MINERALS COUNCIL SOUTH AFRICA

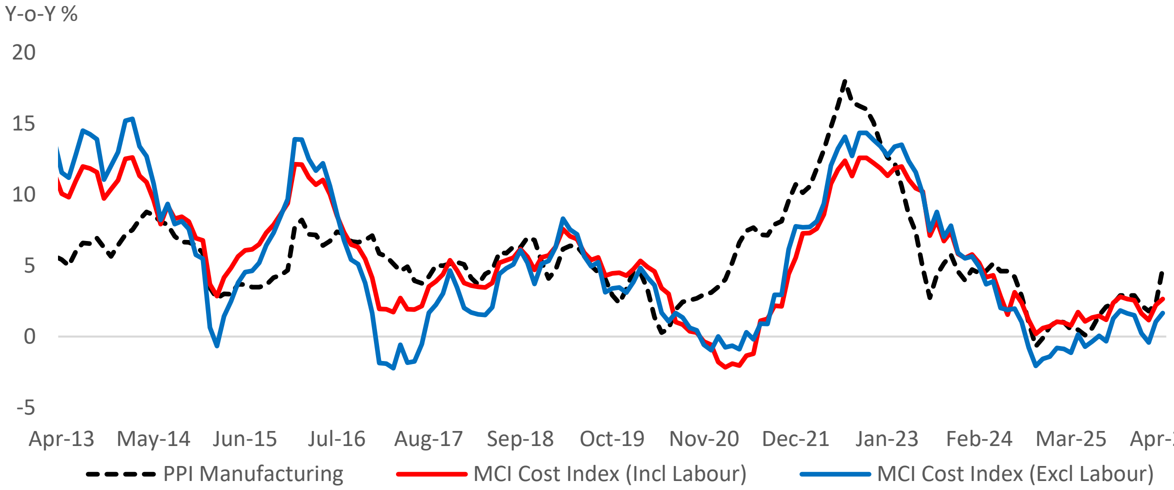
Energy and Chemical Pressures Rise, Headline Input Cost Inflation Remains Contained

Mining input cost pressures increased further in April, marking the second consecutive month reflecting the impact of the Iran War. The Minerals Council South Africa's **Mining Composite Input (MCI) Cost Index** rose by **2.7%** year-on-year (y-o-y) in **April**, up from 2.3% y-o-y in March, indicating a continued but still moderate acceleration in cost pressures across the sector. Cost pressures are expected to intensify in May and June, reflecting ongoing increases in fuel and chemical prices due to disruptions to oil exports through the Strait of Hormuz, alongside the impact of the interest rate hike at the end of May.

At an aggregate level, however, cost increases remain contained. Total input costs (*excluding labour*) rose by around 2.3% month-on-month (m-o-m), while total input costs (*including labour*) increased by 1.7% m-o-m. This suggests that, despite notable volatility in specific components m-o-m as a direct consequence of the conflict in the Middle East, the overall cost environment for mining remains relatively stable.

Below, we present trends in input costs, both **including and excluding labour**, together with the Producer Price Index (PPI) for final manufactured goods, which reflects the average net selling price in the manufacturing sector.

Figure 1: Total Mining Input Costs



Source: Statistics SA & Minerals Council

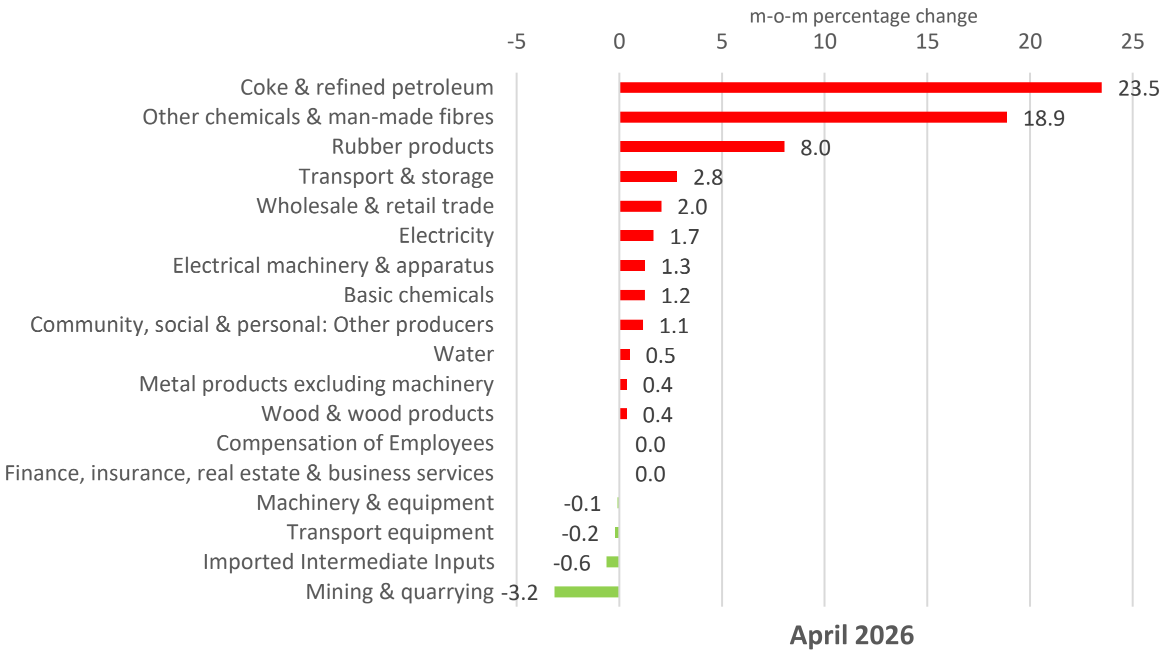
A notable feature of the April data is the divergence between mining and manufacturing cost pressures. While the mining composite index increased by 2.7% y-o-y, manufacturing producer price inflation remains higher at around 4%. Differences in cost structures and exposure to the current shock can largely explain this gap. Manufacturing is generally more reliant on energy-intensive processes, imported intermediate goods, and chemical inputs, all of which have experienced sharp price increases in recent months. As a result, cost pressures are transmitted more quickly and more intensely into manufacturing prices.

