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Science and Resources

Office of the  
Chief Economist



# Resources and Energy Quarterly

SEPTEMBER 2024

[www.industry.gov.au/req](http://www.industry.gov.au/req)

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## Executive Summary

Australian resource and energy export earnings are forecast to decline by around 10% in 2024–25, to \$372 billion from \$415 billion in 2023–24. This estimate is slightly weaker than the forecast in the June 2024 *Resources and Energy Quarterly* (REQ). The fall mainly reflects slightly larger forecast declines in bulk commodity prices. The earnings falls of the past 2 years will lessen in 2025–26 — with exports forecast at \$354 billion.

World economic growth remains relatively soft, weighed down by relatively tight financial conditions. Key economic indicators suggest the modest growth so far in 2024 has been driven by increased activity in the services sector — and by easing monetary conditions in recent months. In the United States, growth remains positive, and inflation is declining. In China, ongoing weakness in the residential property sector is still heavily impacting consumer and business confidence.

The price moves have been typical for commodity markets, which are often more volatile than other financial markets — such as for currencies, interest rates, and equities.

The main changes seen since the June 2024 REQ include:

- The iron ore price recently fell below US\$100 a tonne, on the back of weak Chinese demand.
- Weakness in metallurgical coal prices as weakness in the steel sector impacts on metallurgical coal demand.
- Base metals prices have generally declined, on the back of weakness in the Chinese property sector.
- The prices of lithium and nickel remain weak due to market surpluses continue to build inventories.
- The gold price has hit new record highs since the June 2024 REQ, driven by expectations of interest rate declines, the lower US dollar, central bank buying and Chinese household demand for alternative investments — amidst property and share market weakness.

Battery energy storage systems (BESS) are set to play a key role in decarbonised energy systems through the balancing of gaps in renewable-generated power. With large natural endowments of vanadium, Australia is well-placed to support growing BESS demand through the provision of raw materials and downstream manufacturing.

Lithium and nickel supply rose much faster than demand in 2023 and early 2024, pushing prices down. Partly due to the falling price of these vital electric vehicle (EV) battery inputs, the cost of EVs continues to fall relative to their internal combustion engine (ICE) counterparts. These falls are set to help the share of EVs in global passenger vehicle sales rise further, with positive implications for the demand for copper, lithium and aluminium. Battery developments continue to lift the driving range and lower charging times of EVs, also raising the attractiveness of EVs.

There are a number of risks to the forecasts of resource and energy exports from Australia. A broadening of conflict in the Middle East could disrupt oil and gas exports and raise prices. Higher-than-normal odds of a La Niña weather episode in 2024–25 raises the risk of wet weather and flooding that could impact both production at Australian mines and the transportation of mine products and supplies.

# Overview



## Australia's mining sector



Contributes to around **13.4% of GDP**



Makes up around **two-thirds** of Australia's total merchandise exports



Directly employs around **300,000** people

## Outlook



Near-term outlook for Australian resource and energy commodity exports has **deteriorated slightly**



World economic **growth remains moderate**, with some slight strengthening expected in 2025 and 2026

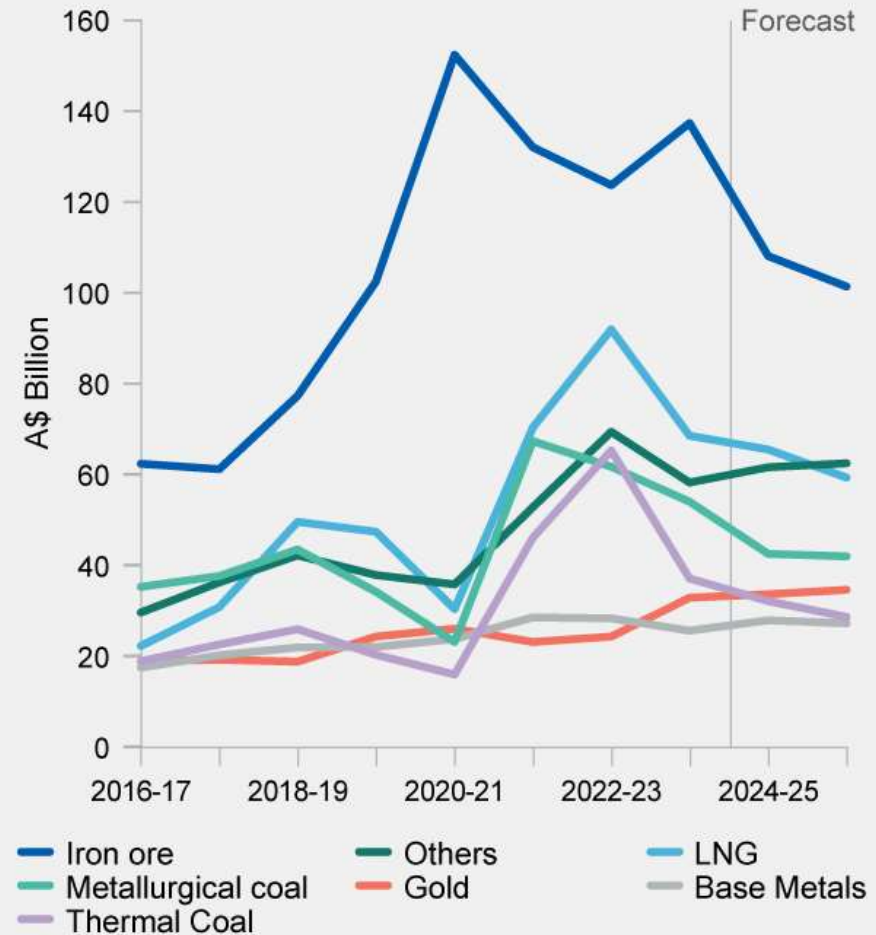


Gold price hitting **new highs**; lithium and nickel prices **remain weak** after falls in 2023, early 2024



Investment in new **deposits and mines is on the rise**, though with variation between commodities

## Australia's resource and energy exports



SOURCE: ABS; DISR; OCE

## 1.1 Summary

- The near-term outlook for Australian resource and energy commodity exports has eased in net terms since the June 2024 REQ. But the outlook is for an improvement in world economic growth in 2025 and 2026, as monetary conditions ease in Advanced Economies and China's economy is expected to stabilize.
- Lower commodity prices should see Australia's resource and energy exports fall to \$372 billion in 2024–25 from \$415 billion in 2023–24. Exports are seen at \$354 billion in 2025–26.
- Gold prices have hit a new record high, but iron ore prices have declined as weakness in the Chinese property sector continues. Nickel and lithium prices remain weak.

## 1.2 Macroeconomic, geopolitical and policy factors

### Global growth steady despite weaker China growth

The International Monetary Fund's (IMF) July forecast for world economic growth in 2024 was unchanged from its April outlook at 3.2%. Growth in 2025 is forecast to pick up slightly to 3.3% — an upgrade of 0.1 percentage points from the prior forecast (Figure 2.1).

