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Chief Economist

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**Resources and Energy Quarterly**  
DECEMBER 2024

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## Further information

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## Executive Summary

Australian resource and energy export earnings are forecast to decline by about 10% to \$372 billion in 2024–25, down from \$415 billion in 2023–24. The earnings falls of the past 2 years will lessen in 2025–26 — with exports forecast at \$351 billion. These forecasts are broadly consistent with the forecasts in the September 2024 Resources and Energy Quarterly (REQ).

World economic growth remains relatively soft. Modest economic growth in 2024 has been driven by the services sector, and more recently by easing monetary conditions in most major countries.

In the United States, growth remains firm (led by the service sector as manufacturing contracts), and inflation is nearly back down to target levels. In China, ongoing weakness in the residential property sector is still heavily weighing on consumer and business confidence and thus spending.

The gold price reached new highs in October, before US dollar strength saw a partial reversal in November. Easier monetary conditions and strong safe-haven demand have driven the net price gains. Gold is expected to overtake thermal coal to become Australia's fourth largest export by value behind iron ore, LNG and metallurgical coal in 2025–26.

Alumina prices have surged in recent months driven by reduced supply of alumina and bauxite from Australia and Guinea.

Other price changes since the September 2024 REQ include:

- declines in most base metals prices due to weaker Chinese economic performance
- oil prices have fallen on the back of rising non-OPEC supply and weakness in Chinese demand.

Resource commodity export volumes rose in the year to the December quarter 2024 but energy export volumes fell. Relatively strong prices, better weather conditions and easing workforce problems drove the gains. Most resource commodity export volumes are likely to pick up modestly as the world economy benefits from easier monetary conditions in 2025 and 2026.

Investment in Australia's resource and energy sectors declined in the September quarter 2024 from the same quarter in the previous year. Total capital spending edged off in quarterly terms, with declines across most categories outside of coal.

The incoming US Administration has flagged policy changes with implications for Australian resource and energy commodity producers. These policies will be factored into our forecasts as they are implemented.

Risks to Australian export earnings forecast in this report include:

- a broadening of conflict in the Middle East could disrupt oil and gas exports and raise prices
- a slower-than-expected global disinflation path
- extended contraction in China's property sector
- an increase in protectionist policies.



# Overview



## Australia's mining sector



Contributes to around **11.4% 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 exports **little changed from September**



World economic **growth remains moderate**, weighed down by still tight financial conditions

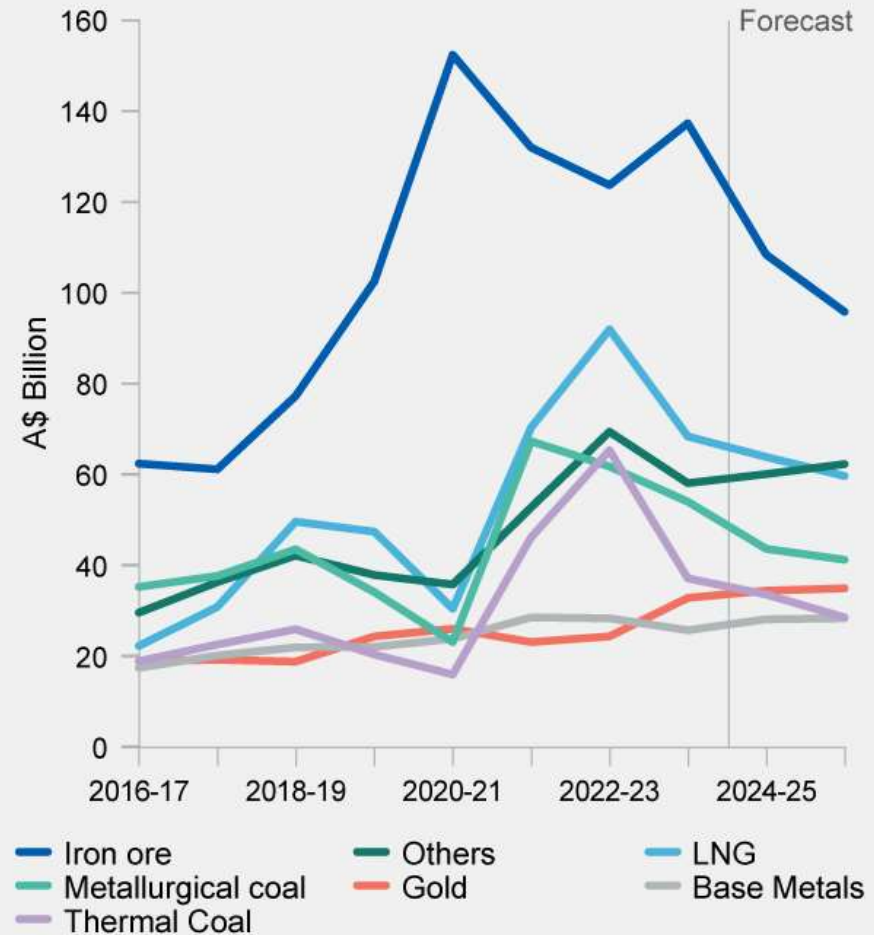


**Gold price hitting new highs**; weakness in lithium and nickel prices continues



**Investment** in new deposits and mines has **eased over the last 12 months**

## Australia's resource and energy exports



SOURCE: ABS; DISR; OCE

## 1.1 Summary

- The near-term outlook for Australian resources and energy commodity exports is little changed in net terms since the September 2024 REQ. Steady world economic growth (and hence commodity demand) are forecast in 2025 and 2026.
- Australia's resource and energy exports are forecast to fall to \$372 billion in 2024–25 from \$415 billion in 2023–24 as commodity prices settle at lower levels than in 2022–23. Export earnings are expected to decline to \$351 billion in 2025–26.
- Strong demand has seen the gold price hit a new record high. Alumina prices have surged, primarily on bauxite supply concerns.

## 1.2 Macroeconomic, geopolitical and policy factors

### Global growth steady with China still trying to boost growth

World economic growth remains relatively soft. Despite recent interest rate falls in advanced economies, growth continues to be weighed down by relatively tight financial conditions. Steady world economic growth (and hence commodity demand) is forecast in 2025 and 2026.

In response to relatively lacklustre economic activity, the Chinese Government has taken further measures to boost growth. There are signs China's economy is starting to respond. The IMF expects China's economy to grow by 4.8% in 2024, 4.5% in 2025 and 4.1% by 2026 — in line with a long-term trend towards lower growth.

