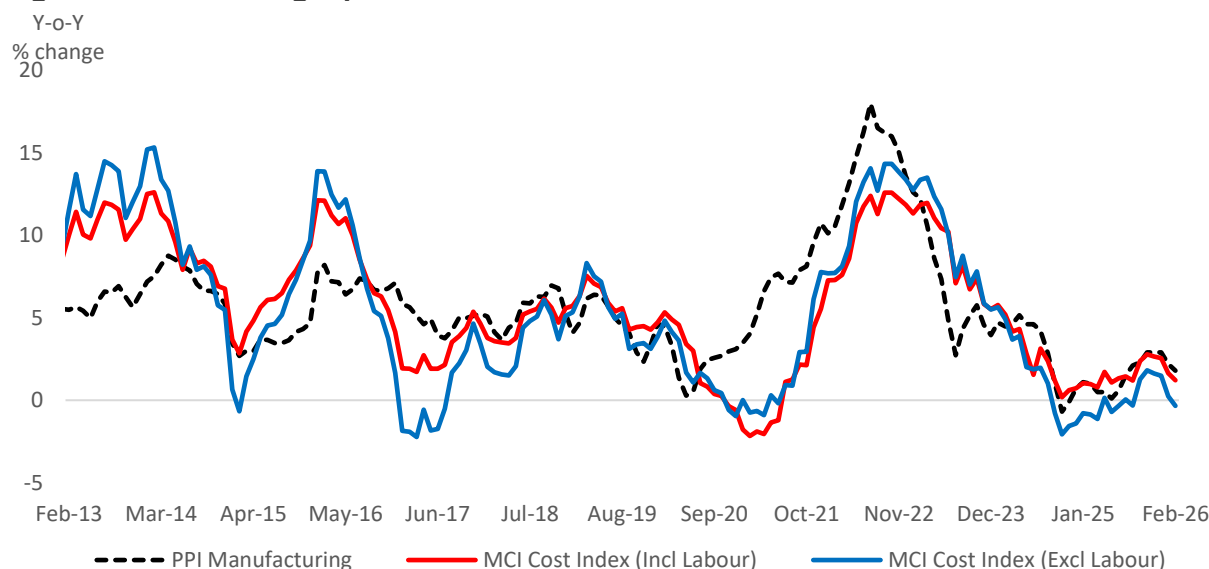


Input cost inflation eased to 1.2% year-on-year in February 2026

February saw a further, largely anticipated easing in the Minerals Council South Africa's Mining Composite Input (MCI) Cost Index, which **moderated to 1.2% year-on-year (y-o-y)**, down from 1.6% in January 2026. This easing coincided with a larger-than-expected moderation in headline consumer inflation, driven in part by lower fuel prices and other cost pressures. Mining input costs similarly benefited from a stronger rand, lower annual interest rates, and softer oil and fuel prices. However, many of these favourable dynamics reversed in March following the escalation of the conflict involving Iran and the wider Middle East. As a result, input costs are likely to rise sharply in March, with upward pressure expected to persist into April.

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



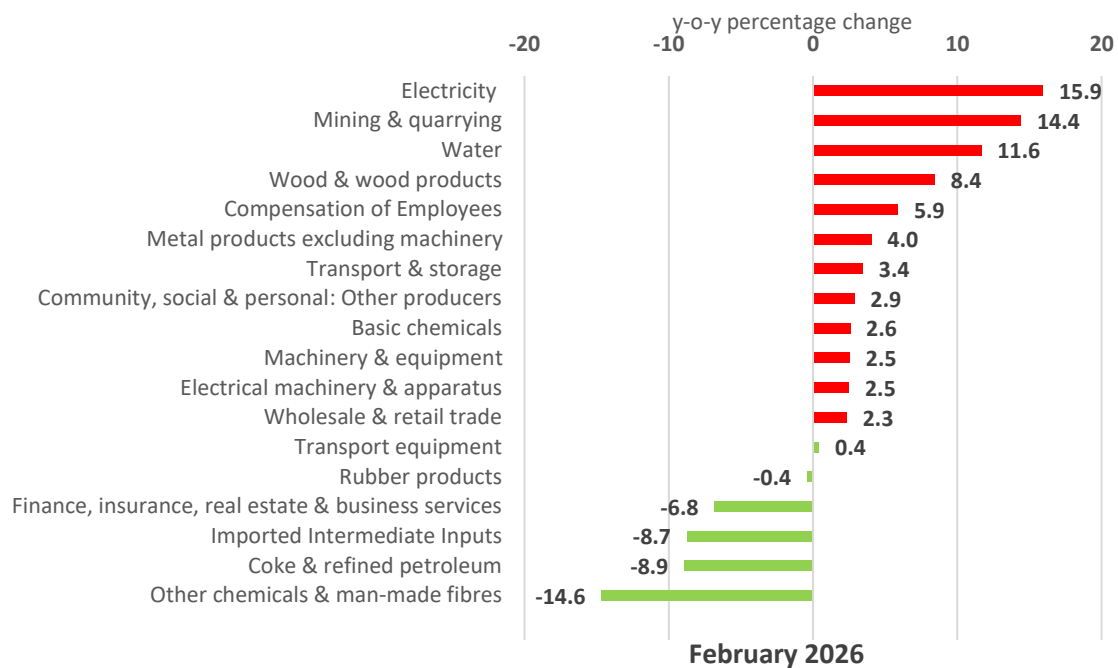
Source: Statistics SA & Minerals Council

