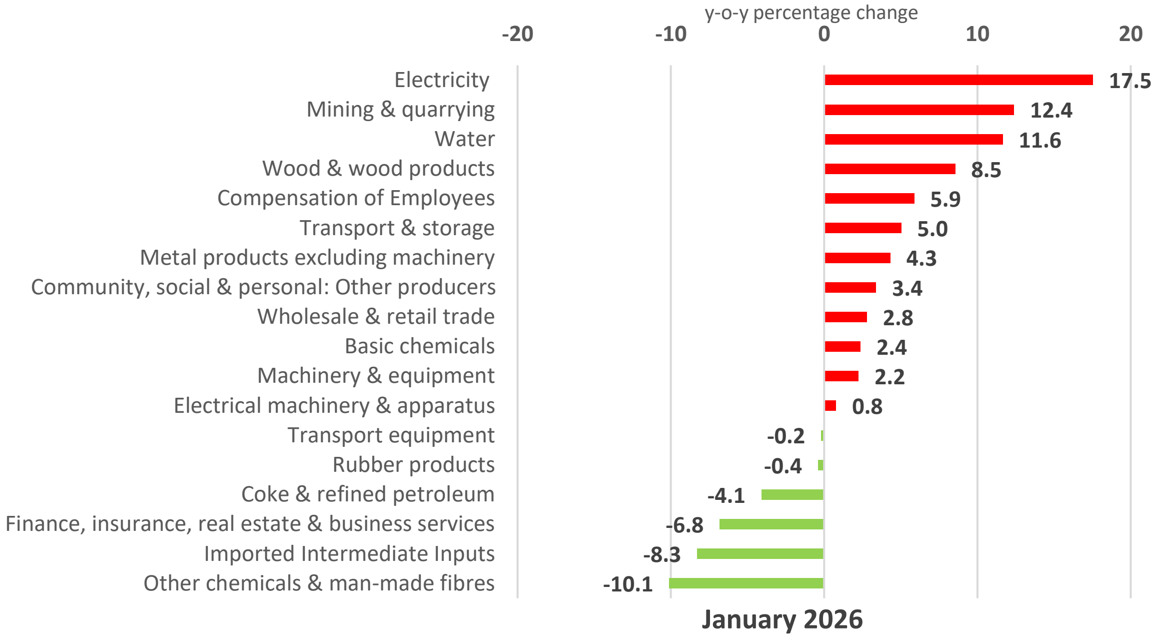
Source: Statistics SA & Minerals Council

Four key trends have contributed to the moderation in mining input costs in January. These include declines in **other chemicals and man-made fibres** (-10.1% y-o-y), **imported intermediate inputs** (-8.3% y-o-y), **finance, insurance, real estate and business services** (-6.8% y-o-y), and **coke and refined petroleum products** (-4.1% y-o-y). Collectively, these components account for **around one-third of total input costs** on average in the mining and quarrying sector. The easing across these subcategories has been a major driver of the currently subdued level of input cost inflation.

Most other input cost components were broadly **contained on an annual basis in January**, with the exception of four categories that have been highlighted repeatedly in previous updates. These include **electricity** (+17.5% y-o-y), **water** (+11.6% y-o-y), **mining and quarrying intermediate inputs** (+12.4%), and **transport and storage costs** (+5.0% y-o-y). Together, these items account for **approximately 15% of total input costs** for the whole sector, averaging out the disproportionately large share of electricity costs in precious metals mining.

Overall, the declines in the larger-weighted input cost components have more than offset the increases observed in these categories, resulting in the moderation of **overall mining input cost inflation to 1.7% year-on-year**.