A number of major central banks have lowered official interest rates further since the last REQ. Moves to a more neutral monetary stance by the world's major central banks should lift global economic growth and thus commodity demand over the outlook period.

### Government policy changes impacting resource and energy commodities

In October, the Guinean government halted bauxite exports by Guinea Alumina Corporation. Guinea produces nearly one third of the world's bauxite. The halt has sparked a further surge in alumina prices.

The incoming US Administration has flagged changes in trade, fossil fuel production and climate change policy after it is sworn in on 20 January 2025. The impact of these policies on Australian resources and energy commodity exports is unclear at the time of writing, but could have an impact on the forecasts in this edition of the REQ.

### Geopolitical tensions remain elevated, supporting oil and boosting gold

Geopolitical developments continue to pose risks to the outlook for commodity markets, raising prices for some commodities. The gold price continues to rise due to geopolitical tensions as investors seek safe havens. An escalation of conflict in the Middle East could impact the global supply of oil, gas and LNG, raising energy prices.

### AUD expected to rise against the USD

The AUD/USD has declined in recent weeks. Worries over Australian exports to China and a surging US dollar have driven the decline. The market average forecast adopted is for the AUD/USD to lift in the outlook period by around 8%, from about 66 US cents in 2024 to 72 cents in 2026.

## 1.3 Export values

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

Relatively slow world economic growth generally saw flat or falling commodity prices over the December quarter. The Resources and Energy Export Values Index fell 5% from the September quarter 2024: a fall in volumes added to the impact of a fall in prices (Figure 1.1).

There have been minor revisions to the aggregate forecasts since September. Small upward revisions in some commodities have offset small downward revisions in others. Resource and energy exports are forecast to be \$372 billion in 2024–25 (down \$0.3 billion) and \$351 billion in 2025–26 (down \$3.6 billion) (Figure 1.2). Energy export earnings are set to show double digit falls.

- Lower **LNG** prices will see LNG earnings fall by \$4.6 billion to \$64 billion in 2024–25, and then fall to \$60 billion in 2025–26.

- **Thermal coal** exports are forecast to be \$34 billion in 2024–25, down slightly from \$37 billion in 2023–24.
- **Metallurgical coal** exports are expected to fall to \$43 billion in 2024–25 from \$54 billion in 2023–24.

Among resource commodities:

- **Iron ore** remains the largest earner, though lower prices will see export earnings fall by an estimated \$30 billion to \$108 billion in 2024–25 and \$96 billion in 2025–26.
- Surging **gold** prices are forecast to see gold exports rise to over \$34 billion in 2024–25, up from \$33 billion in 2023–24. Export values should be more than \$35 billion in 2025–26.
- A sharp rise in **alumina** prices is forecast to see alumina exports rise to \$11.5 billion in 2024–25, up from \$8.5 billion in 2023–24.
- Low **lithium** prices are forecast to see lithium exports fall to \$4.9 billion in 2024–25, down from \$9.9 billion in 2023–24 and \$20.1 billion in 2022–23. Export values should then rebound to \$6.5 billion in 2025–26.

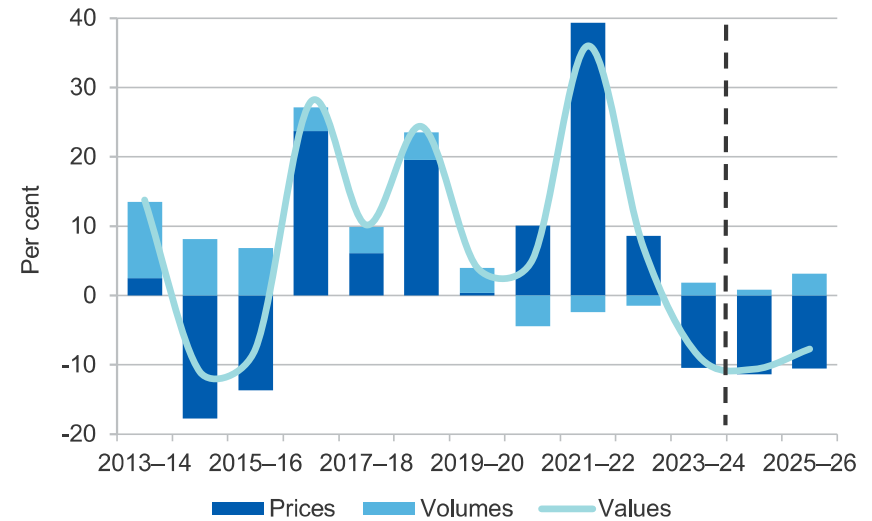
### 1.4 Prices

Since the September 2024 REQ, total resource and energy commodity prices have fallen in US\$ terms (Figure 1.3). Falls in the prices of oil and lithium have driven this trend.

In Australian dollar terms, the Resources and Energy Commodity Price Index fell by 0.9% in the December quarter 2024 to be down 13% year-on-year. In US dollar terms, the index fell by 2% in the quarter to be down 11% year-on-year. Resource export prices (in A\$ terms) were down 11% year-on-year, while energy prices fell by 14%.

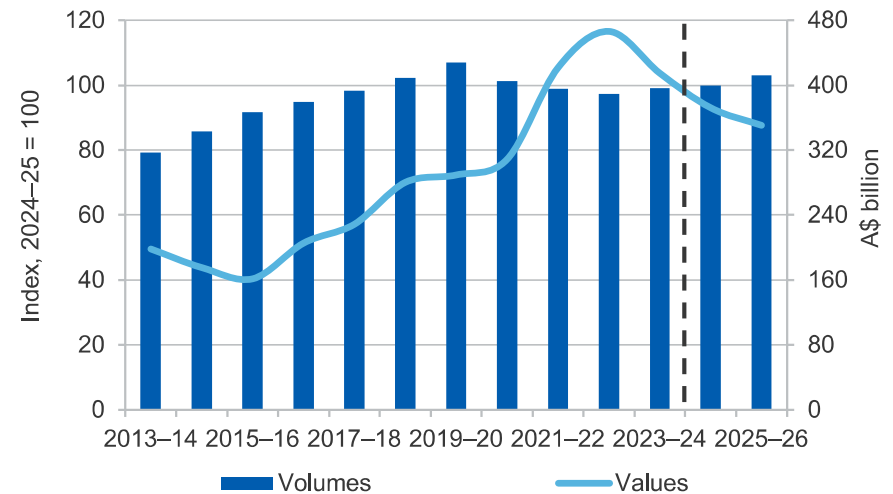
**Iron ore** prices rebounded in October 2024 but remain down by more than a quarter since the start of 2024. The falls reflect weak global demand driven by China’s ongoing property sector downturn, strong growth in iron ore supply and high stockpiles (Figure 1.4). **Metallurgical coal** prices stabilised at lower levels in October and November, supported by the start

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



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

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



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

of production cuts at high-cost mines in the US. Prices should remain slightly above US\$200 a tonne throughout the outlook period. Supply is expected to rise modestly through to 2026 as new Australian production comes online, matched by a modest lift in global demand.