China's growth slowed in the June quarter, weighed down by ongoing weakness in the property sector. It is expected to moderate over the forecast period, due to structural and demographic factors. The IMF expects China's economy to grow by 5.0% in 2024 and 4.5% in 2025, easing to 3.8% by 2026 — in line with a long-term trend towards lower growth.

Easing inflation has seen a number of major central banks have started to lower official interest rates from cyclical highs. The Bank of Japan has been the notable exception, raising rates from zero as the Japanese economy records its fastest growth in decades. As inflation moderates further, moves to a more neutral monetary stance by the world's major central banks should lift global growth.

### Government trade changes impacting resource commodities

Some countries have imposed tariff increases on Chinese EVs, potentially inhibiting Chinese EV production. In early August, the European Union said it plans to introduce an additional 9% tariff on Teslas imported from China, due to commence by November. In late August, Canada announced a 100% levy on Chinese EVs and a 25% levy on steel and aluminium imports from China. The Canadian government also launched a new 30-day consultation period on other sectors, including batteries and battery parts, semiconductors, solar products and critical minerals.

### Geopolitical tensions and the weather pose risks to commodity markets

Geopolitical developments continue to pose risks to the outlook for commodity markets. An escalation of conflict in the Middle East could impact the global supply of oil/gas/LNG with many significant producers in the region. Iran accounts for 3-4% (~3.4mb/d in July 2024) of global oil demand, of which 25-50% is exported.

Some weather forecasters attach a much higher-than-normal chance of the start of a La Niña weather episode in the coming few months. Should a La Niña weather cycle emerge, Australian miners may experience a repeat of the wet weather and the associated flooding of mines, transport routes and ports that hampered output in the 2021-2023 period. Australian coal exports were heavily impacted in this period; as a supplier of 55% of the seaborne metallurgical coal tonnages, global metallurgical coal prices are vulnerable to a significant disruption to Australian exports.

### AUD rising against the USD

The AUD/USD has risen in recent months. Australian-US interest rate differentials favour AUD fixed interest assets as the market views US official interest rate cuts as likely to be sooner and deeper than Australian cuts.

The consensus forecast adopted is for the AUD/USD to lift in the outlook period, from about 67 US cents in 2024 to 71 cents in 2026.

### 1.3 Export values

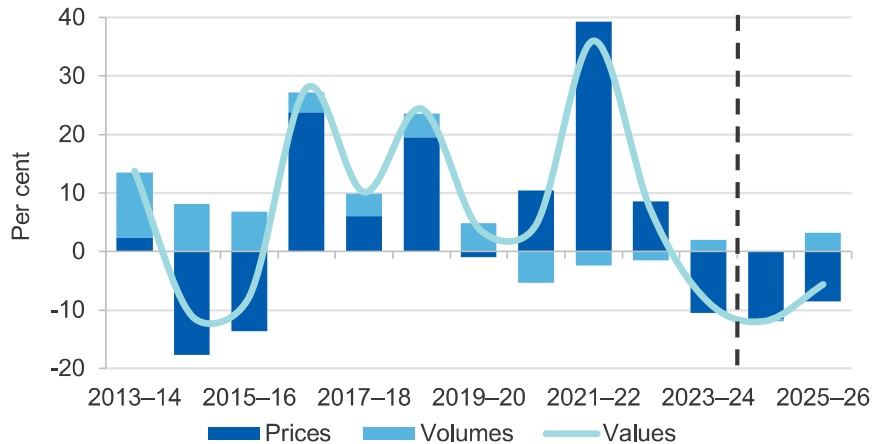
Australia's export values are forecast at \$372 billion in 2024–25

Relatively slow world economic growth and fewer supply disruptions generally reduced commodity prices over the September quarter. The Resources and Energy Export Values Index fell 5% from the June quarter 2024: a fall in volumes added to the impact of a fall in prices (Figure 1.1).

There has been a modest revision to the aggregate forecasts since June. Resource and energy exports are forecast to be \$372 billion in 2024–25 and \$354 billion in 2025–26 (Figure 1.2). Within the totals, energy export earnings are set to show double digit falls:

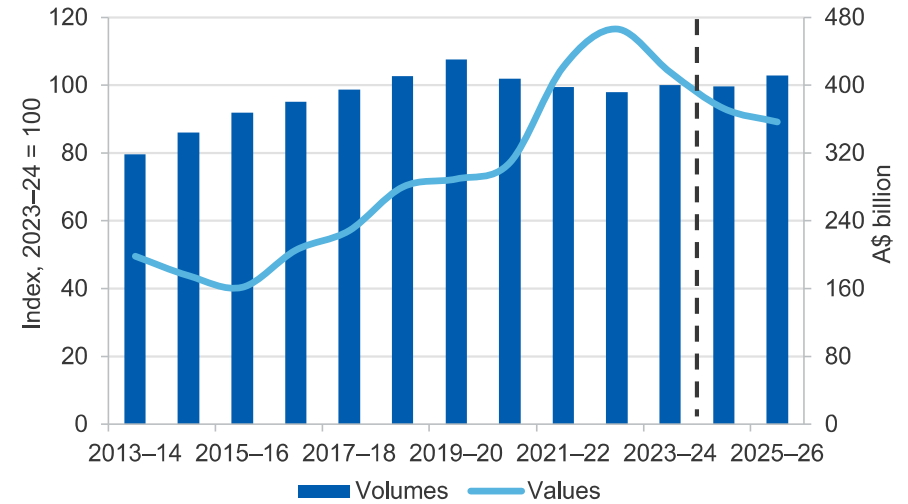
- Lower **LNG** prices will see LNG earnings fall by \$3 billion to \$66 billion in 2024–25, and then fall to \$60 billion in 2025–26.
- **Thermal coal** exports are forecast to fall from \$37 billion in 2023–24 to \$32 billion in 2024–25 and \$29 billion in 2025–26.
- **Metallurgical coal** exports should fall to \$43 billion in 2024–25 from \$54 billion in 2023–24.

**Figure 1.1: Annual growth in Australia's resources and energy export values, contributions from prices and volumes**



Source: ABS (2023) International Trade in Goods and Services, 5368.0; Department of Industry, Science and Resources (2024)

**Figure 1.2: Australia's resource and energy export values/volumes**



Source: ABS (2024) International Trade in Goods and Services, 5368.0; Department of Industry, Science and Resources (2024)

Among resource commodities:

- **iron ore** remains the largest earner, though lower prices will see export earnings fall by an estimated \$31 billion to \$107 billion in 2024–25 and with a further decline to \$99 billion in 2025–26.
- Low **lithium** prices are forecast to see lithium exports fall to \$6 billion in 2024–25, down from \$10 billion in 2023–24 and \$20 billion in 2022–23. Export values should then rebound to be more than \$8 billion in 2025–26.

### 1.4 Prices

Since the June 2024 *Resources and Energy Quarterly*, resource and energy commodity prices have fallen in US\$ terms (Figure 1.3): driven by a sharp fall in the metallurgical coal price and bouts of weakness in the iron ore price. Ongoing weakness in the Chinese property sector and sluggish world economic growth also had an impact.

