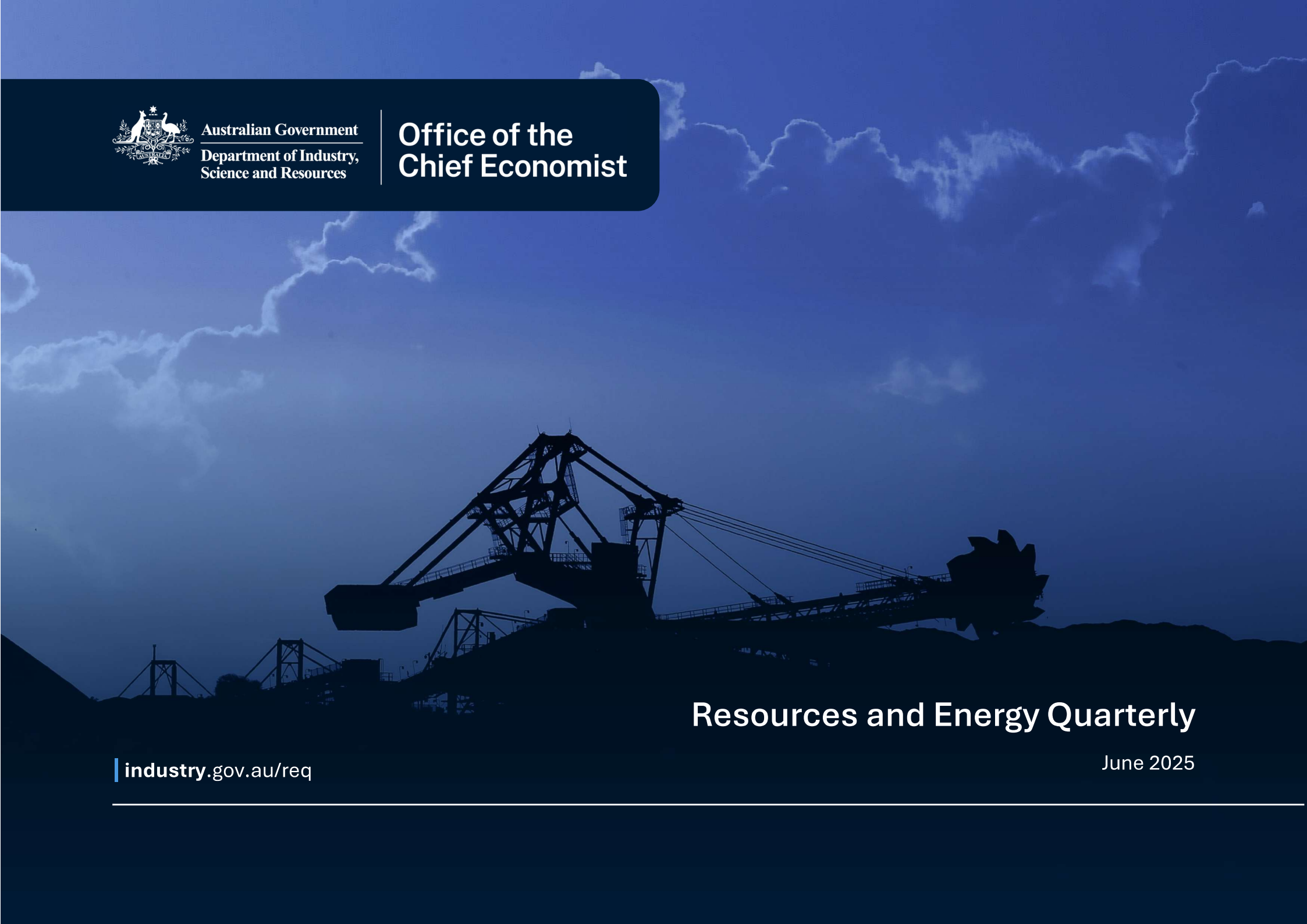

Australian Government
Department of Industry, Science and Resources

Office of the Chief Economist

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Further information

For more information on data or government initiatives please access the report from the Department's website at: www.industry.gov.au/oce.

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Contents

Executive Summary

Australian resource and energy export earnings are forecast to decline by about 4% to $369 billion in 2025–26, down from an estimated $385 billion in 2024–25. A further fall to $352 billion is forecast in 2026–27. These forecasts are modestly weaker than those contained in the March 2025 *Resources and Energy Quarterly* (REQ). The outlook is more uncertain than normal, given the fallout from rising trade barriers is still emerging.

World economic growth remains relatively soft. Rising trade barriers – and uncertainty over how high these barriers will settle – have disrupted trade between the US and its major partners and caused businesses and consumers to adopt a 'wait and see' approach. The increased caution has induced further weakness in activity. The associated uncertainty is likely to impinge on world commodity demand, as the nations that Australia supplies are impacted.

US GDP fell in the March quarter 2025, primarily due to a surge in imports in anticipation of widespread import tariff hikes in early April. In China, rising trade barriers and ongoing weakness in the residential property sector are weighing on consumer and business confidence and thus spending.

The gold price reached new highs in the June quarter, with prices lifting above US$3,400 an ounce, while base metal prices generally weakened. The strength in gold prices came as investors sought safe haven assets on the back of both heightened economic uncertainty over rising trade barriers and worries over the US fiscal outlook. Prices are forecast to stay above $3,000 per ounce until the middle of 2026 due to strong demand. Gold is expected to overtake metallurgical coal to be our third highest value export in 2025–26.

Oil prices fell in April/May on the back of rising OPEC+ supply and weakness in demand, but spiked in mid-June as hostilities broke out between Israel and Iran.

Alumina prices lost some of last year's sharp gains in recent months, as bauxite supply issues in Africa were superseded by increased Chinese production.

Resource commodity export volumes rose in the year to the June quarter 2025 but energy export volumes fell. Australian coal exports were impacted by bad weather on the east coast. Resource and energy commodity export volumes are forecast to pick up modestly over the outlook period (to end 2027), as the impact of easier monetary conditions more than offsets the impact of rising trade barriers.

Capital expenditure in Australia's resource and energy sectors continues to rise, underscoring the favourable long-term outlook. Exploration has softened but remains at relatively high levels. Greenfield exploration activity has continued to account for much of the weakness in exploration, with spending falling to a 7-year low and drilling metres falling to an almost 9-year low. This reflects a continuation of recent trends in exploration companies (and investors) prioritising less-risky brownfield projects, as well as continued price weakness for nickel and lithium.

Risks to Australian export earnings forecast in this report include:

- ongoing trade tensions among the US and its major trading partners
- a slower-than-expected global disinflation path
- extended contraction in China's property sector
- a further rise in geopolitical tensions
- an increase in global bond yields.