Electricity remains, by a considerable margin, the largest contributor to mining input cost inflation on an annual basis, rising by **15.9% y-o-y**. This is followed by **mining and quarrying intermediate inputs** (+14.4%), **water** (+11.6% y-o-y), and, in February, **wood and wood products** (+8.4% y-o-y). These developments are not unexpected. Electricity and water costs continue on a persistently upward trajectory, consistently outpacing headline inflation, largely reflecting Eskom's tariff path and long-standing underinvestment in water infrastructure by water boards. By contrast, the increase in mining and quarrying intermediate inputs reflects firmer commodity prices. As illustrated in Figure 2, labour also features among the five largest contributors to overall input costs.

More noteworthy are the factors that contributed to the easing in the headline MCI Cost Index, particularly as these were the same drivers that reversed course in March. Costs associated with coke and refined petroleum products, imported intermediates linked to the exchange rate,

as well as chemicals and man-made fibres, all shifted direction following the escalation of the Middle East conflict. Since the conflict intensified on 28 February 2026, crude oil prices rose by more than 40% during March, the rand depreciated by around 4.5% against the US dollar, and expectations of further interest-rate cuts this year have largely dissipated. These pressures are expected to feed through into the March data, placing renewed upward pressure on mining input costs and likely extending into April.

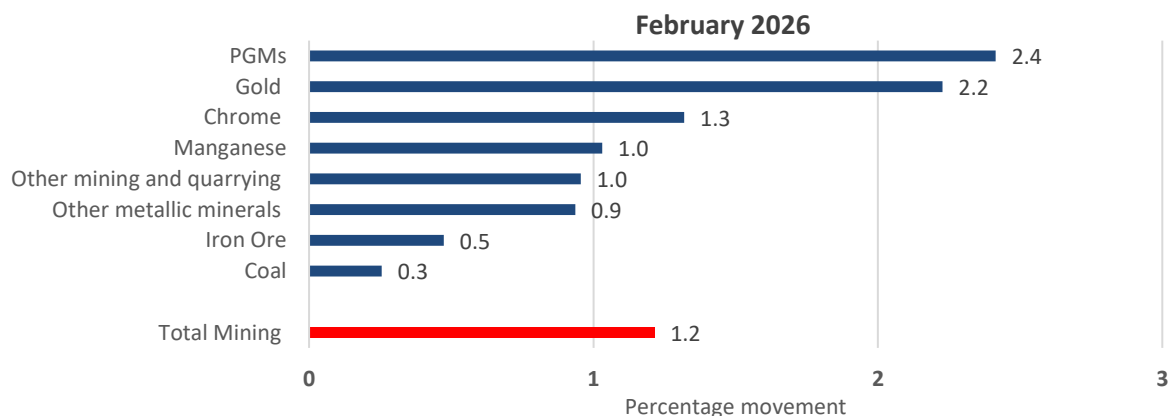
Figure 2: Annual Cost Categories in the Mining Sector



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 further in February to 2.4% y-o-y, down from 2.7% in January 2026, bringing it broadly in line with input cost inflation for gold.

By contrast, **coal** and **iron ore** once again recorded the lowest rates of input cost inflation in February.

Conclusion

As anticipated in our January note, mining input costs remained benign in February and continued to ease, reflecting the prevailing direction of the main cost drivers at the time. However, these dynamics reversed sharply in March. Since the escalation of the conflict in the Middle East on 28 February 2026, oil prices surged by more than 40% during March, while the rand depreciated by around 4.5% against the US dollar. Importantly, the impact has extended well beyond energy markets. Aluminium production, fertiliser supply, and global supply chains more broadly have come under growing strain, with prices rising as supply disruptions materialised.

With the conflict ongoing, mining input costs are almost certain to increase in March. Upward pressure is also likely to persist into April, driven not only by elevated fuel prices following the supply-side shock, but also by the 8.76% electricity tariff increase for direct industrial users approved by the National Energy Regulator of South Africa (NERSA), which came into effect on 1 April 2026. Overall, a return of input cost pressures to their long-term average will depend critically on an end to the conflict and a normalisation of global economic conditions and supply chains. In the absence of this, there is a material risk that what initially appears to be a temporary supply shock could become more persistent, giving rise to second-round cost effects.

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