In contrast, the mining cost structure is more diversified and includes a larger share of relatively stable components such as labour, long-term service contracts, and regulated utilities. These elements tend to adjust more gradually, dampening the immediate impact of external shocks. Additionally, contractual arrangements in mining often smooth short-term volatility, whereas manufacturing input costs are more sensitive to spot price movements.

As in March, the key drivers of cost increases in April were concentrated in energy, chemicals, and transport-related inputs. The **coke and refined petroleum** component recorded a sharp 23.5% m-o-m increase and remains elevated on an annual basis (crude oil prices alone were 53.6% higher in April than a year earlier). Similarly, **other chemicals and man-made fibres** posted a strong monthly increase of 18.9%, while road freight costs rose by over 11% m-o-m and continue to reflect double-digit annual growth; rail costs were more muted, and rail volumes increased. Together with relatively unchanged storage costs, this resulted in overall **transport and storage costs** increasing by 2.8% m-o-m. The rise in road freight costs highlights the continued pass-through of higher fuel and chemical prices into broader supply chain costs.

On an annual basis, utilities also remain a source of upward pressure, with **electricity** (12.7% y-o-y) and **water** (11% y-o-y) costs both increasing at double-digit rates. In contrast, **imported intermediate inputs** declined on an annual basis, providing partial relief, reflecting exchange rate dynamics and base effects from relatively elevated levels in 2025 (the rand has strengthened by 10.5% against South Africa's major trading partners' currencies y-o-y in April, despite the war in Iran).

Figure 2: Monthly Change in Cost Categories in the Mining Sector



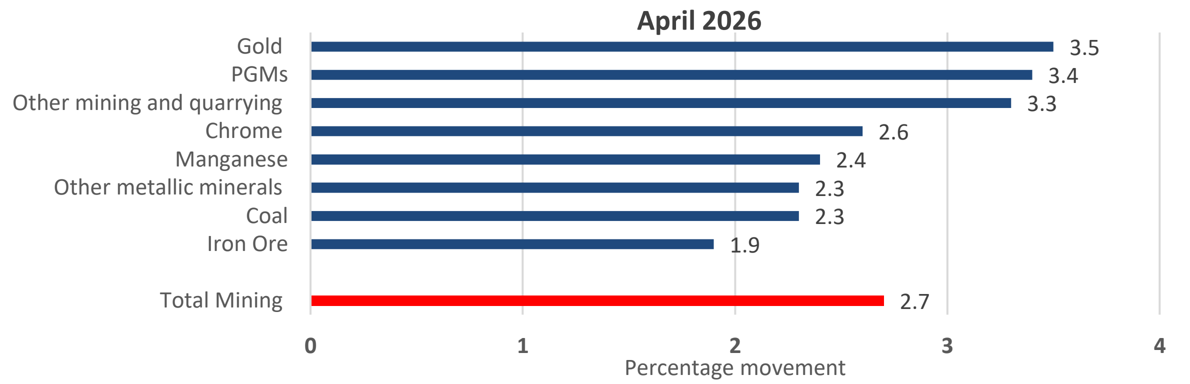
Source: Statistics SA & Minerals Council

The distribution of input cost increases across commodity groups in April reflects a relatively balanced but uneven cost environment. While most commodity groups recorded positive cost increases, the overall mining input cost increase of 2.7% remains moderate due to the interaction between component movements and their respective weights in the cost basket. Commodity groups such as coal and iron ore, which are more exposed to energy and transport-related inputs, show relatively stronger cost pressures relative to March. In contrast, Platinum Group Metals (PGMs), despite their significant weight in the overall mining production basket, exhibit more subdued cost increases, helping to contain the aggregate outcome.

This divergence highlights the importance of cost structure differences across commodity groups. Segments with higher exposure to fuel, chemicals, and logistics are experiencing more pronounced cost pressures, while those with a larger share of labour and more stable input components are seeing more moderate increases. As a result, the overall increase in mining input costs remains measured despite clear upward pressure in key underlying components.

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

Figure 3: Commodity-Specific Input Cost Inflation



Source: Statistics SA & Minerals Council

Conclusion

April reflects a continuation of the cost dynamics observed in March, with the exogenous shock caused by the conflict in the Middle East still filtering through the economy. While sharp increases in energy, chemicals, and transport costs are placing upward pressure on specific components, overall mining input cost inflation remains relatively contained. The divergence between mining and manufacturing further underscores the role of sector-specific cost structures in shaping inflation outcomes. Looking ahead, risks remain skewed to the upside, as sustained increases in fuel and chemical prices, together with tighter financial conditions stemming from recent monetary policy tightening by the SARB, are expected to keep input costs elevated in the near term.

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