Overview

Australia's resources and energy sector

Contributes around **11.4% of GDP**

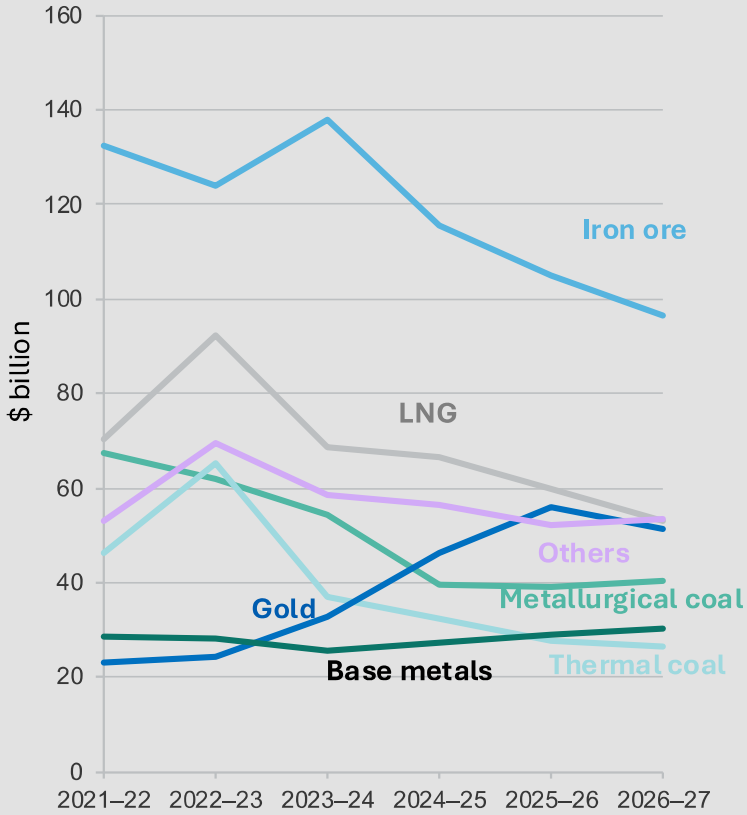
Makes up around **two-thirds** of Australia's total merchandise exports

Directly employs around **300,000 people**

Outlook

- Near-term outlook for resource and energy exports is for further normalisation
- World GDP growth outlook is uncertain in the near-term
- Energy transition continues
- Investment in new Australian deposits and mines to grow

Australian resources and energy exports



Source: ABS; DISR; OCE

1.1 Summary

- The near-term outlook for Australian resources and energy exports has softened as rising trade barriers hurt the world economy.
- From an estimated $385 billion in 2024–25, resource and energy export earnings are now forecast to fall to $369 billion in 2025–26 and then fall further to $352 billion in 2026–27.
- Higher volumes and price for our gold exports will only partly offset the impact of weaker than previously forecast iron ore and LNG prices in 2025–26 before gold exports fall back in 2026–27.

1.2 Macroeconomic, geopolitical and policy factors

Heightened trade barriers will hurt world growth and commodity demand

In mid April, the IMF lowered its projection for world growth for 2025 from 3.3% to 2.8% and trimmed its projection for 2026 growth from 3.3% to 3.0%. The downward revision was the result of the IMF's assessment of the impact of higher trade barriers erected (by the US and then retaliated to by China) in the first half of April. While some of these tariff hikes have since been largely wound back for now, US tariffs are at post-World War II highs.

The tariff changes have created an uncertain economic backdrop – especially in the US and China – which is hurting investment and consumption.

As a result of the weaker outlook for world growth, the demand for resource and energy commodities over H2 2025 and in 2026 is likely to be weaker than envisaged in the March 2025 REQ.

The Chinese economy was impacted by US tariffs of up to 145% on some imported goods in the first five weeks of the June 2025 quarter, since wound back to 30%. In May 2025, merchandise goods flows from China to the US fell by more than a third from May 2024; this decline was only partly offset by 11% growth in exports to the rest of the world.

Factory activity in China has slowed as result of the trade slowdown. As a result, the People's Bank of China eased monetary policy twice in May and took other economic support measures. These measures will help the Government in its efforts to achieve target growth of 5% in 2025.

US economic activity appears to have slowed since the March 2025 REQ. Of influence has been the pulling forward of imports to beat the imposition of US import tariffs, and then a significant disruption to trade with China as US tariffs surged in April before being largely reversed in the second week of May.

The US Federal Reserve held the Fed Funds rate steady in May and then again in June, citing an economy that is still growing solidly and a need for more time to assess the price and activity implications of recent trade measures.

The bond market is increasingly worried over the US budget deficit and rising US government debt. In mid-May, these concerns were reinforced by Moody's downgrading of the US to one level below the highest 'Aaa' rating.

In other major economies, Germany is embarking on a large rise in government spending to improve its defence capabilities and infrastructure.

Several major central banks have lowered official interest rates further since the March 2025 REQ. Over the outlook period, moves to a more neutral monetary stance by the major central banks should help support global economic growth and thus commodity demand.

Geopolitical tensions remain elevated, boosting gold demand

Trade tensions and hostilities in the Middle East and Ukraine have seen ongoing volatility in commodity markets, raising oil prices in mid-June and pushing up the demand for some safe-haven assets, including gold.

AUD expected to rise against the USD

In recent months, the AUD has rebounded against a generally weaker USD. Worries over the US economy and fiscal backdrop have driven the USD falls. The AUD has also benefitted from some easing in concerns over the outlook for China's economy: Chinese exporters seem likely to be able to pivot further away from the US to South America, Africa and other Asian nations.

1.3 Export values

Bulk commodity price falls to lower exports in 2025–26 and 2026–27

Commodity prices generally weakened during the June quarter, mainly on worries about rising trade barriers. However, a 7% rise in export volumes more than offset the impact of a 6% fall in prices, resulting in a 1% rise in the Resources and Energy Export Values Index from March quarter 2025.

Since the March 2025 REQ, there have been revisions to the aggregate forecasts for exports in 2025–26 and 2026–27, with weaker revenues for iron ore and LNG more than offsetting a rise in gold exports (Figure 1.1). From an estimated $385 billion in 2024–25 (down $2 billion from the March 2025 REQ), resource and energy export earnings are now forecast to be $369 billion in 2025–26 (down $4 billion). In 2026–27, exports are forecast to be $352 billion (down $8 billion). Lower prices will more than offset the impact of higher export volumes during the outlook period (Figure 1.2).