**Figure 1.1: Resource and energy export prices, A\$ terms**



Notes: The export price index is based on Australian dollar export unit values (EUVs, export values divided by volumes); the export price index is a Fisher price Index, which weights each commodity's EUV by its share of total export values.  
Source: ABS (2024) International Trade in Goods and Services, 5368.0; Department of Industry, Science and Resources (2024)

In Australian dollar terms, the Resources and Energy Commodity Price Index fell by 9% in the September quarter 2024 to be down 6% year-on-year. In US dollar terms, the index fell by 9% in the quarter to be down 8% year-on-year. Resource export prices (in A\$ terms) were flat year-on-year, while energy prices fell by 14%.

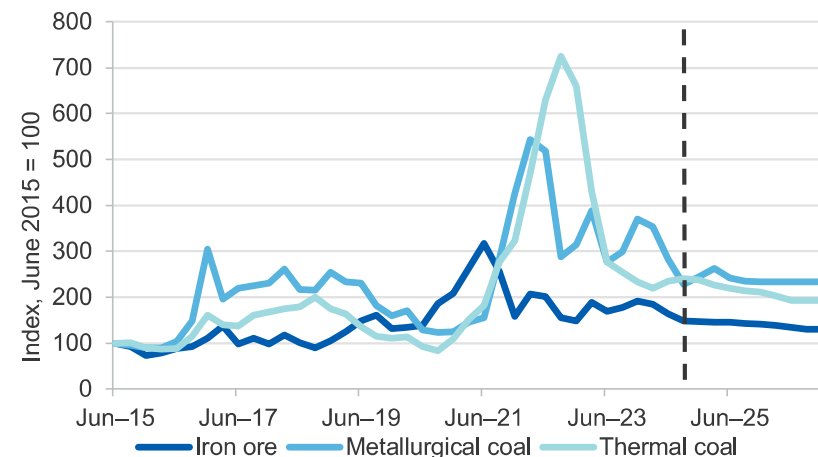
**Iron ore** price volatility continued in the September quarter — with the price falling to two-year lows in August before regaining some ground — leaving prices down by around a third since the start of 2024. The falls reflect weakening steel demand in China, strong growth in iron ore supply and high stockpiles (Figure 1.4). The price of **metallurgical coal** followed a similar trajectory, with prices falling below US\$200 a tonne towards the end of the September quarter. Whilst supply has been relatively constrained, global demand is expected to remain at similar levels through to 2026 and prices should remain near US\$200 a tonne.

Energy prices have declined recently from the highs seen in 2022 and 2023 as supply chains have adjusted to the significant supply chain disruptions that resulted following the Russian invasion of Ukraine. Slow world economic growth has constrained energy usage. **Oil** prices have fallen noticeably since the last REQ, with rising non-OPEC supply and some easing in concerns over tensions in the Middle East.

**Thermal coal** prices are still above pre-pandemic levels, with some Russian production further isolated from major markets because of trade measures. **LNG** prices have held up, with supply disruptions offsetting a slowdown in in growth since the March quarter. Prices should come under downward pressure from rising US and Qatari supply in 2025. Gas/LNG markets remain highly vulnerable to supply shocks following the stranding of some Russian supply.

The **gold** price has hit a record above US\$2,500 an ounce since the last REQ, on the back of a number of factors: an expected easing in global monetary conditions, Chinese household concerns over the Chinese property and equity markets, and geopolitical tensions.

**Figure 1.4: Bulk commodity prices**



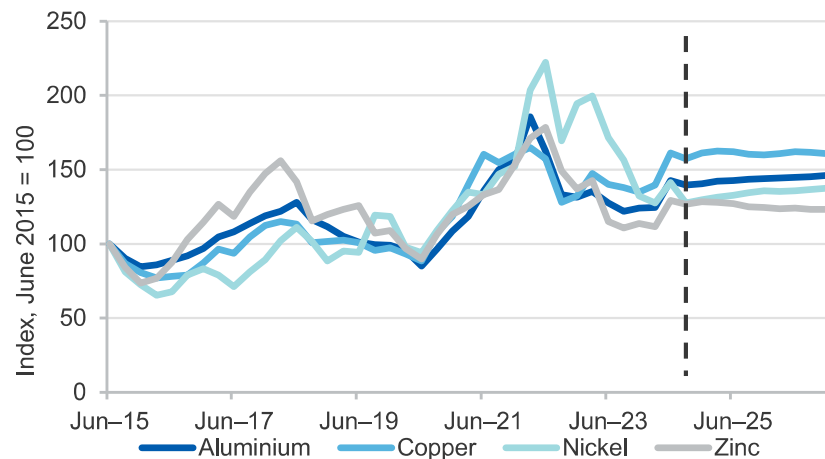
Notes: Prices are in US dollars, and are the international benchmark prices  
Source: Bloomberg (2024); Department of Industry, Science and Resources (2024)



Base metal prices have varied since the last REQ (Figure 1.5). The price of **nickel** fell through June and July, as supply growth in Indonesia more than accounted for production cuts in other nations. **Copper** prices have fallen in recent months due to rising supply and low demand from China and the US. However, **aluminium** prices have gained over the quarter because of stronger Chinese demand.

Base metal prices are expected to rise over the outlook period on growing demand for clean-energy technologies. Nickel prices should respond to ongoing production cuts, while copper demand should benefit from growth in renewable energy infrastructure and a rebound in building activity. Base metal inventories on metal exchanges are low by historical standards, which skews price risks for most metals to the upside. An expected easing of global monetary conditions will be positive for demand and thus prices.

**Figure 1.5: Base metal prices**



Notes: Prices are in US dollars, and are the international benchmark prices  
 Source: Bloomberg (2024); Department of Industry, Science and Resources (2024)

Since the last REQ, **lithium** prices (spodumene and lithium hydroxide) have declined. Inventories have risen and low prices are driving producers in a number of nations (including Australia) to announce cuts/closures. However, Australian lithium exports will continue to contribute substantially to resource and energy export earnings.

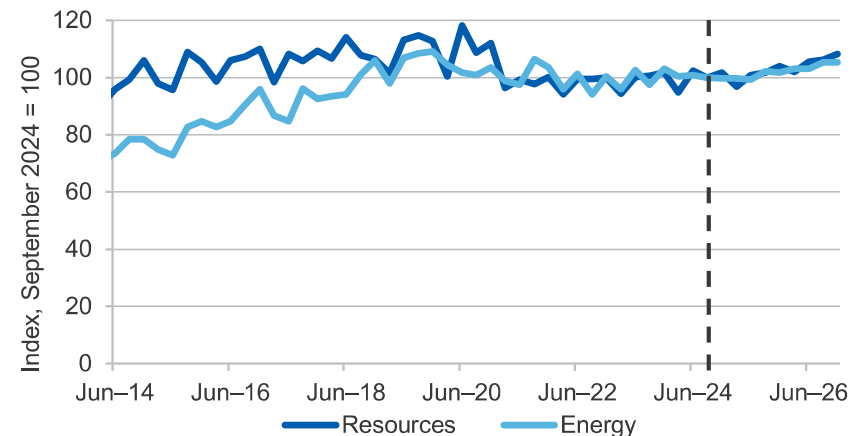
## 1.5 Export volumes

### Export volumes are estimated to have fallen in the September quarter

The Resources and Energy Export Volumes Index (preliminary estimate) fell 1.7% in the September quarter 2024 from the June quarter 2024 but was up 0.9% on the September quarter 2023. Resource commodity export volumes fell by 0.6% in the year to the September quarter 2024 but energy export volumes rose 2.5% (Figure 1.6). Still relatively high prices, better weather conditions and easing workforce problems drove the gains. In volume terms, most resource exports are likely to show only modest growth in 2024 but pick up with improved world economic growth in 2025 and 2026. The global energy transition will support resource export volumes over the outlook period.

