Minerals and metals: the lifeline of global growth

For skyscrapers, high speed trains, medical equipment, computers, smartphones and an infinite variety of other elements of modern society, the world depends on a steady supply of valuable minerals and geological materials. After a severe downturn, global investments in mining are rebounding as economic recovery is driven by the emerging economies.

The past decade in the mining industry has been marked by record production levels as well as serious setbacks as the financial crisis that struck in the latter half of 2008 put the growth of the world economy at risk and sparked a global recession. Mineral and metal prices lost nearly half of their value between August and December 2008. Since 2009, however, prices have recovered and by the start of 2011 the International Monetary Fund's (IMF) metals and minerals price index had exceeded its pre-bust price levels.

The global economy is rebounding and growth is returning. It continues to be driven by emerging economies, with mineral and metal prices now stabilizing close to their pre-recession levels. In 2012, the influential economies of Brazil, India, Russia and China (BRIC) accounted for 20% of the global economic output, a figure that is expected to rise to close to 25% by 2017. Of the expected growth in the world economy in the next five years, nearly 40% will be accounted for by these emerging countries.

The Chinese, Indian and Brazilian economies, like many other countries in a state of rapid development, are passing through a resource-intensive stage of economic growth. They are consuming larger amounts of minerals and metals per percentage increase in economic growth relative to the traditional industrialized economies. The factors driving this demand for minerals and metals range from increased urbanization, investments in infrastructure, and increased manufacturing of both consumer and capital goods.

For the first time in human history, roughly the same number of people live in urban areas as in rural areas, and by 2030, 60% of the global population will be in urban centers. The largest increase in this rural-to-urban migration will be seen in cities in emerging and developing countries.

China alone intends to urbanize 350 million more people by 2025, resulting in 221 cities with over one million inhabitants. China's 12th five-year plan continues, like its predecessors, to include a range of infrastructure expansion goals. As Brazil prepares to host the 2014 FIFA World Cup and the 2016 Summer Olympic Games, its infrastructure spending will increase. Russia has ambitious plans to spend USD 1 trillion on infrastructure between 2007 and 2017. Such increased demand for urbanization, infrastructure development, consumer goods and energy will contribute to increased demand for minerals and metals.