Energy prices have continued to decline from the highs seen in 2022 and 2023 as supply chains have adjusted to the Russian invasion of Ukraine. Slow world economic growth has constrained energy use.

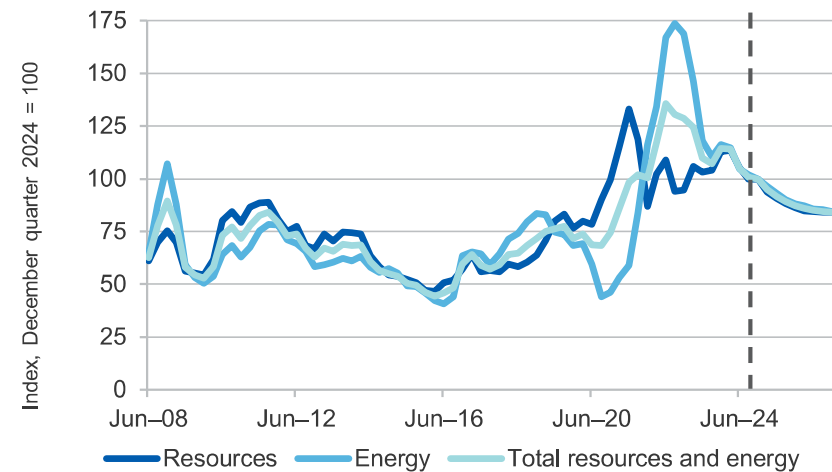
**Oil** prices have fallen since the last REQ, on the back of rising non-OPEC supply and weakness in Chinese demand. **Thermal coal** prices are still above pre-pandemic levels, with high power demand for cooling due to sustained hot weather in Asia, and some Russian coal remaining isolated from major markets because of trade restrictions. **LNG** prices have remained high, with more than a year of record temperatures pushing up Asian electricity demand. Prices will come under downward pressure from increasing US and Qatari supply in 2025.

The **gold** price set new records in the December quarter, peaking at US\$2,778 an ounce on 30 October 2024. This was due to: easing global monetary conditions, Chinese household concerns over China’s property and equity markets, and geopolitical tensions.

Base metal prices have varied since the last REQ (Figure 1.5). The price of **nickel** fell again as supply growth in Indonesia outweighed production cuts in other nations. **Copper** prices also declined, mainly due to market response to economic policy announcements from China and the impact of the stronger US dollar. However, **aluminium** prices lifted on the back of higher alumina prices, driven by production curtailment at the Kwinana alumina refinery in Western Australia and the halting of bauxite exports in Guinea.

Base metal prices are expected to rise over the outlook period on growing demand for clean-energy technologies and easier global monetary conditions. Nickel prices are expected to respond to ongoing production cuts, while a rebound in building activity and spending on renewable energy infrastructure will increase copper demand. Base metal inventories

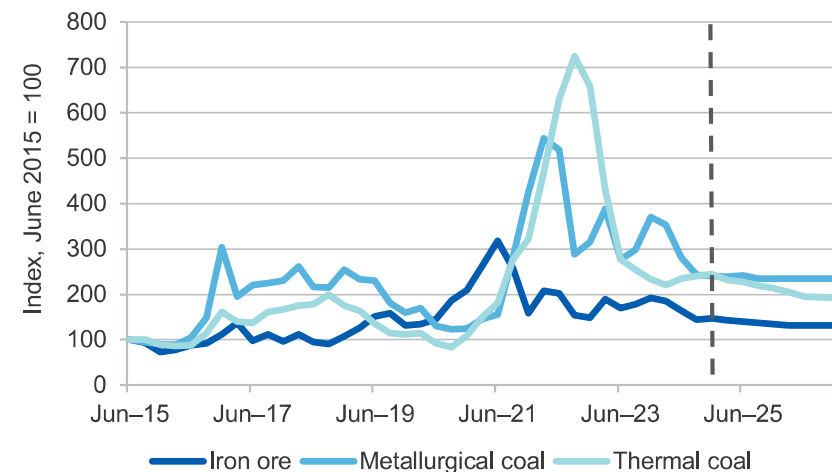
**Figure 1.3: Resource and energy export prices, AUD terms**



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)

**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)



on metal exchanges are relatively low, which skews price risks for most metals to the upside. 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 production cuts and closures.

**Uranium** prices have moderated slightly in recent months, down from the historical highs which resulted from the major supply shock in early 2024. Rising demand and supply issues are expected to push prices up in 2025 and 2026.

## 1.5 Export volumes

### Export volumes strengthened in the December quarter

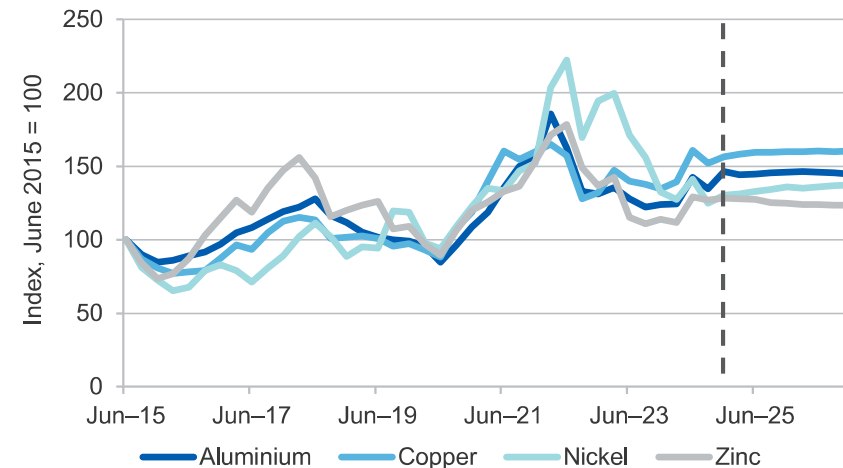
The Resources and Energy Export Volumes Index rose 2.4% in the December quarter 2024 from the September quarter 2024, but was down 0.8% on the December quarter 2023. Resource commodity export volumes rose by 1.6% in the year to the December quarter 2024 but energy export volumes fell by 3.7% (Figure 1.6). Relatively strong prices, better weather conditions and easing workforce problems drove the gains. Most resource commodity exports are expected to pick up modestly over the outlook to 2026.