Energy exports will level out in 2024–25, as the sharp price falls of the past year temper production and encourage delayed maintenance to occur. The Bureau of Meteorology attaches a higher-than-normal chance of a La Niña episode emerging in 2024–25, raising the odds of the type of wet weather disruptions that hampered mine production and transportation of mine output in the 2021 to 2023 period. Energy production and exports are likely to grow modestly in 2025–2026, as world growth picks up.

**Figure 1.6: Resource and energy export volumes**



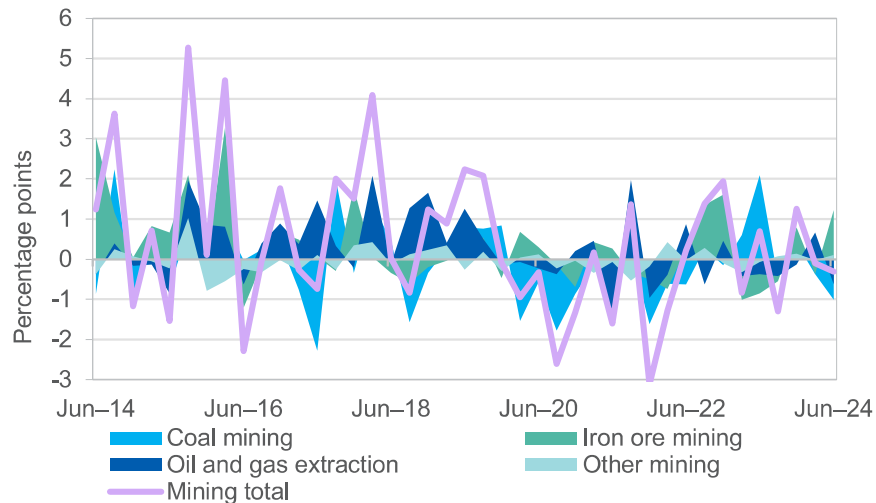
Source: Department of Industry, Science and Resources (2024)

## 1.6 Contribution to growth and investment

### Mining output rose marginally in line with the overall economy

Australia's real GDP rose by 0.1% in the June quarter 2024, to be up 1.0% from a year before. Mining value-added fell by 0.3% in the June quarter and was 0.5% lower than in June 2023 (Figure 1.7). A decline in coal production (down 3.4%) and lower oil and gas output (down by 2.5%) was almost offset by a sharp rise in iron ore and 'other' mining.

**Figure 1.7: Contribution to quarterly growth, by sector**



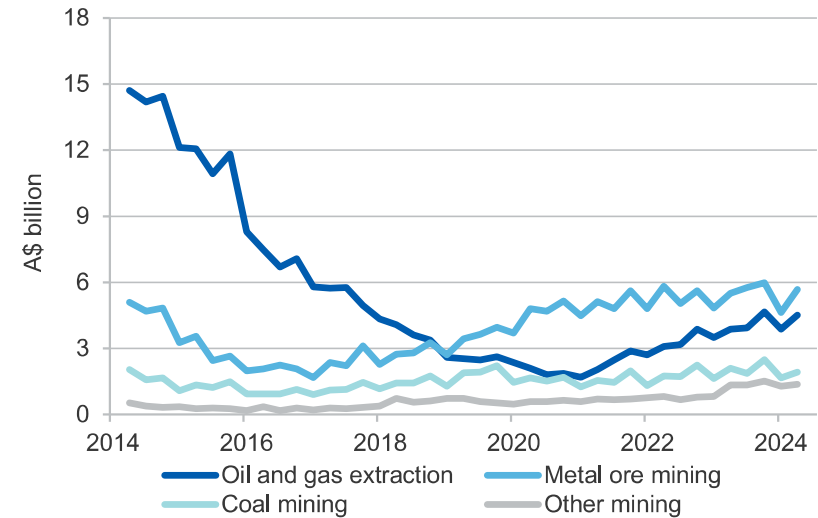
Source: ABS (2023) Australian National Accounts, 5206.0

### Mining investment is growing

The latest ABS Private New Capital Expenditure and Expected Expenditure survey shows that Australia's resources industry invested \$13.5 billion in the June quarter 2024, up 5% from the June quarter 2023. Total capital spending rose strongly in quarterly terms, with growth across all categories (Figure 1.8).

Expenditure for buildings and structures rose by 3.6% in the June quarter, while investment in equipment, plant and machinery fell by 2.1% (Figure 1.9). Both categories have recovered significantly from the lows of 2021.

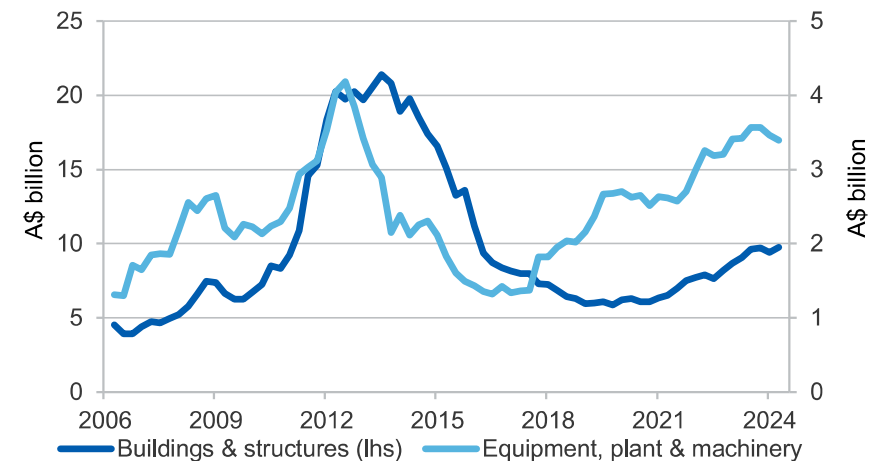
**Figure 1.8: Mining capex by commodity, not seasonally adjusted**



Notes: Other mining includes non-metallic mineral mining and quarrying and exploration and other mining support services; chart data is in nominal, original terms

Source: ABS (2024) Private New Capital Expenditure and Expected Expenditure, 5625.0

**Figure 1.9: Mining industry capital expenditure by type, quarterly**



Notes: Chart data is in nominal terms, seasonally adjusted.

