
Mining & metals sector fundamentals strong

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ET reported that operators in the mining and metals industry have enjoyed an unprecedented boom over the past decade as China, India and other rapidly developing economies sought to modernize their infrastructure and a rising middle class was able to afford cars and other metals intensive goods for the first time.

An Ernst & Young said the year 2008 saw the worldwide mining and metals industry go from the heights of optimism to the depths of despair with the sudden and severe collapse in mining and metals prices in the third quarter.

The report said that "Although the mining sector was the last to be impacted, financing and deals all but dried up in the fourth quarter. However, while worldwide demand for mining and metal commodities fell sharply in the last half of 2008, the long term picture remains very positive, adding changes in the global economy, including urbanization in fast growing developing economies, creates a demand for steel and other metals that is unlikely to reduce significantly.

Although, consolidation will continue to be slower in the short to medium term due to financing challenges, but mining and metals companies with strong balance sheets need to be aware of the potential opportunities.

The report further added that in 2009, we expect megadeals to continue to slow, while niche deals will increase. We see a number of smaller megadeals, USD 2 billion to USD 10 billion, by the cashed up mid tiers. There will also likely be a focus on streamlining operations through divestment of assets, potentially to private equity or specialist investors, as well as a renewed focus on the sector by specialist funds."

(Sourced from Economic Times)

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