## 1.6 Contribution to growth and investment

### Mining output weakened in the September quarter

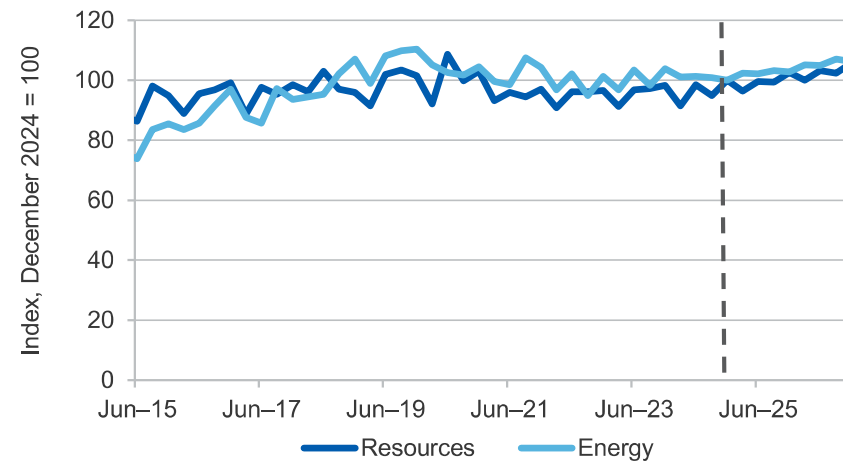
Australia's real GDP rose by 0.3% in the September quarter 2024, to be up 0.8% from a year before. Mining value-added fell by 0.8% in the September quarter and was 0.7% lower than in September 2023 (Figure 1.7). Falls in iron ore mining (down 3.3%), 'other' mining (down 2.9%) and oil and gas output (down 0.7%) were partly offset by a rise in coal mining (up 1.8%).

**Figure 1.5: Base metal prices**



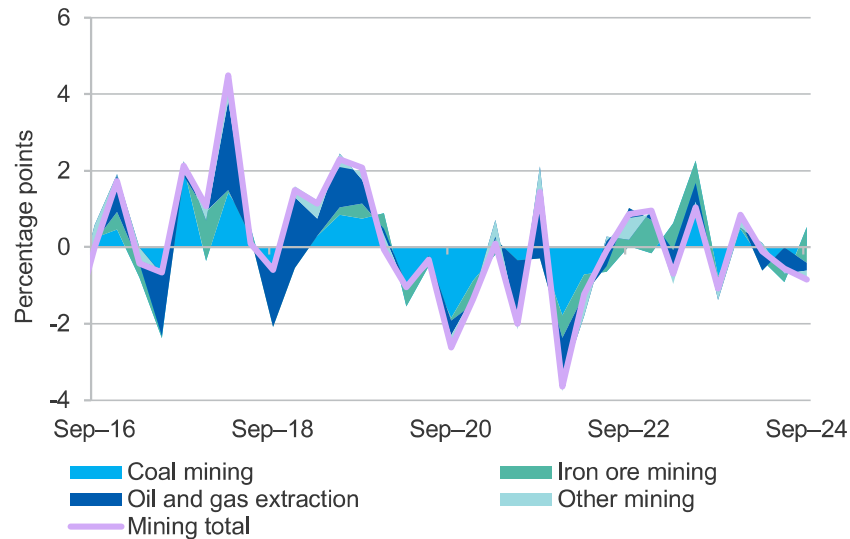
Notes: Prices are in US dollars, and are the international benchmark prices  
Source: Bloomberg (2024); Department of Industry, Science and Resources (2024)

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



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

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



Source: ABS (2024).

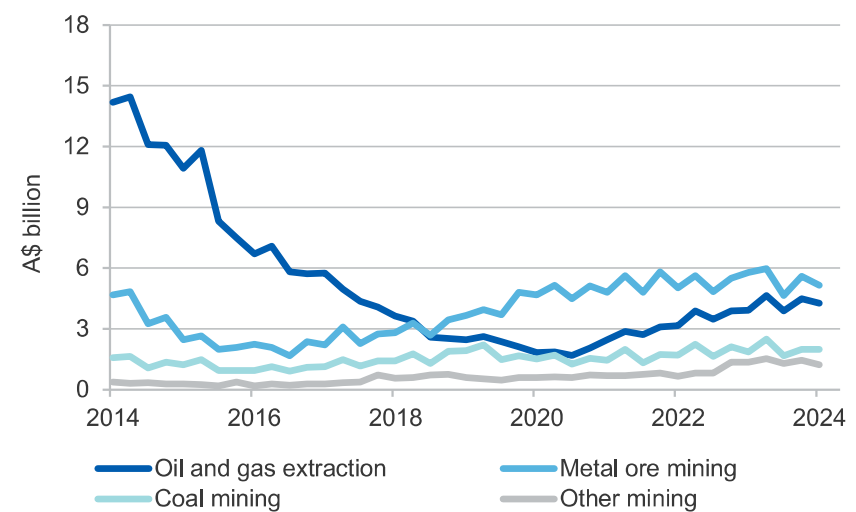
**Mining investment has eased off over the last 12 months**

The latest ABS Private New Capital Expenditure and Expected Expenditure survey shows that Australia’s resource and energy sectors invested \$12.6 billion in the September quarter 2024, down 2.1% from the September quarter 2023. Total capital spending edged off in quarterly terms, with declines across most categories outside of coal (Figure 1.8).

Expenditure for buildings and structures fell by 1.3% in the September quarter from the previous quarter, while investment in equipment, plant and machinery rose by 0.2% (Figure 1.9). Both categories have recovered from the lows of 2021.

