# Mining giant Anglo American to cut 85,000 jobs

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Anglo American, the world's fifth largest diversified mining corporation, announced Tuesday that it would slash its workforce by 85,000 workers, out of a total of 135,000, under the impact of the stagnating world economy and the ongoing decline in commodity prices.

Anglo American's announcement comes amidst a building series of layoffs and stark cost cutting procedures in the global energy and resource sector. According to the *New York Times*, over 250,000 oil and gas workers have lost their jobs since the beginning of the decline in oil prices—a third of those layoffs happening in the United States.

Fueling the contraction is the plummeting of global commodity prices. The West Texas Intermediate oil index, for instance, has lost over sixty percent of its value since mid-2013. This Monday oil sold for the lowest price since the nadir of the stock market crash in 2009.

Platinum, of which Anglo American is the world's largest producer, making 40 percent of the world's newly mined supply, has lost half of its value in the past four years. Platinum sold for around $1900 per ounce in the fall of 2011. At the time of writing it was selling for $872.75 an ounce. Similar trends are reflected in every resource commodity, with iron ore and oil leading the way down.

Undergirding this global contraction in commodity prices, however, is a deeper stagnation of the entire global capitalist economy. In nearly every section of the world warning signs have emerged of industrial contraction, overproduction, and mounting financial risk.

China and the rest of the emerging markets, once expected to buoy global economic growth, are experiencing their lowest rates of growth in decades. Chinese November imports fell 8.7 percent relative to the year before—exports were down 6.8 percent year-on-year.

Brazil is in the midst of a deepening six-quarter-long recession. Gross domestic product in the third quarter of this year was down 4.5 percent from 2014.

This contraction in the developing countries has killed profits for commodity producers and refiners who are stuck with mass overcapacity and nose-diving prices. The Australian *Business Spectator* reports that the major Chinese steel mills lost 38.6 billion yuan between January and October of this year and have been converting their mills into other types of operations to stay afloat. The steel mills "are reportedly breeding pigs, opening kindergartens and providing plumbing services to improve their situation."

In addition to cutting off nearly two-thirds of its workforce, Anglo American, which has dual headquarters in the UK and South Africa, will stop paying dividends to its investors until at least 2018. The company's stock has fallen from a high of over 1,250 points in February of this year to just 327 at the time of writing—a loss of 74 percent of its value.

As part of the restructuring process, Anglo American will shrink its six businesses down into three. The company will sell its phosphates and niobium businesses next year. It aims to cut $3.7 billion out of its yearly operational costs by 2017. Altogether it hopes to reduce its assets by 60 percent.

Despite the stunning size of the overhaul, some market analysts doubt if it will be sufficient. Kieron Hodgson, a mining analyst for Panmure Gordon & Co., told the Associated Press that the move was "underwhelming as a package." Hodgson stated, "The business needs to reappraise itself in a manner that gives it a future."

*The Australian* quotes IG market analyst Evan Lucas,

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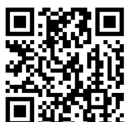
who says, “The fallout of Anglo-American will spread through the big five.” The other four major mining companies, Glencore, BHP, Rio Tinto and Vale, have already wiped jobs from their payrolls, but they are expected to intensify these cuts and also stop or diminish dividend payments in the near future.

In September of this year, mining giant Glencore lost 30 percent of its value in a single day after an analyst predicted the company’s equity would be wiped out if commodity prices continued to fall. Also in September, BHP Billiton, the world’s largest mining company by revenue, cut 14 percent of its workforce, nearly 17,000 employees. The five mining giants have lost between 60 and 88 percent of their stock market value since their high point in 2011.

While the US Dow Jones Industrial index appears to be relatively protected from the growing economic storm, this is only because the Federal Reserve has pumped markets full of easy money to bolster confidence. In the United States, the underlying contraction of the world market is beginning to *financially* express itself in the decline of US corporate high-yield bonds this year—the first annual loss since the 2008-2009 crisis. The *Wall Street Journal* reports, “Defaults are rising after several years near historically low levels, as new bond sales stall and companies with below-investment-grade credit ratings struggle to refinance their debt.”

Overall, the International Monetary Fund expects 2015 to be the worst year of global growth since 2009. In the United States, the manufacturing sector contracted last month for the first time in three years. In November, the PMI (Purchasing Managers’ Index) was at 48.6 percent, below October’s 50.1 percent. Fifty percent indicates no month-to-month growth.

The Organization for Economic Cooperation and Development (OECD) warned last month of a “dramatic slowdown in global trade growth” citing a “larger than expected” slowdown in China and the expected end of the Federal Reserve’s near-zero interest rate program.



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