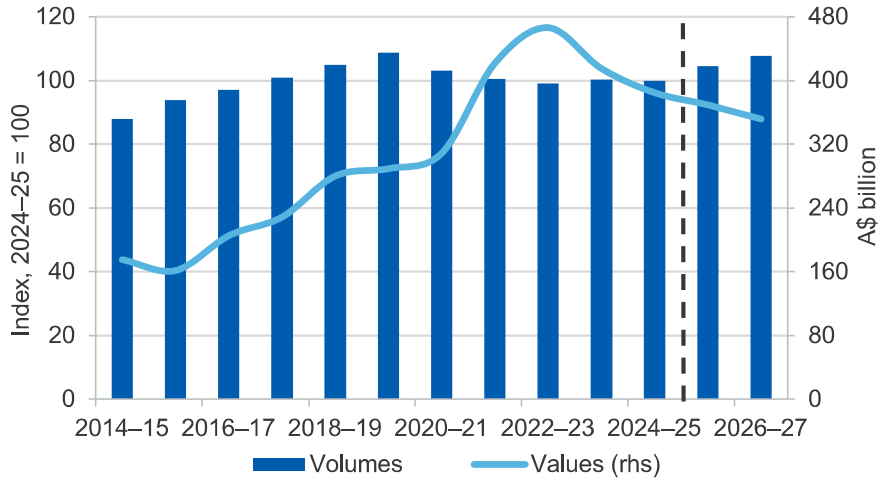
Resource commodity exports are forecast to be steady in 2025–26 but then fall in 2026–27. Among resource commodities:

- **Iron ore** export earnings will still account for over 25% of all resource and energy commodities over the outlook period. Iron ore exports are forecast to fall by $11 billion to $104.8 billion in 2025–26 and then fall $8.3 billion to $97 billion in 2026–27.
- **Gold** is set to surpass metallurgical coal to become our 3rd biggest resource and energy export earner in 2025–26, rising by $10 billion to $56 billion. Higher export volumes will add to the impact of a strong rise in prices. Gold prices are forecast to decline (but remain relatively high) in 2026–27, cutting earnings to $52 billion.
- Rising volumes and prices are forecast to see **copper** exports grow by more than 25% to over $16.7 billion in 2025–26 and then surpass $18 billion in 2026–27.
- **Alumina** earnings are forecast to fall back in 2025–26 as the extraordinary price surge of 2024 continues to unwind. From over $12 billion in 2024–25, earnings should fall to just over $9 billion in 2025–26. Lower prices are expected to drive a further (small) decline to $8.8 billion in 2026–27.
- **Lithium** earnings are expected to rise in 2025–26 as prices start to slowly recover from the recent slump. Earnings are forecast to rise from $4.6 billion in 2024–25 to over $5.5 billion in 2025–26 before surpassing $6.6 billion in 2026–27.

Energy exports are set to show falls over the outlook period, with lower thermal coal, LNG and oil exports driving the declines.

- **LNG** export earnings are forecast to decline on the back of weaker prices. LNG exports are forecast to fall by over $6 billion to $60 billion in 2025–26 and then fall to $53 billion in 2026–27.
- **Thermal coal** earnings are forecast to fall by $5 billion to $27.7 billion in 2025–26 due to the impact of weaker prices. Lower volumes are expected to drive a further decline to $26.2 billion in 2026–27.
- **Metallurgical coal** exports are forecast to be steady at around $40–41 billion over the outlook period.
- **Uranium** exports are projected to increase from $1.2 billion to $1.5 billion by 2026–27.

Figure 1.1: Australia's resources and energy exports



Source: ABS (2025); Department of Industry, Science and Resources (2025)

1.4 Prices

With some notable exceptions, resource and energy commodity prices have declined since the March 2025 REQ. Commodity markets are anticipating slower world growth as a result of rising trade barriers and monetary conditions that are still on the restrictive side of neutral in the US. A rise in export volumes offset part of the impact of falling prices.

In Australian dollar terms, the Resources and Energy Commodity Price Index fell by 5.9% in the June quarter 2025 to be down 2.9% year-on-year (Figure 1.3). In US dollar terms, the index fell by 4% in the quarter to be down 6% year-on-year. Resource export prices (in A$ terms) were up 4% year-on-year, while energy prices fell by 12%.

Iron ore prices have softened due to the strong supply outlook and weaker demand following China's steel production cuts announced in May 2025. From an estimated average price of US$93 a tonne (FOB) in 2024, the benchmark iron ore price is forecast to fall to an average of US$83 a tonne in 2025, then decline further to US$74 a tonne in 2027 (Figure 1.4).

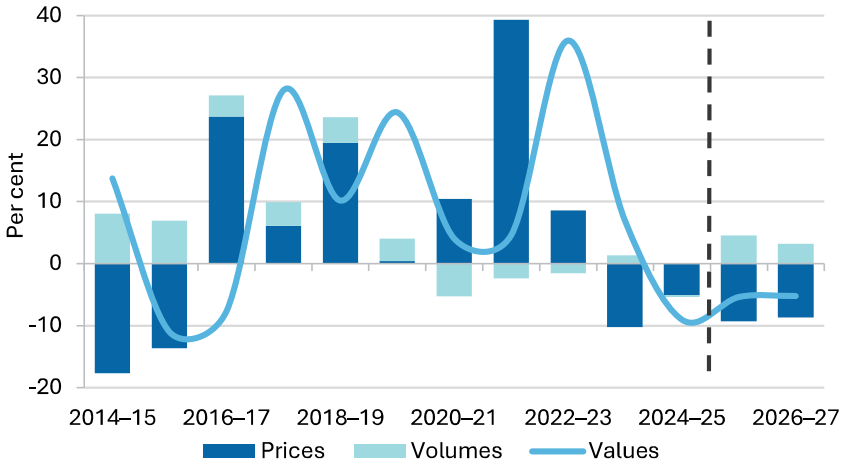
Metallurgical coal prices reached a low point of US$169 a tonne in late March but then increased to US$193 in May as disruptions to Australian production and exports curtailed supply. Indian demand should support prices in H2 2025 and stay about US$200 a tonne over the outlook period.

The **gold** price has been very strong in recent months, rising to a record of over US$3,400 an ounce. The increase was due to rising demand from investors on the back of global uncertainty and a deteriorating fiscal outlook in the US. Prices are forecast to increase to 2026 and then moderate but will remain relatively high over the outlook period. The risks are to the upside.

Copper prices dropped by about 15% in early 2025 to US$8,500 a tonne in response to the trade tensions. By early June 2025, prices recovered by around 12% as buyers took the advantage of lower prices. Over the outlook period (to the end of 2027), prices are expected to rise to over US$10,000 driven by strong copper demand and limited new supply (Figure 1.5).

