MINERALS COUNCIL
SOUTH AFRICA

MEDIA STATEMENT

A thriving mining sector will help ease pressure on the budget

Pretoria, 12 November 2025. The Minerals Council South Africa notes the tabling of the Medium-Term Budget Policy Statement (MTBPS).

National Treasury is projecting real growth of 1.2% for this year, down from 1.4% in May but still higher than the latest International Monetary Fund estimates of 1.1% published in October.

It is important to note that National Treasury expects population growth of 1.6% per annum over the next 35 years. With real growth of 1.2% and 1.5% estimated for 2025 and 2026, respectively, per capita earnings are set to decline over the next 2 years. This trend is likely to reverse in 2027.

In the biggest change to South African monetary policy in decades, National Treasury has officially endorsed a 3% inflation target with a tolerance band of 1% to allow for transitional inflationary shocks. This move signals formal alignment with the South African Reserve Bank (SARB) which made the shift in July already.

A lower inflation target will result in more interest rate cuts than under a 4.5% target, align South Africa with its peers, making it more competitive, and will reduce long-term borrowing costs. The SARB will guide inflation and inflation expectations toward the new target over the next two years, with the repo rate likely to settle around 6% in 2027. This bodes well for mining, which will benefit from lower inflation through lower labour cost escalations, administrative price increases and borrowing costs in the long run. Historically, though, increases in compensation of labour in the mining sector and administrative prices have outpaced consumer inflation and put pressure on the sector's competitiveness.

National Treasury has already implemented tax increases in July this year to raise R18 billion to meet expenditure priorities. These measures included the removal of certain zero-rated VAT items, non-adjustment of personal income tax brackets and an inflation-related increase to the fuel levy.

However, as indicated in the May 2025 budget, the potential for **additional tax increases** totalling R20 billion in 2026 and R21.3 billion in 2027 is contingent on whether the SA Revenue Service (SARS) can improve the efficiency of tax collections.

Thus far, gross revenue collections for the first six months of 2025/26 are 9.3% higher than previous estimates, at around R17.5 billion.

Other noteworthy initiatives to curb spending and inefficiencies include:

- Government, through the Targeted and Responsible Savings (TARS) initiative, has identified R6.7 billion worth of low-priority and underperforming programmes that will be removed from the budget.
- 8,854 'ghost workers' have been flagged and are pending investigation; they will be removed from the national payroll. These 'ghost workers' are only at national level and the process has not been rolled out to municipalities yet. This item will save government hundreds of millions annually.
- Government continues its early retirement programme targeting 15,000 eligible employees to leave the public service in 2025/26 and 2026/27, amounting to an average cost savings of R3.5 billion per year.

Despite these measures, the lowering of the inflation target to 3% has meant nominal growth forecasts are slightly lower, hence the debt-to-GDP level is now stabilising at 77.9% versus 77.4% indicated in May. Lower nominal growth forecasts mean less revenue collection as revenue is estimated based on nominal growth forecasts.

National Treasury projects a revenue shortfall of R15.7 billion over the next two years – so to stave off tax increases next year, tax compliance and efficiency will need to improve substantially and/or growth in the economy, and the mining sector, would need to pick up.

"From a mining perspective, the improvement noted by National Treasury on the performance of Eskom's ability to supply electricity and the uptick in Transnet's operational performance bode well for mining. Yet the sector still faces the threat of high electricity tariffs and slow reforms on the rail side," says Bongani Motsa, acting chief economist at the Minerals Council.

Mr Motsa added that gross value added by the mining sector contracted by 3% in the first half of the year relative to 2024; Transnet has failed to achieve 60% of its targets set to improve operational performance for this financial year and electricity tariffs have increased on average more than 900% since 2008. "The sector, which employs around 468,000 people, remains under pressure."

Given the need to invest in transmission infrastructure, address the municipal debt and service delivery crisis and the fact that the latest Integrated Resource Plan (IRP) 2025 pivots to more expensive renewables, the South African economy will likely face a prolonged period of elevated electricity prices.

We note that there is no mention of a chrome ore export tax in this budget. A Cabinet Statement in June, and subsequent comments by Parks Tau, Minister of Trade, Industry and Competition, have flagged a chrome ore export tax as one of the government's four proposed interventions to revitalise the embattled domestic ferrochrome sector.

The Minerals Council reiterates that the key constraint for South African ferrochrome smelters is the globally uncompetitive cost of electricity. It is not the supply or cost of chrome ore for smelters. As such an export tax would be misplaced and potentially damaging to chrome miners employing more than 28,000 people, if it compels China, the largest buyer of South

African chrome, to find alternative sources of chrome ore. South Africa is the world's largest producer of chrome ore.

"A lot of investment is needed in the electricity and logistics sectors to support the improved fiscal outlook. It is not obvious where that money will come from apart from outside of government. Until we see investment levels pick up and start improving the rail and electricity networks, we remain cautiously optimistic", says Mr Motsa.

Conclusion

We reiterate that unlocking mining's full potential through the implementation of an investor-friendly regulatory and operating environment could help stave off future tax increases in the coming years. As illustrated in #MiningMatters, the industry is a key contributor to the economy through jobs, investment, and taxes but it could play a much larger role in the economy and society.

Visit the Mining Matters website.

For further queries:
Allan Seccombe
Head Communications
Tel: 064 650 4636
Email: aseccombe@mineralscouncil.org.za
Web: www.mineralscouncil.org.za