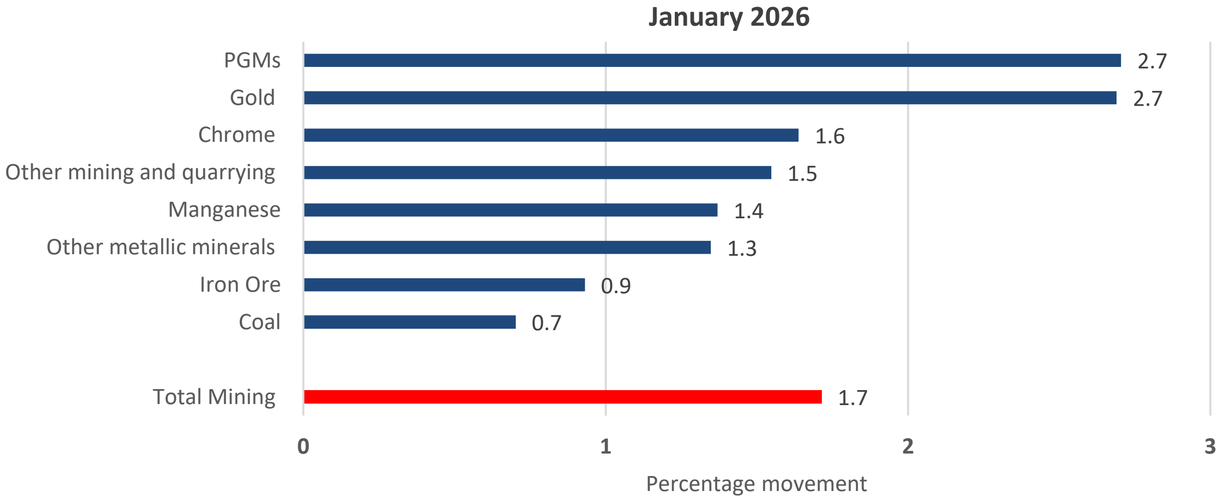
Figure 2: Annual Cost Categories in the Mining Sector



Source: Statistics SA & Minerals Council

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

Figure 3: Commodity-Specific Input Cost Inflation



Source: Statistics SA & Minerals Council

Platinum Group Metals (PGMs) input cost inflation eased to **2.7% year-on-year in January**, down from **3.3% in December 2025**, bringing it broadly **in line with gold input costs**. As noted earlier, precious metals mining is **disproportionately reliant on electricity and labour**, which continues to underpin relatively elevated input cost inflation in this segment. By contrast, **coal and iron ore** recorded the **lowest levels of input cost inflation** in January.

Conclusion

Looking ahead, we expect February to also reflect relatively benign input cost inflation. The rand remained firm during the month, Brent crude prices were broadly stable, and the South African Reserve Bank (SARB) kept interest rates unchanged. In addition, labour cost pressures are expected to be more subdued in 2026, in line with the record-low headline consumer inflation recorded in 2025.

However, the **outbreak of war** in Iran on 28 February 2026 introduces significant upside risks to input cost inflation from March onward, with the magnitude and duration of these risks dependent on the evolution of the conflict. Should hostilities be resolved swiftly—similar to the 12-day conflict in June 2025—the impact on oil prices, the rand exchange rate, and broader mining input costs may be limited.

By contrast, a **prolonged conflict** would likely see these pressures persist through at least June. Oil prices would be expected to continue rising, reflecting logistical constraints in the Strait of Hormuz and disruptions to passenger air freight, which also transports bulk cargo and therefore affects the pricing of a wide range of goods across the economy. At the same time, the rand would likely remain under pressure, increasing the cost of imported intermediate inputs.

These dynamics would, in turn, likely prompt the SARB to adopt a more cautious policy stance, delaying further reductions in the repo rate and keeping interest rates higher for longer than previously anticipated. The conflict is also likely to influence commodity prices. We are already observing elevated gold prices, as heightened geopolitical risk drives safe-haven demand. While this is supportive for gold producers, increased geopolitical uncertainty could weigh on demand-driven commodities such as iron ore and coal, particularly if global shipping activity and industrial demand are adversely affected.

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