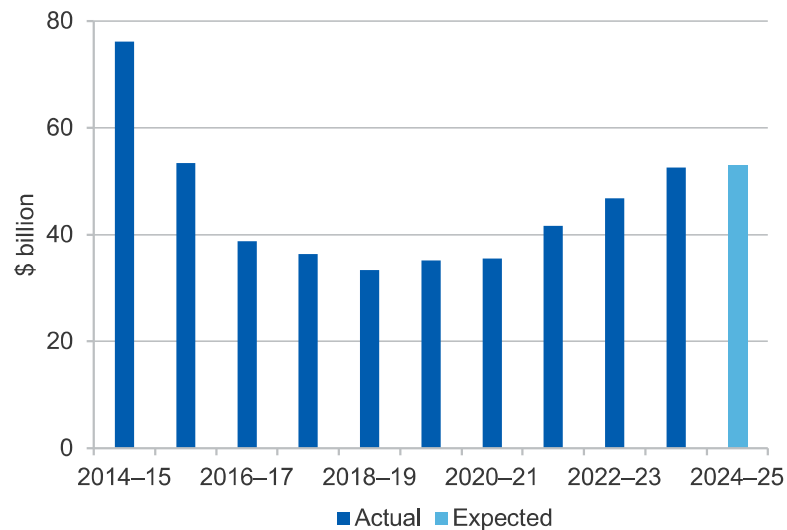
Source: ABS (2024) Private New Capital Expenditure and Expected Expenditure, 5625.0

Spending on plant and machinery has accounted for a steadily rising share of total investment spending since 2017. However, in recent years, spending on buildings and structures has started to move closer in lockstep with spending on plant and equipment.

Total mining industry investment rose by 12% in 2023–24 (Figure 1.10). The fifth estimate for 2024–25 (\$53 billion) is around 15% higher than the first estimate.

In the outlook period, capital expenditure in the lithium and nickel sector are expected to be weak as miners react to ongoing price weakness.

**Figure 1.10: Mining industry capital expenditure, fiscal year**



Notes: Chart data is in nominal terms

Source: ABS (2024) Private New Capital Expenditure and Expected Expenditure, 5625.0

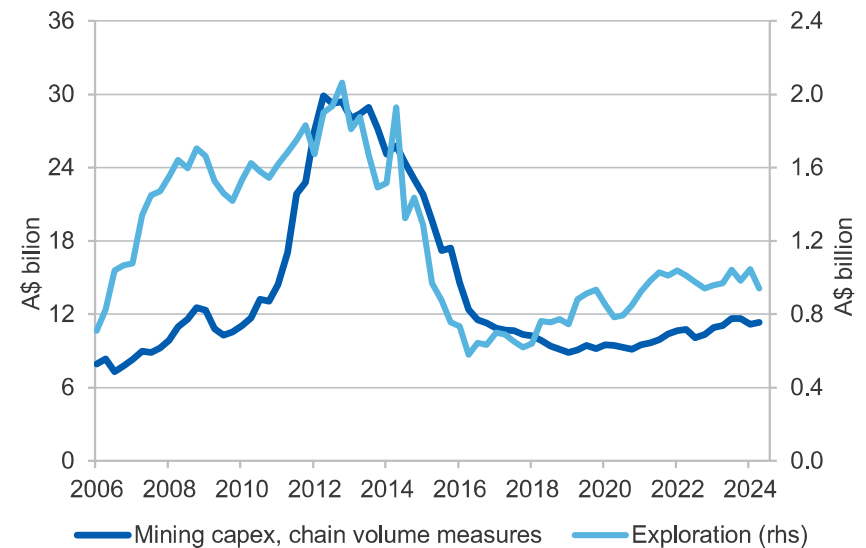
### Mining exploration eased following strong March quarter growth

Exploration expenditure (adjusted for inflation) fell by 10% to \$0.94 billion in the June quarter 2024 (Figure 1.12). This is 3% below the level of a year ago and suggests that recent strong growth (triggered by high commodity prices for traditional energy commodities) has plateaued. In recent years,

exploration has been drawn to minerals needed for the global energy transition, and growth has persisted among these commodities.

Exploration spending fell for petroleum (by 12% in the June quarter) following strong growth in March. However, other industries recorded rising quarterly spending, including iron ore (by 30%); base and other metals (by 19%); gold (by 5%) and coal (by 1%).

**Figure 1.11: Mining capital expenditure vs exploration (real, quarterly)**



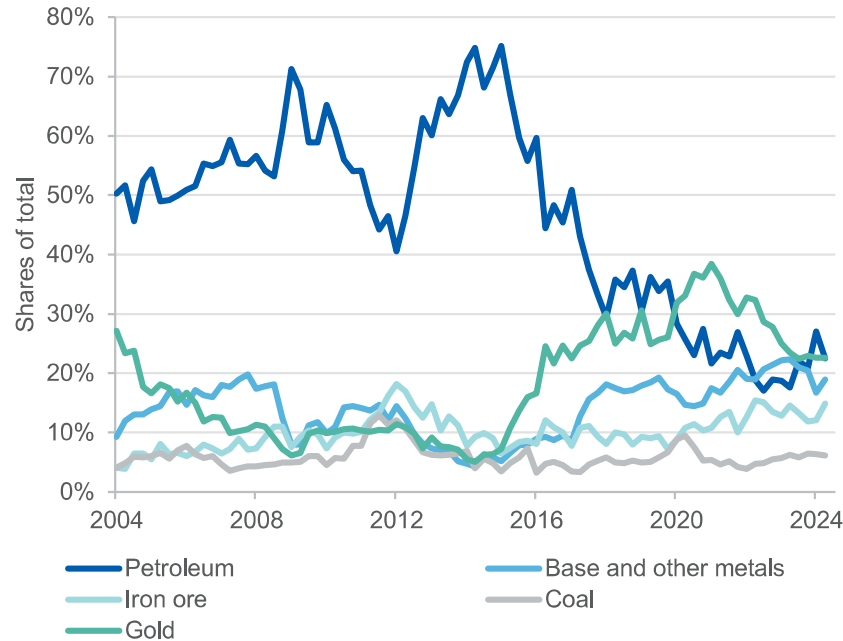
Source: ABS (2024) Private Capital Expenditure Survey, Chain Volume measure, 5625.0

Most industries have recorded steady growth in exploration since 2020, and exploration for most industries remains above the recent average.

Exploration spending is a leading indicator of broader capital investment in the sector. Growth since 2020 suggests interest is rising in precious and industrial metals (such as copper and iron ore), and critical minerals. However, coal exploration remains weak, reflecting the long term decline in coal demand as efforts to reach net zero expand. Petroleum exploration is declining, reflecting a softening price outlook for oil and LNG over the next two years.

Given the typical lags involved, capital spending by resource and energy companies is expected to continue to lift over the next few years.

