

Anglo American readies cost cuts in wake of PGM market downturn

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Anglo American is preparing to freeze spending on growth and widen job cuts in South Africa, going far beyond its initial savings target and paving the way to mothballing some higher-cost platinum mines, sources familiar with the matter said.



A haul truck is seen at the Mogalakwena platinum mine in Mbokopane. Source: Reuters/Siphiwe Sibeko

Anglo's sweeping spending cuts could be announced as soon as Friday, when the miner updates investors on its three-year outlook, five sources said.

Mentioned measures include shelving an ambitious plan to boost output at Anglo American Platinum's key Mogalakwena mine, and, if metals prices remain depressed, place on care and maintenance some shafts at the Amandelbult complex in the longer term, which had been initially targeted for mechanisation and output expansion.



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A concentrator plant at Amandelbult could also be placed on care and maintenance, one of the sources said, with these moves likely to result in further job cuts at the operations and lower output guidance.

The global miner had initially targeted saving \$500m by cutting corporate jobs and some costs at head offices in Johannesburg, London and other locations.

Scaling down on spending could save an additional \$1bn by end of 2024, with most expected from its platinum operations, one of the sources said, as the company becomes the latest to feel the impact of a price rout ripping through the world's top platinum producer South Africa.

Anglo American declined to comment.

Gradual decline

South Africa's platinum mining output has been declining gradually over the past decades as investors balk at investing in new mines amid threats to the metal's future demand from a rapidly growing battery electric vehicle sector.

Platinum, palladium and rhodium are used in devices that curb exhaust emissions from diesel and petrol engines.

A rapid and precipitous plunge in palladium and rhodium has already forced other South African producers including Sibanye-Stillwater and Impala Platinum to swiftly move to cut jobs in a bid to preserve margins.

Anglo is also expected to cut jobs and costs at its other South African unit - Kumba Iron Ore, where stockpiles have grown to 9 million tons by September on worsening rail bottlenecks.



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Anglo Platinum is expected by a group of 11 analysts to account for 12% of the group's net earnings at \$1.3bn this year, down from 30% or \$4.4bn in 2022.

The plans come as Anglo CEO Duncan Wanblad seeks to develop a \$9bn Woodsmith fertiliser project in Britain, on which the company announced a \$1.7bn writedown in February.

"Higher-cost assets have been under pressure for some now, particularly at older, labour-intensive mines (...Amandelbult). As the industry transitions to newer, mechanised mines (Mogalakwena...), older, higher cost mines will be rationalized," said BofA Securities analysts.

Palladium prices have plunged to a five-year low while rhodium, which soared to record highs of almost \$30,000 an ounce in 2021, has since fallen to about \$4,400 an ounce. Platinum prices have fallen 16% this year.

Stalling growth

The sector's cost-cutting measures, also taken by junior platinum miners, come as Africa's most industrialized economy grew just 0.3% in the first nine months of this year.

Platinum mines earned the country about R275bn in export receipts last year, according to Minerals Council South Africa data. The mines, some of which are among the world's deepest, employ about 175,000 workers.

Some of those jobs are now evaporating.

Sibanye-Stillwater, the biggest mining employer in South Africa, in October said it plans to cut about 4,000 jobs and close some shafts. Rival Impala has a voluntary job cut process up to the end of the year, a spokesperson said.

"If the numbers are low then we may need to do more capital rationalisation. More cost savings could include deeper labour initiatives like consulting with the unions (on section 189 process) or extending the voluntary separation process," the spokesperson said.

The sector's woes may get even worse as EVs penetration increases in coming years.

"There will be significant demand destruction for PGMs, especially palladium and rhodium, though limited for platinum, starting 2028 due to battery electric vehicle penetration, and as PGMs demand for auto-catalysts decline," Citigroup analysts said.

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