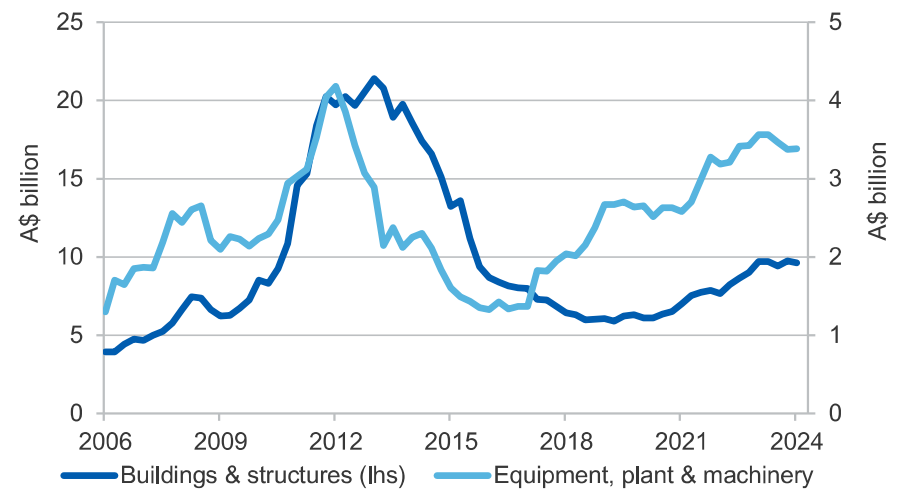
Spending on plant and machinery has accounted for a steadily rising share of total investment spending since 2017. However, in recent years, spending on buildings and structures has started to correlate with spending on plant and equipment. Total mining industry investment rose by 12% in 2023–24. The sixth estimate for 2024–25 (\$54 billion) is more than 15% higher than the first estimate.

**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).

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



Notes: Chart data is in nominal terms, seasonally adjusted.  
Source: ABS (2024).

### Exploration declining due to lower critical mineral prices and rising costs

Mineral and petroleum exploration expenditure (in seasonally adjusted terms) declined in the September quarter 2024 to be 10% lower year-on-year. Lower exploration spending was largely driven by declines in mineral exploration, though petroleum exploration spending was also weak.

Mineral exploration expenditure declined to \$1.0 billion in the September quarter 2024, down by 12% year-on-year. This was the largest annual decline since the December quarter 2015. Greenfield exploration accounted for most of the fall, with metres drilled on new deposits down by 15% year-on-year.

Annual increases in exploration expenditure were reported for iron ore (up 10%) and uranium (up 53%), however spending declined across all other commodity categories. Commodities accounting for the largest share of the decline were base metals, including copper and nickel (down by 26%), other minerals, including lithium (down by 22%) and gold (down by 9.7%).

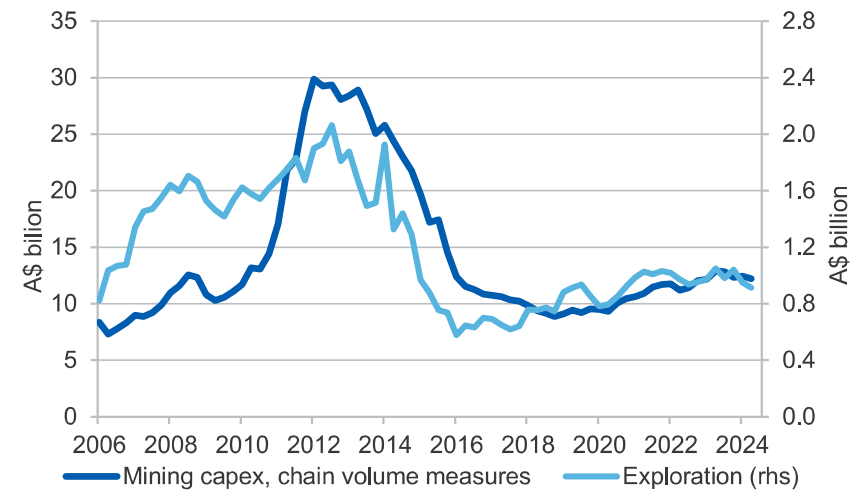
Mineral exploration expenditure over the last 12 months has declined for critical minerals such as lithium and nickel due to lower prices over the period. This follows strong exploration expenditure growth and prices for these minerals through 2022 and 2023. Coal exploration declined, reflecting the long-term decline in the coal demand outlook as efforts to reach net zero expand.

Petroleum exploration spending in the September quarter fell by 4% year-on-year with offshore exploration accounting for most of this decline.

Increasing exploration costs also appear to be contributing to weaker mineral exploration activity. Average mineral exploration costs implied by expenditure per metre drilled indicate costs have risen by 22% in real terms over the past 5 years, although they remain below the levels reached during the peak of the mining boom (Figure 1.11).

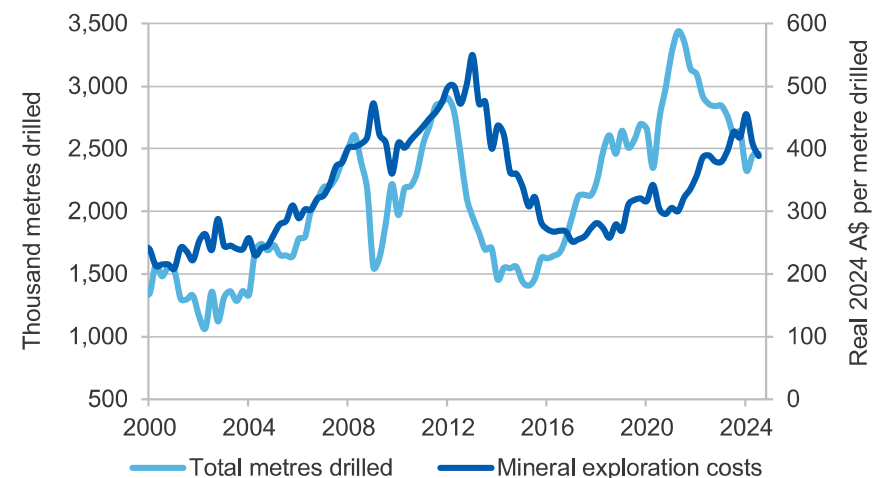
Exploration spending is a leading indicator of broader capital investment in the sector, so significant increases or decreases in exploration activity can be a lead indicator of future investment. Given the typical lags involved,