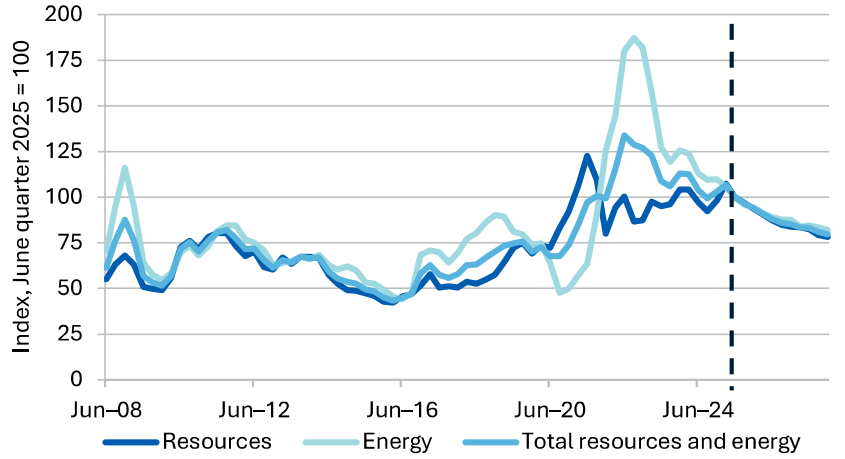
Aluminium prices have also eased in due to rising trade barriers. Alumina prices have fallen by 45% so far in 2025 due to a recovery in global supply driven by a large rise in Chinese output. Aluminium prices are forecast to rise over the outlook period on growing global demand for new, energy efficient cars and technologies.

Figure 1.2: Annual growth in Australia's resources and energy export values, contributions from prices and volumes



Source: ABS (2025); Department of Industry, Science and Resources (2025)

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 (2025); Department of Industry, Science and Resources (2025)

Nickel prices averaged US$15,300 a tonne in H1 2025, near five-year lows. Sustained growth in nickel supply has continued to outstrip demand growth, contributing to weaker prices and growing nickel stockpiles. Uncertainty around the impact of the US' announced tariffs for key end-use sectors like steel and EVs are further contributing to near-term pessimism on the demand outlook.

Zinc prices fell in early April as US tariff hikes were announced, hitting 2025 lows below US$2,600 a tonne. The zinc price is expected to average about US$2,700 a tonne in 2025. Prices are anticipated to rise slightly to US$2,750 a tonne by 2027 as demand picks up.

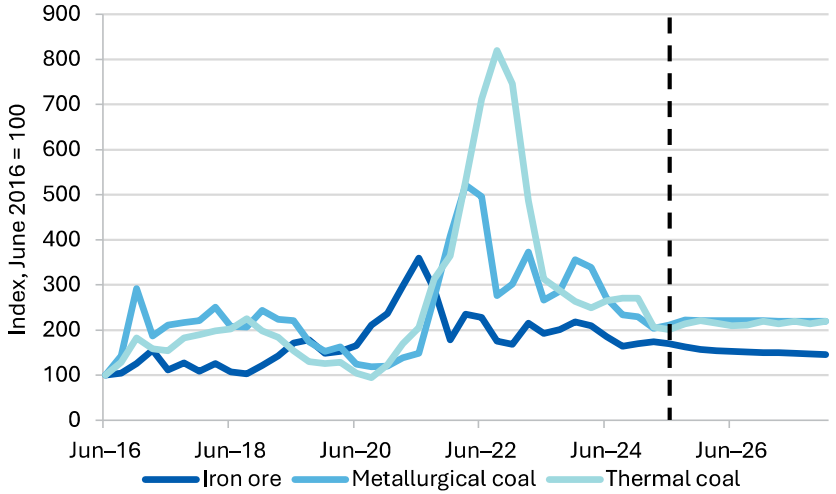
Spodumene prices fell to about US$610 a tonne by early June. The 25% price drop marked the end of price recovery from the lows of September 2024. Lithium hydroxide prices have continued to fall and were at US$7,550 a tonne in early June. We expect a slow price recovery in spodumene and lithium hydroxide in the outlook period. Rising demand and curtailments at high-cost mines are unlikely to clear the near-term spodumene oversupply.

Energy prices have continued to decline from the highs seen in 2022 and 2023. Slow world economic growth and seasonal conditions have slowed energy use and supply has risen. **Oil (Brent)** prices fell sharply in April/May – from US$72 per barrel to US$60-65 per barrel – as OPEC+ brought barrels back to the market faster than originally expected. Hostilities between Israel and Iran then saw a spike in mid June. Oil prices are expected to drift lower over the outlook period, as supply rises and the switch to EVs reduces demand. Higher US output have resulted in **LNG** prices easing – from about US$15/MMbtu in early 2025 to US$13/MMbtu – in May and early June. Price volatility across LNG markets is also likely to ease due to rising supply, though this may not become apparent until post 2026.

Thermal coal prices have fallen on the back of weaker demand for seaborne coal. Increasing levels of domestic production are expected to continue in China and India, alongside the increased utilisation of renewable energy sources. These factors will continue to place downward downwards pressure on demand for thermal coal imports, holding prices around US$110 a tonne over the outlook period.

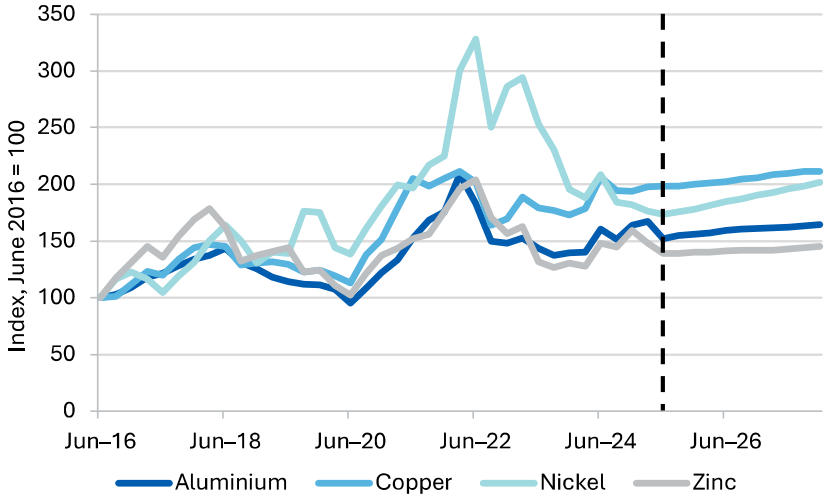
Uranium prices were relatively stable at US$64-75 a pound in H1 2025. Supply problems and higher demand are forecast to push prices up in H2 2025 and 2026.

Figure 1.4: Bulk commodity prices



Notes: Prices are in US dollars, and are the international benchmark prices
Source: ABS (2025); Department of Industry, Science and Resources (2025)

Figure 1.5: Base metal prices



Source: ABS (2025); Department of Industry, Science and Resources (2025)

1.5 Export volumes

Export volumes strengthened in the June quarter

The Resources and Energy Export Volumes Index is estimated to have risen by 7% in the June quarter 2025 from the March quarter 2025 to be up 1% year on year. Resource commodity export volumes rose by 3% in the year to June quarter 2025, but energy export volumes fell by 2% (Figure 1.6).

