Multinational miners struggle in 'new normal'

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In February, *Rio Tinto's* shares slumped to $37.03, their lowest price since 2008. Underlying earnings of $4.54bn for 2015 showed a 51% drop from 2014, but its net loss of $866m was dwarfed by Anglo American's $5.6bn shortfall.

The year leading up to the announcement of Anglo's portfolio restructuring on 16 February saw shares fall by 70%. The Johannesburg and London-based multinational will exit the coal sector and – over time – iron ore. Nickel and manganese interests will also be sold, putting the focus on copper, diamonds (through De Beers) and platinum. In all, Anglo will sell or close 65% of its current activities, cutting 85,000 jobs and leaving it with just 16 mines.

The company aims to raise $4bn in divestments this year but, as CEO Mark Cutifani has admitted, it's not a great time to sell assets. He must off-load some expensive projects, such as the Minas-Rio iron ore mine in Brazil. "The flaw in the strategy was growth that was not pinned to returns or affordability," he says.

Rio Tinto has its regrets too. When CEO Sam Walsh took over in 2013, he had to deal with the fallout from rash investments like the $39bn acquisition of Canadian miner Alcan in 2007.

Walsh has cut budgets, frozen pay, reduced business travel and closed down marginal operations. He also plans to cut $3bn from the capital expenditure budget over the next two years.

Rio is one of the few mining companies investing in growth in the down-cycle. "This challenging market presents an opportunity to widen the gap between us and our competitors," said Walsh who retires from his post this July. Last year it closed the gap on the world's biggest miner, BHP Billiton, albeit by losing less of its market value.

Pointing to the perfect storm of slowing Chinese growth, diminishing steel production, a stronger US dollar and the oversupply of commodities (especially Rio's major earner, iron ore), Walsh warns: "This situation is not temporary and our industry is now moving into the new normal."

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