**Figure 1.10: Mining capital expenditure vs exploration (real, quarterly)**



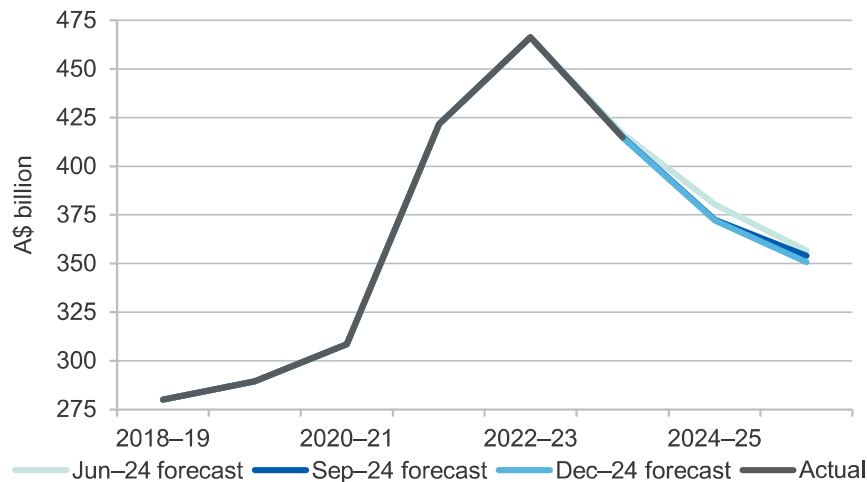
Note: Data are in 2011–12 prices.  
Source: ABS (2024); DISR estimates (2024).

**Figure 1.11: Metres drilled for mineral exploration and costs (in real terms) implied by expenditure per metre drilled**



Note: Total metres drilled are in seasonally adjusted terms.  
Source: ABS (2024); DISR estimates (2024).

**Figure 1.12: Resource and energy exports, by forecast publication**



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

capital spending by resource and energy companies is still expected to rise modestly in 2024–25. Further data releases in H1 2025 are expected to provide further insights on whether the recent declines are part of a broader trend towards lower mineral exploration in Australia and will be examined in more detail in forthcoming editions of the REQ.

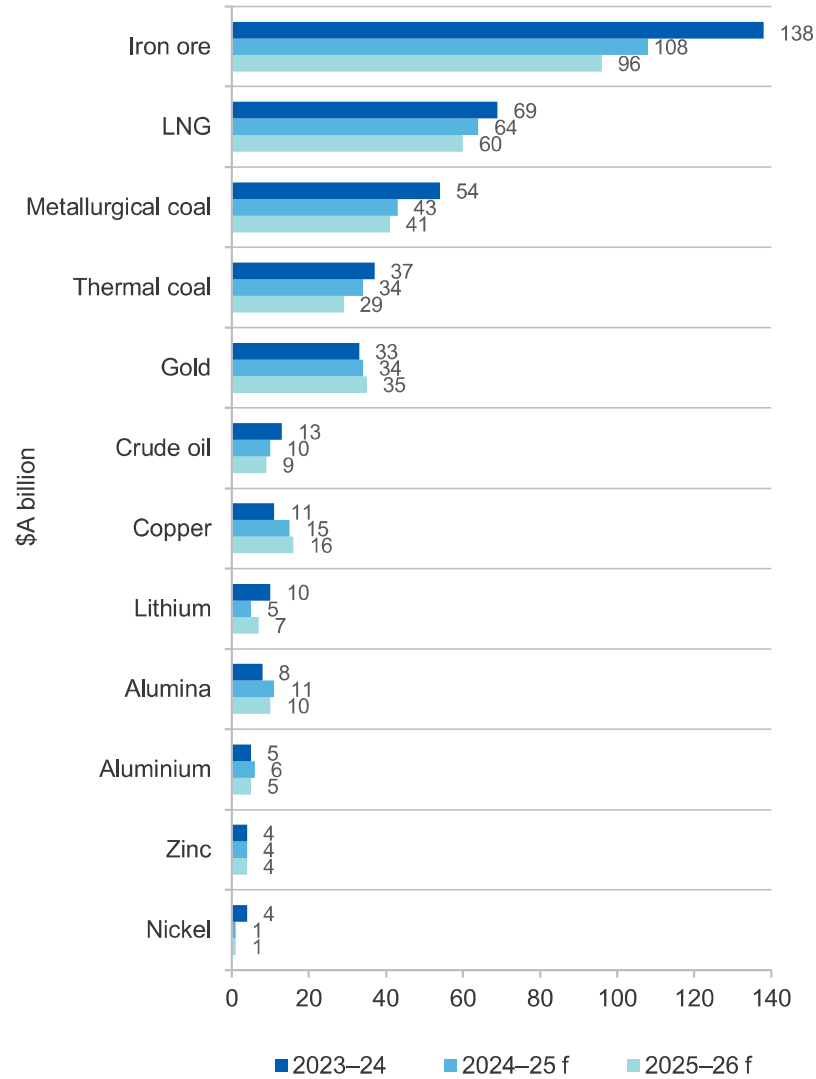
## 1.7 Revisions to the outlook

The forecast for 2024–25 is \$0.3 billion lower and the 2025–26 forecast is \$3.6 billion lower than the forecasts contained in the September 2024 *Resources and Energy Quarterly* (Figure 1.12).

The 2024–25 forecast revisions reflected weaker than expected LNG and lithium exports more than offsetting slightly stronger than expected earnings from bulk commodities, gold and alumina. The 2025–26 forecast revisions have been largely driven by downward revisions to iron ore earnings.