Apart from a blip higher in the 2019–20 period – largely a supply response to high iron ore prices – resource export volumes have been flat for a decade. High prices for base and precious metals should lift export volumes over the outlook period. Energy export volumes rose in response to price spikes driven by Russia's invasion of Ukraine. Modest growth in both resource and energy volumes is expected over the outlook period.

1.6 Contribution to growth and investment

Mining output was weaker in the March quarter and 2024 overall

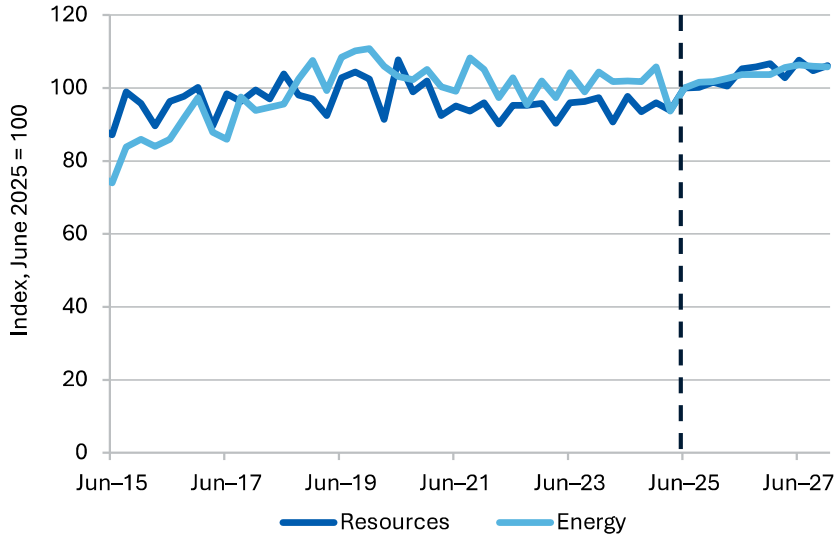
Australia's real GDP rose by 0.2% in the March quarter 2025, to be up 1.3% from a year before. Mining value-added fell by 2.1% in the March quarter to be down 4.9% from the March quarter 2024 (Figure 1.7). Mining production declined, with falls in major commodities including coal, iron ore, and oil and gas due to adverse weather conditions in Queensland and Western Australia.

Quarterly mining capital expenditure has picked up

The latest ABS Private New Capital Expenditure and Expected Expenditure survey shows that Australia's resources and energy industries invested $13.6 billion in the March quarter 2025, up 3% from the December quarter 2024 and 6% from the March quarter 2024. In non-seasonally adjusted terms, capital spending was less robust, falling in quarterly terms for most commodities (Figure 1.8).

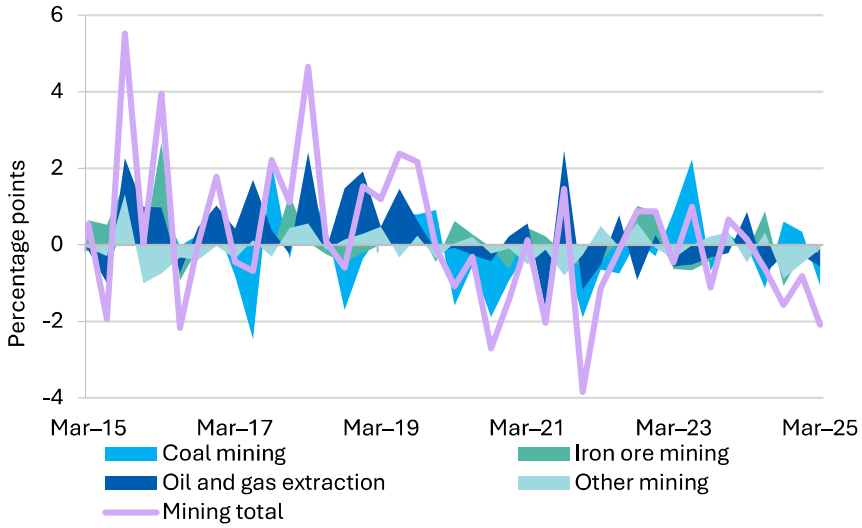
Expenditure for plant and equipment rose by 5.4% in the March quarter, while investment in buildings and structures rose by 2.1% (Figure 1.9). Both categories have recovered significantly from the lows of 2021. Spending on plant and machinery has accounted for a steadily rising share of total investment spending since 2017. However, in recent years, spending on buildings and structures has started to correlate more closely with spending on plant and equipment.

Figure 1.6: Resource and energy commodity export volumes



Source: ABS (2025); Department of Industry, Science and Resources (2025)

Figure 1.7: Contribution to quarterly growth by sector



Source: ABS (2025); Department of Industry, Science and Resources (2025)

Total mining industry investment forecast to hold up in 2025–26

Total mining industry investment in 2024–25 increased by 4% from 2023–24 (Figure 1.10). ABS surveys of expected capital expenditure in 2025–26 ($50 billion) represents a decline in capital spending, but estimates are typically revised up over time. Capital expenditure in the lithium and nickel sectors is expected to remain weak due to ongoing price weakness.

Exploration spending continues to fall, driven by low critical mineral prices

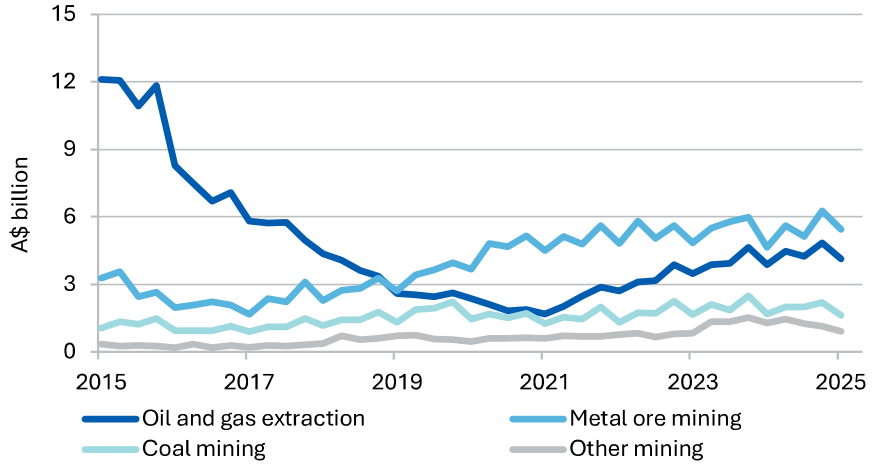
Australian mineral and petroleum exploration expenditure (in seasonally adjusted terms) declined in the March quarter 2025, to be 12% lower year-on-year. Lower expenditure was driven by declines in both mineral (down 11%) and petroleum (down 13%) exploration. Total mineral exploration expenditure has fallen to a 5-year low (adjusting for inflation), however spending remains relatively high in historical terms (Figure 1.11).