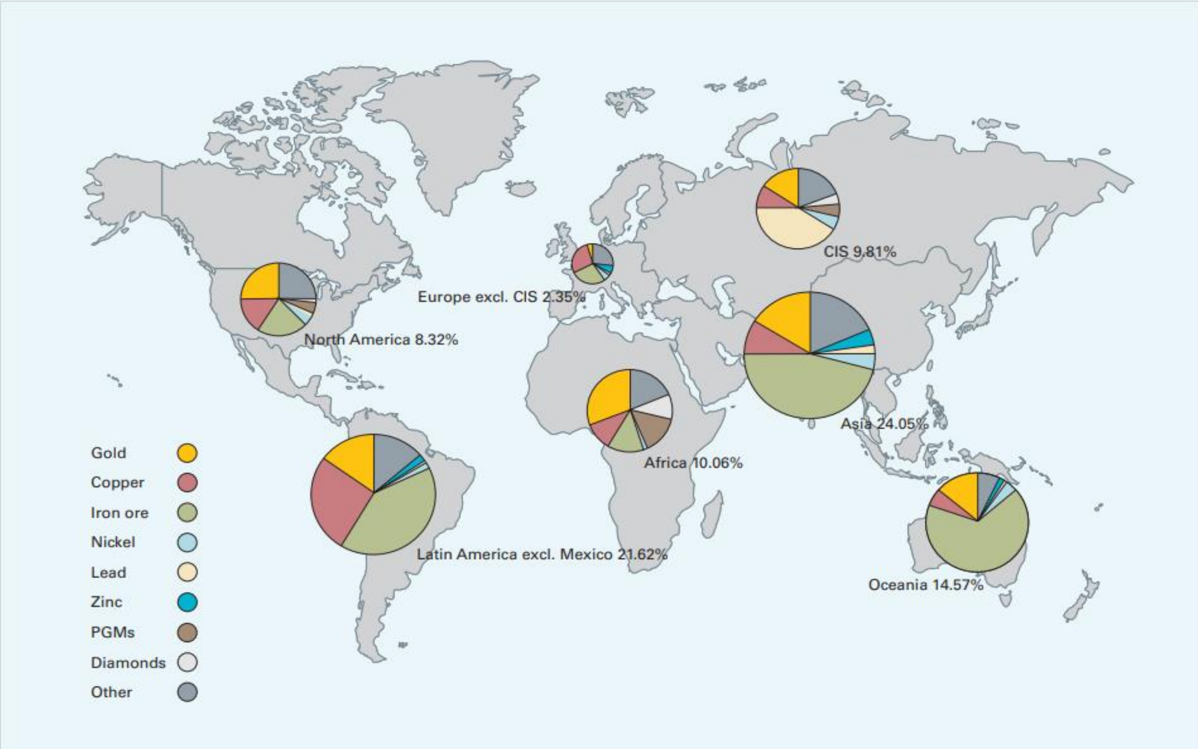

Figure 1: Global distribution of mined minerals based on the value of mined quantities. (Source: Raw Materials Data)

Total quantity of materials mined in the world by open pit and underground operations.

Mining sector continues to expand

Compared to the slowdown in the global economy, the mining industry has stood up well and continues to expand with the total value of mineral and metal output increasing from USD 680 billion in 2010 to USD 850 billion in 2011. Asia continues to be the largest producer of minerals and metals (excluding coal), and accounts for 24% of the global value of the industry, followed by Latin America (22%) and Oceania (15%). Africa and the Commonwealth of Independent States (CIS) account for a further 10% each of the global value, with North America (8%) and Europe (2%) accounting for the rest (see Figure 1).

Investments maintain upward trajectory

Investments and capital expenditure in the mining sector have continued on their steady upward trajectory since 2003. Although the financial crisis and economic recession did dampen expenditure in 2009 and 2010, industry expenditures is expected to stay above the USD 300 billion level over the next few years (Figure 2).

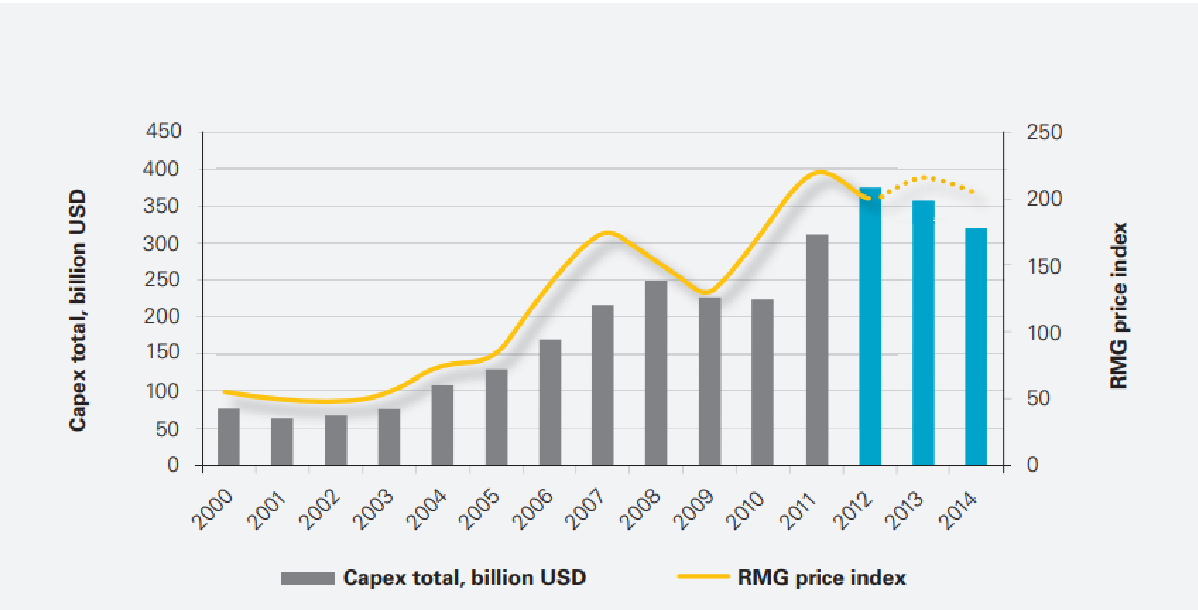

Figure 2: Capital expenditure in the global mining industry and Raw Materials Group price index.