**Figure 1.13: Australia's major resources and energy commodity exports, nominal**



**Annual per cent change**

	2024-25 f			2025-26 f		
	volume	EUV <sup>a</sup>	value	volume	EUV	value
Iron ore	▲ 2	▼ -23	▼ -22	▲ 2	▼ -13	▼ -11
LNG	▼ -4	▼ -3	▼ -7	▲ 2	▼ -8	▼ -6
Metallurgical coal	▲ 8	▼ -26	▼ -20	▲ 6	▼ -11	▼ -5
Thermal coal	➔ 0	▼ -9	▼ -9	▲ 1	▼ -15	▼ -15
Gold	▼ -9	▲ 15	▲ 5	▲ 12	▼ -9	▲ 2
Crude oil	▼ -3	▼ -16	▼ -18	▼ -3	▼ -12	▼ -14
Copper	▲ 22	▲ 10	▲ 35	▲ 6	➔ 0	▲ 6
Lithium	▲ 6	▼ -54	▼ -51	▲ 7	▲ 25	▲ 34
Alumina	▼ -10	▲ 50	▲ 35	▲ 2	▼ -14	▼ -13
Aluminium	▲ 4	▲ 6	▲ 10	➔ 0	▼ -4	▼ -4
Zinc	▲ 3	▲ 11	▲ 14	▼ -3	▼ -7	▼ -9
Nickel	▼ -41	▼ -34	▼ -61	▼ -13	▼ -14	▼ -25

<sup>a</sup> Export Unit Value

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

Exports (A\$m)					Percentage change			
	2022–23	2023–24	2024–25 <sup>f</sup>	2025–26 <sup>f</sup>	2022–23	2023–24	2024–25 <sup>f</sup>	2025–26 <sup>f</sup>
Resources and energy	466,200	414,848	372,064	350,540	10.6	–11.0	–10.3	–5.8
– real <sup>b</sup>	498,549	425,729	372,064	339,191	3.3	–14.6	–12.6	–8.8
Energy	238,711	180,154	158,108	145,298	17.0	–24.5	–12.2	–8.1
– real <sup>b</sup>	255,274	184,879	158,108	140,593	9.3	–27.6	–14.5	–11.1
Resources	227,489	234,694	213,956	205,243	4.5	3.2	–8.8	–4.1
– real <sup>b</sup>	243,274	240,850	213,956	198,598	–2.3	–1.0	–11.2	–7.2

Notes: **b** In 2024–25 Australian dollars; **f** forecast.

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

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

	Prices				Export volumes			Export values, A\$b			
	Unit	2023–24	2024–25 <sup>f</sup>	2025–26 <sup>f</sup>	Unit	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	83	77	Mt	898	914	928	138	108	96
LNG	A\$/GJ	16.1	15.6	14.3	Mt	81	78	79	69	64	60
Metallurgical coal	US\$/t	285	211	205	Mt	151	163	174	54	43	41
Thermal Coal	US\$/t	136	136	120	Mt	205	204	205	37	34	29
Gold	US\$/oz	2,079	2,552	2,391	t	258	234	263	33	34	35
Crude oil	US\$/bbl	85	74	69	Kb/d	263	256	250	13	10	9
Copper	US\$/t	8,680	9,477	9,690	Kt	755	924	982	11	15	16
Lithium	US\$/t	1,833	878	1,075	Kt	431	447	493	9.9	4.9	6.5
Alumina	US\$/t	363	545	492	Kt	15,877	14,344	14,652	8.5	11.5	10.0
Aluminium	US\$/t	2,266	2,521	2,580	Kt	1,432	1,489	1,495	5.1	5.6	5.4
Zinc	US\$/t	2,552	2,796	2,726	Kt	1,327	1,361	1,326	3.8	4.3	3.9
Nickel	US\$/t	18,149	16,915	17,625	Kt	133	79	69	3.6	1.4	1.0
Uranium	US\$/lb	82	83	93	t	5,742	6,152	6,933	1.2	1.4	1.7

Notes: **a** Export data covers both crude oil and condensate; **b** Lithium carbonate equivalent; **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.

Sources: ABS (2024); LME (2024); London Bullion Market Association (2024); The Ux Consulting Company (2024); US Department of Energy (2024); Metal Bulletin (2024); Japan Ministry of Economy, Trade and Industry (2024); 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%	▲ 2.9%	▲ 0.6%	▲ 8.2%	▲ 4.0%	▲ 1.7%	▲ 1.4%	▲ 1.3%	▲ 2.0%
Share of Australia's two-way trade	30%	6%	9%	4%	10%	12%	7%	4%	–

### Global overview

- Outlook for the global economy in 2025 and 2026 is stable. Inflation continues to moderate in most Advanced Economies.
- Global industrial production growth has softened in recent months, and forward indicators of global manufacturing activity point to weakness as 2024 ends and 2025 begins.
- China's economic growth has been subdued with year-on-year growth down to 4.6% in September.



### Global risks

- Continuation of China's property sector downturn could further weigh on the Chinese economy
- Increasing risks to global trade and geoeconomic fragmentation
- Tight monetary policy for longer if inflation pressures, including volatility in financial markets.



SOURCE: IMF; ABS; OCE

## 2.1 Summary

- The outlook for the global economy in 2025 and 2026 is stable, with inflation continuing to moderate in most advanced economies.
- Global industrial production growth has slowed in recent months. Forward indicators of global manufacturing activity point to weakness as 2024 ends and 2025 begins.
- China's economic growth has been subdued in recent quarters, as weakness in the residential property market continues to weigh on Chinese activity and investment.

## 2.2 World economic outlook

### Global growth outlook remains steady, but underwhelming

The International Monetary Fund's (IMF) October 2024 forecast for world economic growth was unchanged from its July outlook at 3.2% in 2024. Growth in 2025 is forecast to be 3.2% — a downgrade of 0.1 percentage points from the prior forecast, rising to 3.3% in 2026 (Figure 2.1). The world trade outlook was unchanged from the July 2024 World Economic Outlook, with trade expected to grow by 3.1% in 2024 and 3.4% in 2025.

Inflation continues to moderate in most advanced economies, with most central banks signalling that inflation is returning to target levels. Reductions in core inflation (which excludes food and energy) have generally continued in line with central banks' expectations. Global shipping costs, while still elevated, have eased from their July 2024 peak. Services inflation continues to decline, although rent inflation remains high in several countries.

The return of inflation to near central bank targets has seen some central banks shift focus to mitigating risks such as slowing economic activity and labour market weakness. Overall, the IMF considers risks to the global outlook have shifted slightly to the downside. Key risks include further financial market volatility prompting tighter financial conditions, especially in developing economies; a slower-than-expected global disinflation path; extended contraction in China's property sector; and an increase in

protectionist policies, exacerbating global trade tensions.