Annual exploration expenditure increased for iron ore (up by 18%) and uranium (up by 8.8%) but fell across all other mineral categories. Lower exploration expenditure in "other minerals" (a category that includes lithium) accounted for most (79%) of the year-on-year decline in total mineral exploration. Smaller declines were reported in coal (29%) and base metals including copper (down by 10%) and nickel (down by 7%). The weakness in nickel and other minerals is driven by price corrections after strong exploration expenditure growth for critical minerals through 2022–23.

Gold exploration expenditure was approximately flat year-on-year, following two years of decline despite steady rises in prices. Recent capital raising activity indicates gold and copper-gold exploration companies should account for a larger share of mineral exploration activity going forward, given strength in prices (gold) and long-term demand (copper).

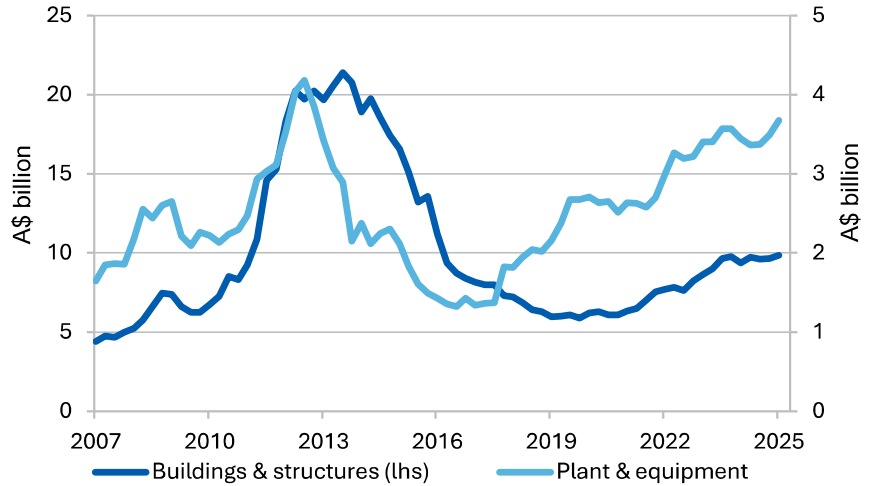
Greenfield exploration activity has continued to decline, with spending in the March quarter 2025 falling to a 7-year low (Figure 1.11) and drilling metres to an almost 9-year low (Figure 1.12). Decreased activity reflects a continuation of recent trends with exploration companies (and investors) prioritising less-risky brownfield projects, as tightened financial conditions and economic uncertainty have reduced investment flows into the sector.

Figure 1.8: Mining capex by commodity, not seasonally adjusted



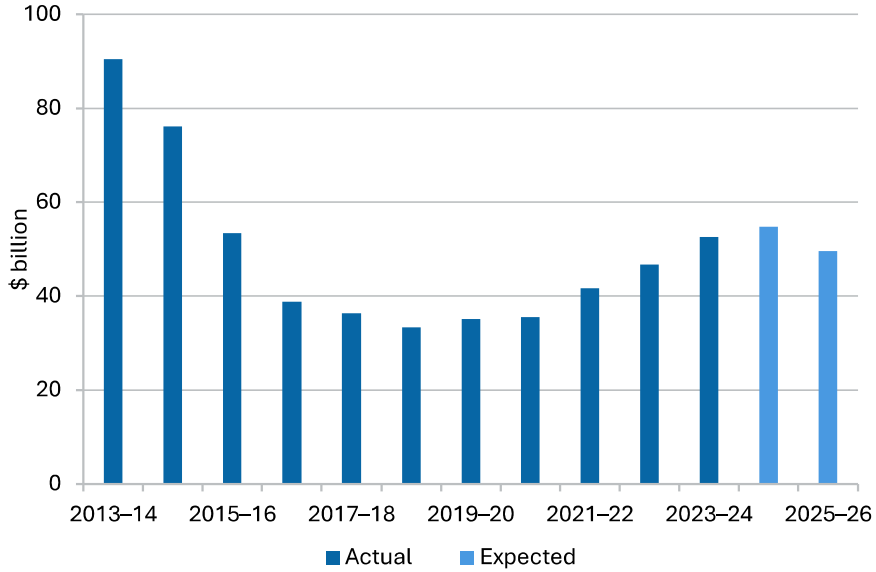
Notes: Other mining includes non-metallic mineral mining and quarrying and exploration and other mining support services; chart data is in nominal, original terms
Source: ABS (2025) Private New Capital Expenditure and Expected Expenditure, 5625.0

Figure 1.9: Mining industry capital expenditure by type, quarterly



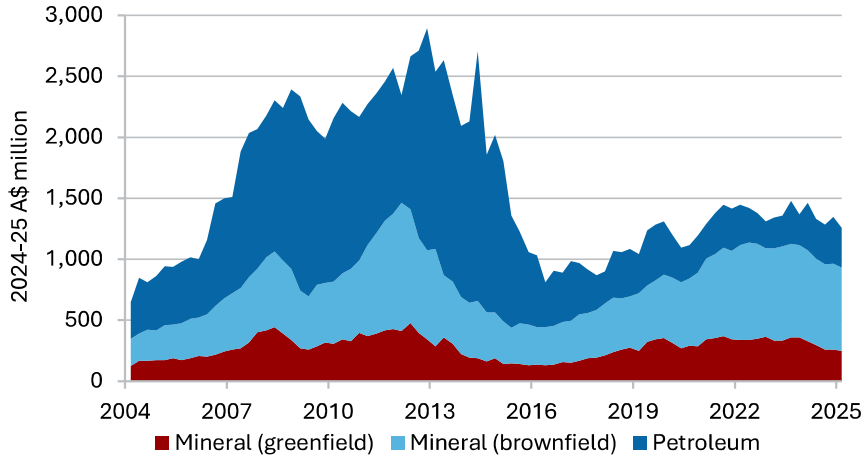
Notes: Chart data is in nominal terms, seasonally adjusted.
Source: ABS (2025) Private New Capital Expenditure and Expected Expenditure, 5625.0

Figure 1.10: Mining industry capital expenditure, fiscal year



Source: ABS (2025)