**Figure 1.12: Shares of exploration expenditure by commodity type**



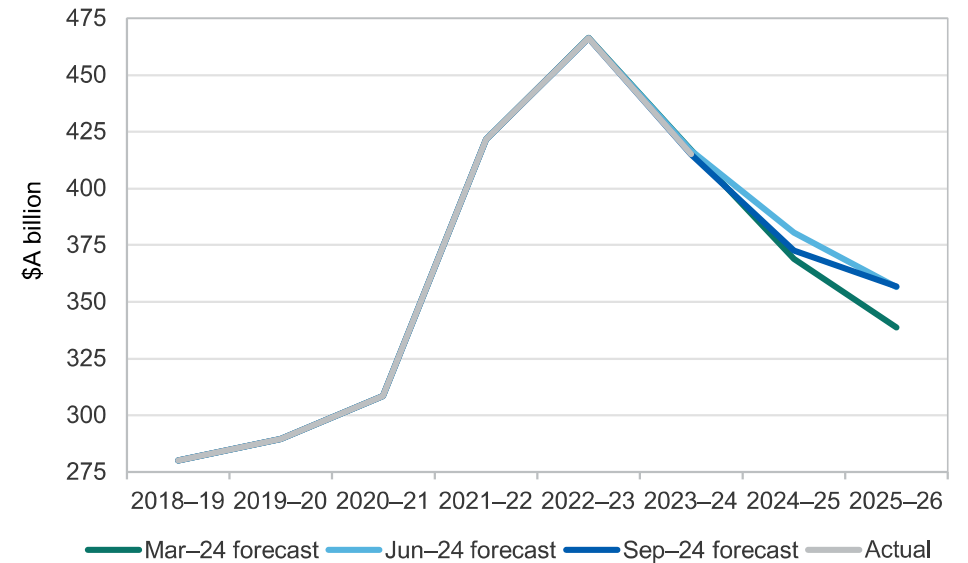
Source: ABS (2024) Private Mineral and Petroleum Exploration, 8412.0

## 1.7 Revisions to the outlook

The forecast for 2024–25 is \$8 billion lower and the 2025–26 forecast is \$2 billion lower than the forecasts contained in the June 2024 *Resources and Energy Quarterly* (Figure 1.13).

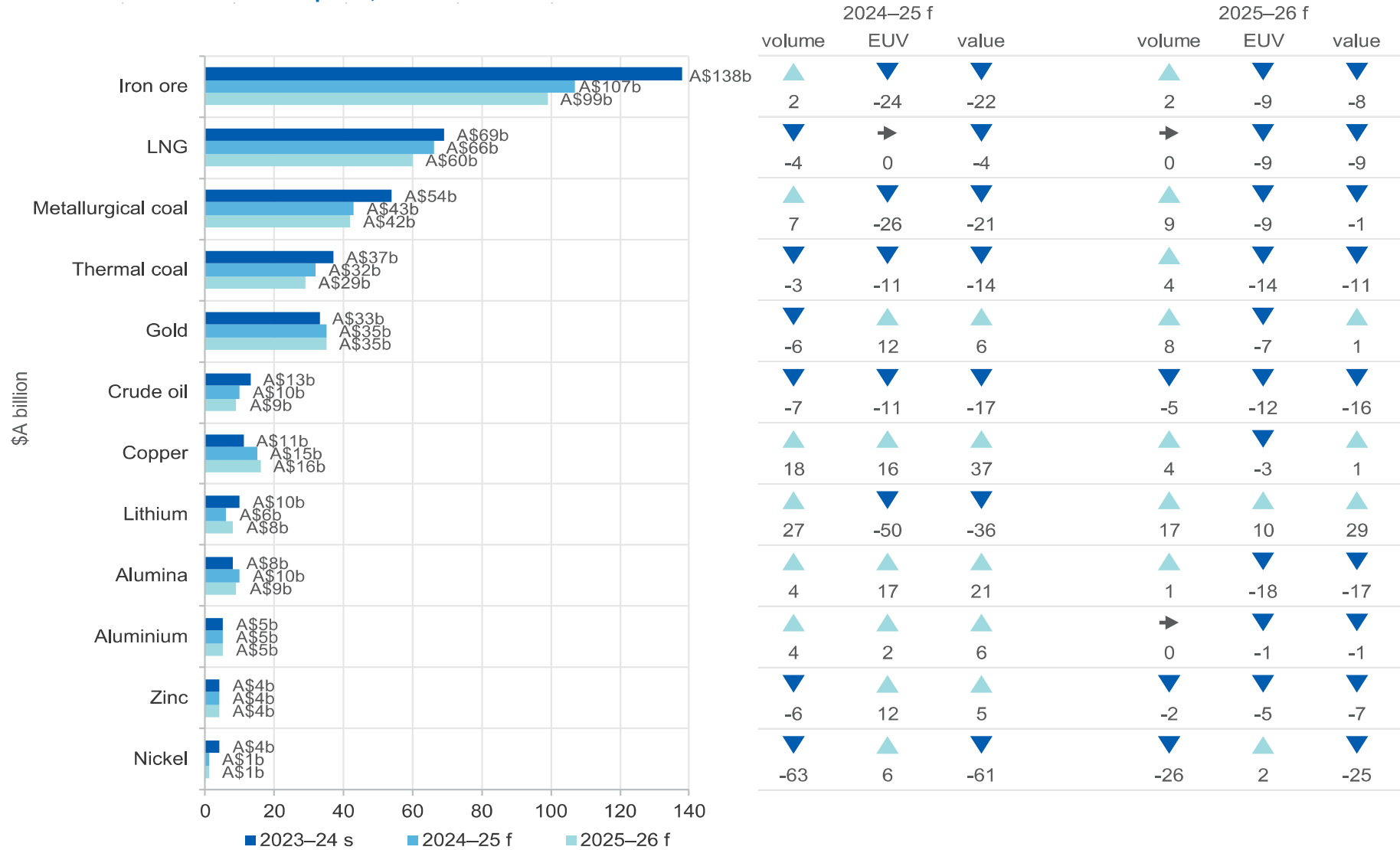
The 2024–25 and 2025–26 forecast revisions have been largely driven by downward revisions to bulk commodity prices and by the impact of a slightly stronger than expected exchange rate against the US dollar (AUD/USD). These downward revisions have more than offset the impact of an upward revision in gold exports.

**Figure 1.13: Resource and energy exports, by forecast publication**



Source: Department of Industry, Science and Resources (2024)

**Figure 1.14: Australia's major resources and energy commodity exports, nominal**



Notes: s estimate; f forecast, EUV is export unit value.

Source: ABS (2024) International Trade in Goods and Services, 5368.0; Department of Industry, Science and Resources (2024)

**Table 1.1: Outlook for Australia's resources and energy exports in nominal and real terms**

Exports (A\$m)	2022–23	2023–24	2024–25 <sup>f</sup>	2025–26 <sup>f</sup>	Percentage change			
					2022–23	2023–24	2024–25 <sup>f</sup>	2025–26 <sup>f</sup>
Resources and energy	466,293	415,158	372,377	354,103	10.6	–11.0	–10.3	–4.9
– real <sup>b</sup>	500,239	427,407	372,377	342,461	3.3	–14.6	–12.9	–8.0
Energy	238,711	180,520	158,001	146,178	17.0	–24.4	–12.5	–7.5
– real <sup>b</sup>	256,089	185,846	158,001	141,372	9.3	–27.4	–15.0	–10.5
Resources	227,582	234,638	214,376	207,925	4.6	3.1	–8.6	–3.0
– real <sup>b</sup>	244,150	241,561	214,376	201,089	–2.3	–1.1	–11.3	–6.2

Notes: **b** In 2023–24 Australian dollars; **f** forecast.