### Stronger US outlook offsets downgrades to growth outlook for Europe

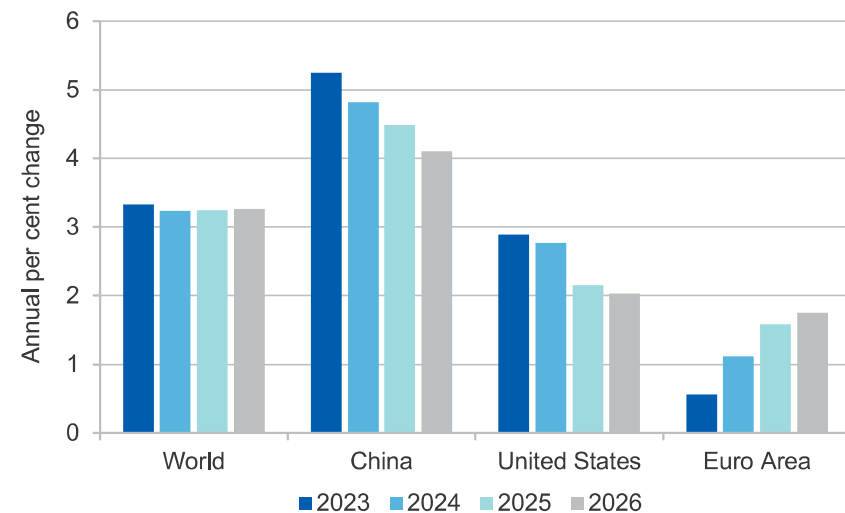
United States' GDP growth was stronger than expected in the September 2024 quarter. Higher household consumption, income and savings for the June quarter point to a stronger US consumption outlook than was reported in the September 2024 *Resources and Energy Quarterly* (REQ).

In the Eurozone, the growth outlook has weakened, with softer growth expected in 2025 in Germany, France and Italy. Germany's economy is experiencing strain from fiscal consolidation and a sharp decline in real estate prices. These conditions are adding to the deep and protracted downturn in Germany's manufacturing sector.

### China has announced new policy measures to boost growth

China's growth has been subdued in recent quarters. While net exports made a substantial contribution to September quarter GDP growth, domestic demand growth has weakened along with expenditure growth

Figure 2.1: GDP growth forecasts



Source: IMF (October 2024)



and local government revenues. The weaker-than-expected growth prompted Chinese authorities to announce a comprehensive policy package in the December quarter, including fiscal, monetary and property market measures.

#### Rising demand for semiconductors driven by investment in AI

Sharply rising demand for semiconductors and electronics, driven by large investments in artificial intelligence, has improved the growth outlook for several Asian economies, including Korea and Taiwan.

In Japan, total growth by the end of 2024 is expected to be weak due to supply disruptions and weak private investment at the start of the year. However, growth is expected to pick up in 2025, due to stronger private consumption as real wage growth strengthens. India's growth is expected to moderate in 2025 as demand built up during the pandemic subsides further. But the outlook remains strong due to healthy domestic demand and a positive outlook for manufacturing.

#### Global manufacturing has weakened in recent months

Global industrial production growth has softened in recent months, increasing by an estimated 1.8% year-on-year in the September 2024 quarter, down from 1.9% in the June quarter. Growth in China and emerging Asia was offset by weaker growth in advanced economies.

Forward indicators of global manufacturing activity point to weakness as 2024 ends. Although output stabilised, falling new orders saw the JP Morgan Global Manufacturing Purchasing Managers Index (PMI) contract in October 2024 for the fourth month in a row. Although the index stabilised in November due to a slight expansion in manufacturing output, new export orders fell for the sixth month in a row.

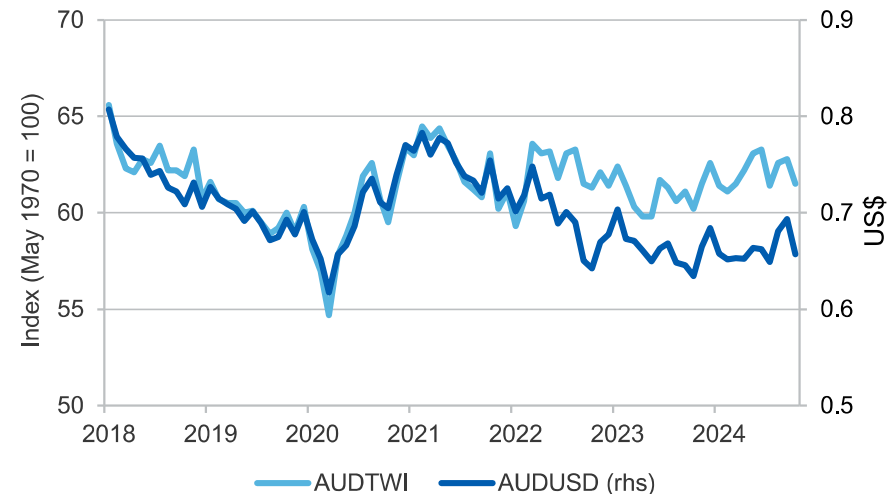
China's industrial production growth picked up in September 2024 to achieve the fastest rate of expansion since May, amid the government's efforts to spur growth. Ongoing weaknesses in Europe's manufacturing sector points to a slower recovery among its major industrial producers,

with the manufacturing downturn continuing into the final quarter of 2024. India's manufacturing PMI rebounded in October 2024 due to expanding new orders and international sales. US industrial production continued to fall in the December quarter. Uncertainty ahead of the Presidential election was cited as a key reason for new orders continuing to fall. However, the pace of new order decline eased, and production falls were the smallest since August 2024.

#### Exchange rate assumptions have been revised up slightly for 2025

Since the start of 2024, the Australian dollar has largely been steady against the US dollar (Figure 2.2). Australian export value forecasts in this REQ adopt the market consensus on the outlook for the AUD/USD. The consensus is for the AUD/USD to appreciate over the outlook period, as interest rates decline faster in the US than in Australia. This leads to an upgrade of about US\$0.01 in 2025 and 2026 compared with the September 2024 REQ.

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>3.2</b>	<b>3.3</b>
China <sup>c</sup>	5.2	4.8	4.5	4.1
Japan	1.7	0.3	1.1	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>	4.0	4.5	4.5	5.1
Eurozone	0.6	1.1	1.6	1.7
United States	2.9	2.8	2.2	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	0.66	0.70	0.72
Inflation rate <sup>b</sup>				
United States	4.1	3.0	1.9	2.1
	2022–23	2023–24 <sup>a</sup>	2024–25 <sup>a</sup>	2025–26 <sup>a</sup>
Australia	7.0	4.2	2.6	3.3

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)