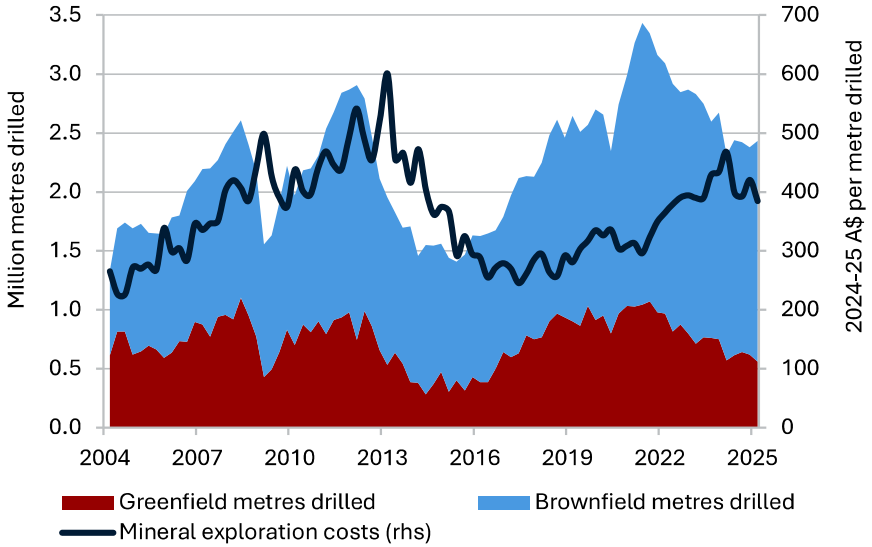
Figure 1.11: Quarterly mineral and petroleum exploration expenditure



Notes: Exploration expenditure data is presented here in real, seasonally adjusted terms.

Source: ABS (2025)

Figure 1.12: Metres drilled for mineral exploration and implied costs



Notes: Metres drilled are in seasonally adjusted terms.

Source: ABS (2025); Department of Industry, Science and Resources (2025).

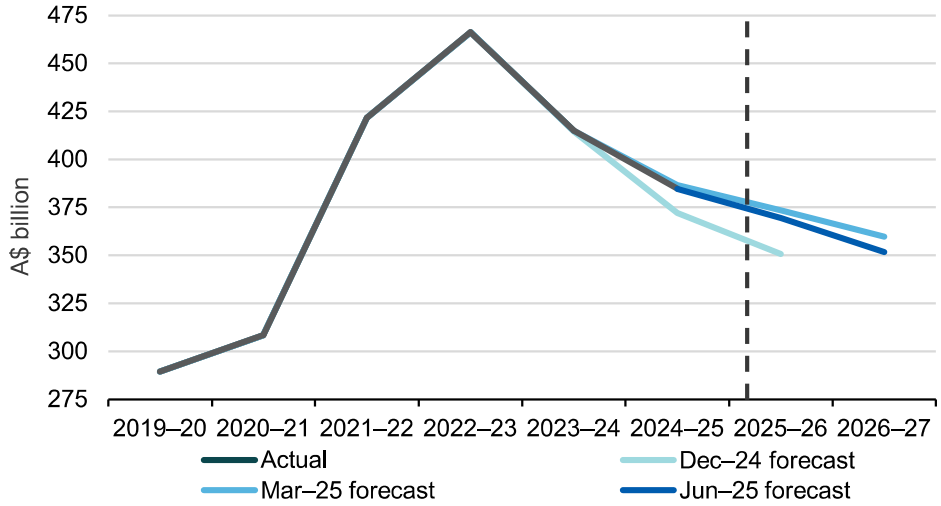
1.7 Revisions to the outlook

Downgrades to LNG/iron ore more than offsetting higher gold exports

Total resource and energy exports in 2025–26 are forecast to be $4.1 billion lower than in the March 2025 REQ, while exports in 2026–27 have been revised down by $8.0 billion (Figure 1.13). From an estimated $385 billion in 2024–25 (revised down $1.9 billion from the March 2025 REQ forecast), resource and energy exports are now forecast to fall to $369 billion in 2025–26. In 2026–27, exports are now forecast to be $352 billion.

A surge in gold prices has driven a noticeable upward revision in gold exports in the outlook period. However, forecast weaker revenues for iron ore and LNG have more than offset the upward revision. The weaker revenues for iron ore and LNG are the result of downward price revisions and upward revisions to the Consensus forecasts for the AUD/USD. The LNG price is linked directly to oil prices, which have been revised down due to both increased oil production by OPEC+ and weaker-than-expected global oil demand.

Figure 1.13: Resource and energy exports, by forecast publication



Source: ABS (2025); Department of Industry, Science and Resources (2025)

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

					Percentage change			
Exports (A$m)	**2023–24**	**2024–25 s**	**2025–26 f**	**2026–27 f**	**2023–24**	**2024–25 s**	**2025–26 f**	**2026–27 f**
Resources and energy	414,991	384,786	369,268	351,560	–11.0	–7.3	–4.0	–4.8
– real[b]	425,082	384,786	358,860	332,311	–14.6	–9.5	–6.7	–7.4
Energy	180,151	156,957	144,045	135,924	–24.5	–12.9	–8.2	–5.6
– real[b]	184,531	156,957	139,985	128,482	–27.6	–14.9	–10.8	–8.2
Resources	234,840	227,829	225,223	215,636	3.2	–3.0	–1.1	–4.3
– real[b]	240,550	227,829	218,874	203,829	–0.9	–5.3	–3.9	–6.9

Notes: **b** In 2024–25 Australian dollars; **s** estimate; **f** forecast.
Source: ABS (2025); Department of Industry, Science and Resources (2025).