Source: ABS (2024) International Trade in Goods and Services, 5368.0; Department of Industry, Science and Resources (2024)

**Table 1.2: Australia's resource and energy exports, selected commodities**

	Unit	Prices			Unit	Export volumes			Export values, A\$b		
		2023–24	2024–25 <sup>f</sup>	2025–26 <sup>f</sup>		2023–24	2024–25 <sup>f</sup>	2025–26 <sup>f</sup>	2023–24	2024–25 <sup>f</sup>	2025–26 <sup>f</sup>
Iron ore	US\$/t	103	82	78	Mt	900	915	931	138	107	99
LNG	A\$/GJ	16.1	16.0	14.5	Mt	81	78	78	69	66	60
Metallurgical coal	US\$/t	285	214	205	Mt	151	161	175	54	43	42
Thermal Coal	US\$/t	136	134	119	Mt	205	198	205	37	32	29
Gold	US\$/oz	2,079	2,458	2,393	t	258	243	263	33	35	35
Crude oil	US\$/bbl	85	76	70	Kb/d	261	243	231	13	10	9
Copper	US\$/t	8,680	9,732	9,731	Kt	756	893	926	11	15	16
Lithium	US\$/t	1,833	1,054	1,156	Kt	433	551	646	10	6	8
Alumina	US\$/t	363	424	365	Kt	15,877	16,473	16,655	8.5	10.3	8.6
Aluminium	US\$/t	2,266	2,464	2,549	Kt	1,437	1,495	1,495	5.1	5.4	5.4
Zinc	US\$/t	2,552	2,795	2,726	Kt	1,322	1,237	1,209	3.8	3.9	3.7
Nickel	US\$/t	18,149	16,900	17,625	Kt	158	59	43	3.5	1.4	1.0
Uranium	US\$/lb	82	80	87	t	5,883	6,199	6,933	1.2	1.3	1.5

Notes: **a** Export data covers both crude oil and condensate; **b** Lithium carbonate equivalent; **s** estimate. **f** forecast. **Price information:** Iron ore fob (free-on-board) at 62 per cent iron content estimated netback from Western Australia to Qingdao China; Metallurgical coal premium hard coking coal fob East Coast Australia; Thermal coal fob Newcastle 6000 kc (calorific content); LNG fob Australia's export unit values; Gold LBMA PM; Alumina fob Australia; Copper LME cash; Crude oil Brent; Aluminum LME cash; Zinc LME cash; Nickel LME cash; Lithium spodumene ore.

Source: ABS (2023) International Trade in Goods and Services, Australia, Cat. No. 5368.0; LME; London Bullion Market Association; The Ux Consulting Company; US Department of Energy; Metal Bulletin; Japan Ministry of Economy, Trade and Industry; Department of Industry, Science and Resources (2024)

# Macroeconomic Outlook



## Global GDP and economic change in 2023

Country	China	US	EU	India	ASEAN	Japan	S Korea	Taiwan	Australia
Per cent share of global GDP (PPP)	19	15	15	8	5	4	2	1	1
Yearly change	▲ 5.2%	▲ 2.5%	▲ 0.6%	▲ 8.2%	▲ 4.1%	▲ 1.9%	▲ 1.4%	▲ 1.4%	▲ 2.0%
Share of Australia's two-way trade	30%	6%	9%	4%	10%	12%	7%	4%	–

### Global overview

- The global economic and industrial outlook is **stable** and the overall risk profile remains **evenly balanced**.
- **Steady** disinflation and **easing** monetary conditions in major economies is expected to **support growth** in late 2024 and 2025.
- **China's economic growth** is projected to slow from **5.0%** in 2024 to **4.5%** in 2026.



### Global risks

- **Tight monetary policy for longer** if inflation pressures, particularly in services, persist or rebound.
- Continuation of **China's property sector downturn** could further weigh on the Chinese economy
- **Increasing risks** to global trade and **geo-economic fragmentation**



SOURCE: IMF; ABS; OCE

## 2.1 Summary

- The outlook for the global economy in 2024 and 2025 is stable. Services inflation is causing near-term risks in some economies.
- Global industrial production continued to recover in the June quarter 2024, but forward indicators of global manufacturing point to a moderation in industrial activity over the second half of the year.
- China recorded weak June quarter GDP growth, as ongoing property sector weakness continues to weigh on activity and investment.

## 2.2 World economic outlook

### Global growth steady despite weaker China growth

The International Monetary Fund's (IMF) July forecast for world economic growth in 2024 was unchanged from its April outlook at 3.2%. Growth in 2025 is forecast to pick up slightly to 3.3% — an upgrade of 0.1 percentage points from the prior forecast (Figure 2.1).

Global activity and world trade have firmed, spurred by strong Asian exports, particularly in the technology sector. The overall risk profile to the global economy remains relatively balanced. The IMF expects world trade to grow by 3.1% in 2024 and 3.4% in 2025, reflecting modest (0.1%) upward revisions for both years compared to the April 2024 World Economic Outlook. IMF analysis indicates the increase in cross-border trade restrictions is impacting trade between geopolitically distant blocs rather than trade within blocs. As a result, the overall global trade-to-GDP ratio is expected to remain stable over the outlook period to 2026.

Growth among advanced economies is expected to converge over the coming quarters. United States' growth exceeded expectations in the June quarter, but with signs of slowing momentum. Consumer spending has begun to moderate and recent large revisions to jobs data indicate the US labour market is cooling faster than expected. In the Eurozone, improved services activity and higher-than-expected net exports in H1 2024 point (provisionally) to economic recovery. High wages growth, in part reflecting

catchup from previous high inflation, has softened the effects of tightened monetary policy on consumption growth.

China's growth slowed in the June quarter, leading to weakening sentiment in commodity markets. Strong external demand and manufacturing investment was partly offset by weak consumer confidence. China's growth is expected to moderate out to 2026 due to structural and demographic factors, including population falls and slowing urbanisation.

India continues to grow strongly despite global uncertainties. High domestic demand and continued growth in manufacturing has allowed India to outperform market expectations for the past three years.

In Japan, supply disruptions and weak private investment at the start of the year are expected to reduce growth in 2024. However, strong wage growth is expected to bolster private consumption in H2 2024.

### Global industrial production picks up, but economic headwinds remain

Global goods demand continues to improve. Global industrial production increased by 1.8% year-on-year in the June quarter 2024. Positive annual global industrial production growth largely reflects stronger industrial activity in China (relative to 2023) and emerging Asian economies, particularly India. Industrial production growth has been weak in advanced economies due to relatively tight monetary policy and rising input costs.

Forward indicators of manufacturing activity have weakened in recent months. Weak output growth and falling new orders saw the JP Morgan Global Manufacturing Purchasing Managers Index (PMI) contract in July 2024 and remain negative in August 2024. The result is a setback to the recovery in global manufacturing that occurred in H1 2024 and points to a weaker H2 2024.

