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## **Recession reports - Global mining industry falters in 2008**

*Monday, 05 Jan, 2009*

After turning in a robust performance through June 2008, most mining companies stumbled in the rest of the year as automobile, housing and other manufacturers who use their metals cut back amid a global recession.

Investors who watched mining stocks fall by half in 2008 will likely see most producers on a rocky path until the economy begins to recover. An exception is coal used to produce electricity and gold that is seen as a safer asset amid financial turmoil.

It was a difficult year in 2008 for stocks overall as bad mortgages created a financial crisis that froze credit markets. The Dow Jones US Mining Index fell 49% while the Dow Jones Total Market index fell 40% and Standard & Poor's 500 Index lost 39%.

Mr Evy Hambro, fund manager of the BGF World Mining Fund said that "The most disappointing features of 2008 have been how severe and how rapid the sell off has been in this space and the crushing of equity value from August 2008 through where we are today."

From iron ore to coal to gold, companies cut production and jobs, and delayed or canceled projects.

In 2009, the sector's performance will hinge on how quickly the economy turns around and when demand picks up.

Analysts say that companies that mine coal for power plants should fare better than others because most have locked in high priced contracts for 2009, but 2010 contract negotiations will be a key. On the other hand, companies that produce coal for firing steel blast furnaces will struggle more because of the slowing steel industry.

(Sourced from: Business Weekly)

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