

Rio Tinto: China to lead recovery in metals demand

Rio Tinto Ltd sees demand for metals and minerals picking up rapidly once economic activity recovers, driven by a sharp recovery in Chinese demand.

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In the company's annual report, released on Tuesday, Chairman Paul Skinner also said a need to rebuild stockpiles of minerals after cutbacks by many miners due to the economic slowdown would help lift demand.

"China particularly may surprise the market. It is the rate of deceleration and acceleration of the Chinese economy which drives metal demand and prices, given its major share of total global demand," Skinner said in the report.

"Just as China decelerated sharply, with a strong impact on metals demand, it will also work powerfully in the upswing."

Rio Tinto, seeking to reduce debt, has signed a \$19.5 billion deal with Chinese aluminum producer Chinalco that will give the Chinese stakes in some Rio mining assets as well as an 18 percent stake in Rio itself.

Two weeks ago Rio Tinto chief economist Vivek Tulpukle said that 2009 would be a "very rough year for both prices and volumes" and economic recovery would take time.

Rio is also selling assets to reduce debt that stood at \$38.7 billion at Dec 31. It hopes to reduce net debt by \$10 billion this year, and Chief Executive Tom Albanese said in the report that more assets will be divested than those already earmarked for sale.

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