China's industrial production and fixed asset investment slowed in July 2024, while its infrastructure investment contracted in month-on-month terms. Ongoing weaknesses in Europe's manufacturing sector points to a slower recovery among its major industrial producers, though the worst of the sector's downturn is most likely over. India's manufacturing PMI fell



slightly but remained expansionary in August 2024. South Korea's industrial production growth has moderated in recent months but remains healthy — up 3.8% year-on-year in July 2024, driven by strong manufacturing output. US industrial production weakened slightly in July 2024 due to weaker mining and utilities output, partly offset by higher manufacturing output.

### Service prices may slow efforts to lower inflation

Central banks in a number of advanced economies have already begun cutting interest rates. However, uncertainty around the inflation outlook could slow the pace of further rate cuts. Persistent services inflation is driving uncertainty and offsetting goods disinflation.

Headline inflation continues to ease in most economies, falling faster than expected in the US. However, progress in reducing core inflation (which excludes volatile goods such as food and energy) has stalled in Europe and the UK. Sharp rises in global shipping costs over recent months could also slow global progress on lowering inflation.

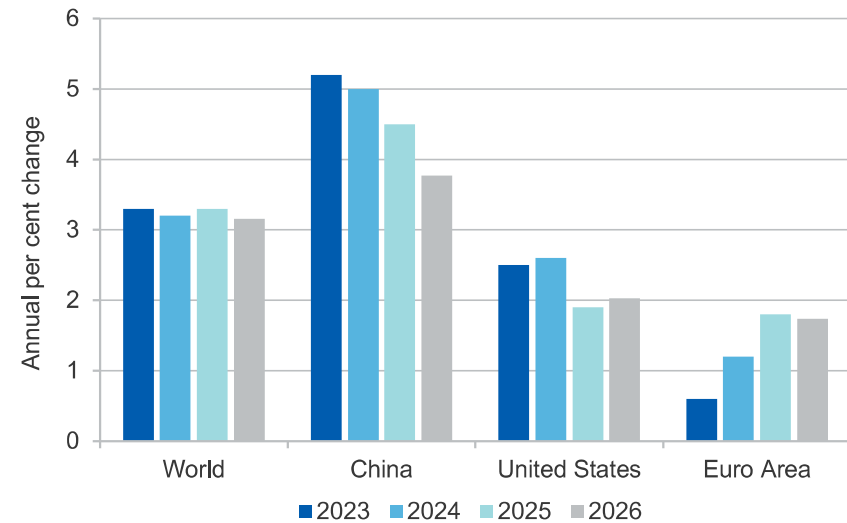
Market expectations for monetary easing by the end of 2024 have softened modestly since the June 2024 *Resources and Energy Quarterly* (REQ). However, most advanced economy central banks still expect headline inflation to be close to target by the end of 2025 as labour markets cool and energy prices continue to decline.

### Exchange rate assumptions have been revised up slightly for 2024

Since the start of 2024, the Australian dollar has largely remained flat relative to the US dollar (Figure 2.2). Australian export value forecasts in this REQ adopt the market consensus on the outlook for the AUD/USD. This suggests the AUD/USD will appreciate over the outlook period as interest rates decline faster in the US than in Australia.

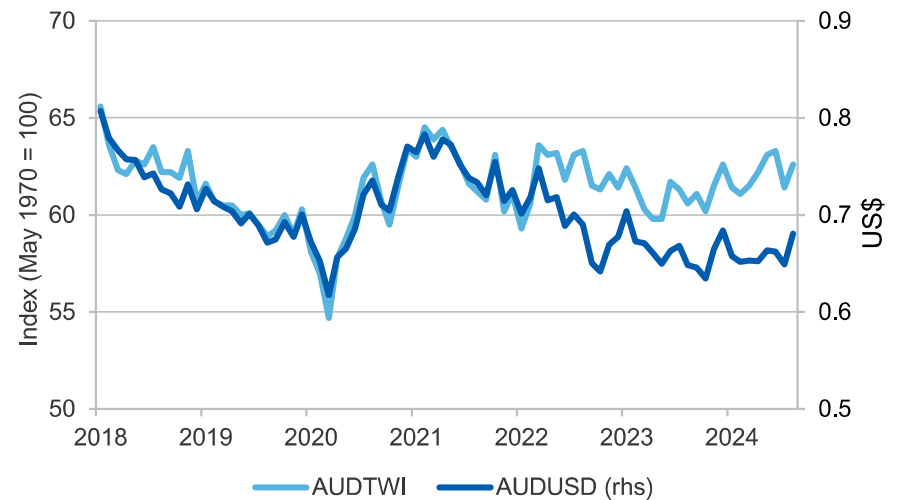
In mid-August 2024, the median consensus for the AUD/USD exchange rate was an average of US\$0.67 in 2024, US\$0.70 in 2025 and US\$0.71 in 2026. Adopting these consensus expectations has led to an upgrade of about US\$0.01 in 2024, with no change in 2025 and 2026 compared with the June 2024 REQ.

Figure 2.1: GDP growth forecasts



Source: IMF (July 2024)

Figure 2.2: Australian trade-weighted index and AUD/USD



Source: RBA (2024)

**Table 2.1: IMF annual GDP growth projections for major trading partners**

	2023	2024 <sup>a</sup>	2025 <sup>a</sup>	2026 <sup>a</sup>
<b>World <sup>b</sup></b>	<b>3.3</b>	<b>3.2</b>	<b>3.3</b>	<b>3.2</b>
China <sup>c</sup>	5.2	5.0	4.5	3.8
Japan	1.9	0.7	1.0	0.8
South Korea	1.4	2.5	2.2	2.2
India <sup>d</sup>	8.2	7.0	6.5	6.5
ASEAN-5 <sup>e</sup>	4.1	4.5	4.6	5.1
Eurozone	0.6	1.2	1.8	1.7
United States	2.5	2.6	1.9	2.0

Notes: **a** Assumption. **b** Calculated by the IMF using purchasing power parity (PPP) weights for nominal country gross domestic product. **c** Excludes Hong Kong. **d** Based on fiscal years, starting in April; **e** Indonesia, Malaysia, Philippines, Thailand and Vietnam.

Sources: IMF (2024); Bloomberg (2024)

**Table 2.2: Exchange rate and inflation assumptions**

	2023	2024 <sup>a</sup>	2025 <sup>a</sup>	2026 <sup>a</sup>
AUD/USD exchange rate	0.66	0.67	0.70	0.71
<b>Inflation rate <sup>b</sup></b>				
United States	4.1	3.1	2.0	2.1
	2022–23	2023–24 <sup>a</sup>	2024–25 <sup>a</sup>	2025–26 <sup>a</sup>
Australia	7.0	4.2	3.0	3.4

Notes: **a** Assumption; **b** Average CPI growth over the specified year (fiscal or calendar).

Sources: ABS (2024) Consumer Price Index, 6401.0; Bloomberg (2024); DISR (2024); RBA (2024); IMF (2024)