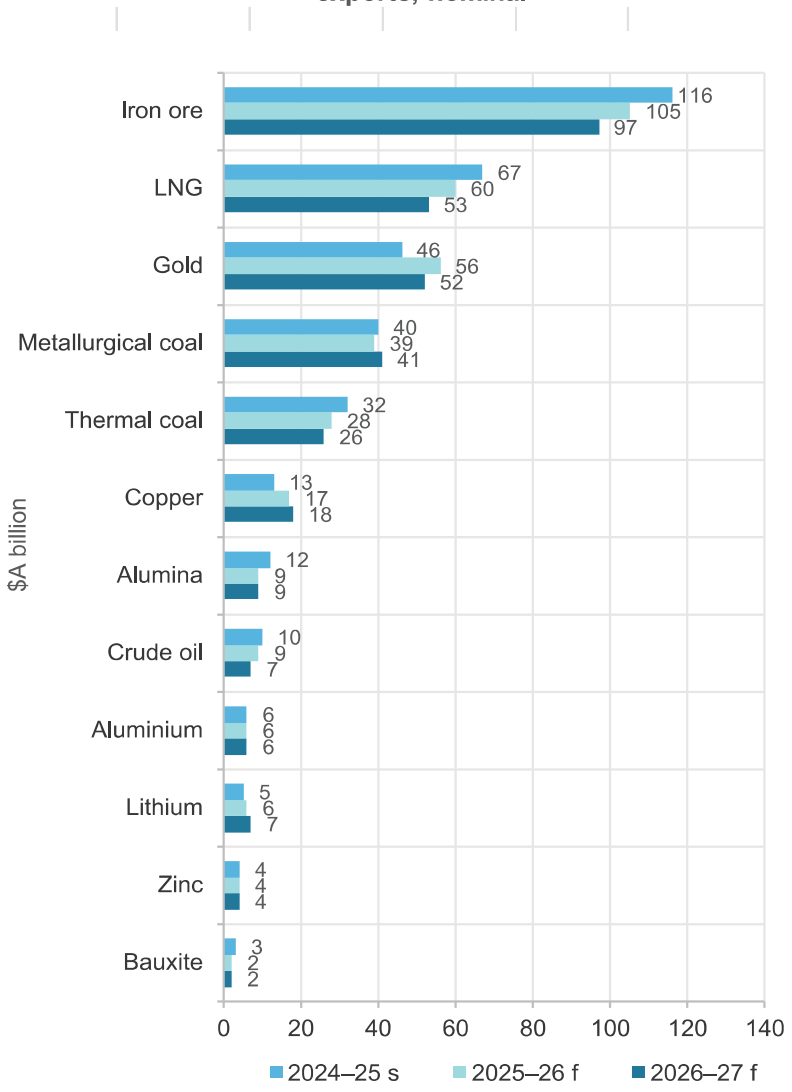
Table 1.2: Australia's resource and energy exports, selected commodities

	Prices				Export volumes				Export values, A$b		
	Unit	**2024–25 s**	**2025–26 f**	**2026–27 f**	**Unit**	**2024–25 s**	**2025–26 f**	**2026–27 f**	**2024–25 s**	**2025–26 f**	**2026–27 f**
Iron ore	US$/t	86	79	75	Mt	895	920	927	116	105	97
LNG	A$/GJ	15.9	14.2	12.2	Mt	79	80	82	67	60	53
Gold	US$/oz	2,800	3,200	2,825	t	250	289	313	46	56	52
Metallurgical	US$/t	197	198	201	Mt	147	160	169	40	39	41
Thermal Coal	US$/t	121	110	110	Mt	207	204	200	32	28	26
Copper	US$/t	9,278	9,477	9,793	Kt	793	959	1,044	13	17	18
Alumina	US$/t	532	393	369	Kt	14,732	15,660	16,632	12	9.0	8.8
Crude oil	US$/bbl	75	67	61	Kb/d	243	234	227	10	9	7
Aluminium	US$/t	2,502	2,455	2,535	Kt	1,471	1,549	1,552	5.9	5.7	5.7
Lithium	US$/t	784	775	925	Kt	468	504	525	4.6	5.5	6.6
Zinc	US$/t	2,834	2,683	2,724	Kt	1,291	1,347	1,385	4.3	3.7	3.7
Nickel	US$/t	15,792	15,875	16,900	Kt	82	57	48	2.2	1.2	1.1
Uranium	US$/lb	74	78	88	t	5,288	6,706	7,006	1.3	1.4	1.5

Notes: **a** Export data covers both crude oil and condensate; **b** Lithium carbonate equivalent; **f** forecast; **s** estimate. **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 (2025); LME (2025); London Bullion Market Association (2025); The Ux Consulting Company (2025); US Department of Energy (2025); Metal Bulletin (2025); Japan Ministry of Economy, Trade and Industry (2025); Department of Industry, Science and Resources (2025).

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



Annual per cent change

	2025–26 f			2026–27 f		
	volume	EUV	value	volume	EUV	value
Iron ore	▲ 3	▼ -12	▼ -9	▲ 2	▼ -10	▼ -9
LNG	▲ 1	▼ -11	▼ -10	▲ 2	▼ -12	▼ -11
Gold	▲ 16	▲ 4	▲ 21	▲ 12	▼ -6	▲ 5
Metallurgical coal	▲ 9	▼ -9	▼ -1	▲ 7	▼ -6	▲ 1
Thermal coal	▼ -1	▼ -14	▼ -15	▼ -1	▼ -9	▼ -10
Copper	▲ 22	▲ 4	▲ 28	▲ 15	▲ 2	▲ 18
Alumina	▲ 6	▼ -30	▼ -26	▲ 6	▼ -20	▼ -15
Crude oil	▼ -4	▼ -12	▼ -16	▼ -3	▼ -13	▼ -16
Aluminium	▲ 5	▼ -8	▼ -3	▲ 3	▼ -5	▼ -2
Lithium	▲ 7	▲ 12	▲ 20	▲ 5	▲ 14	▲ 20
Zinc	▲ 6	▼ -19	▼ -14	▲ 4	▼ -11	▼ -7
Bauxite	▼ -5	▼ -28	▼ -32	▼ -1	▼ -12	▼ -13

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

Source: ABS (2025) International Trade in Goods and Services, 5368.0; Department of Industry, Science and Resources (2025)

Macroeconomic outlook

Share of global GDP and economic growth, 2023

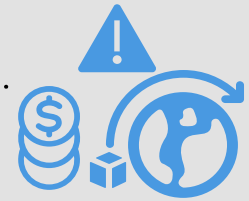
Country	China	US	EU	India	ASEAN	Japan	S Korea	Taiwan	**Australia**
Per cent share of global GDP (PPP)	19	15	15	8	5	4	2	1	1
Yearly change	▲ 5.2%	▲ 2.9%	▲ 0.6%	▲ 8.2%	▲ 4.0%	▲ 1.7%	▲ 1.4%	▲ 1.3%	▲ **2.0%**
Share of Australia's 2-way trade	30%	6%	9%	4%	10%	12%	7%	4%	–

Global overview

- Uncertainty dominates the global economic outlook with most countries receiving a downgrade in growth prospects in 2025 and 2026 from the IMF and OECD.
- Global industrial growth is expected to be weak in the second half of 2025 and pick up over the rest of the forecast period.

Global risks

- Increasing and uncertain trade barriers.
- Increased geopolitical tensions.
- Global trade and economic fragmentation.



Source: IMF; ABS; OCE

2.1 Summary

- The global macroeconomic outlook has deteriorated since the March 2025 *Resources and Energy Quarterly* because of uncertainty surrounding constantly changing but higher trade barriers.
- Stagflation risks are increasing, as slower global economic growth could coincide with higher prices associated with increased tariffs, sanctions and supply chain disruptions.
- The IMF forecasts growth of Australia's major trading partners to moderate with higher trade barriers. Any increase in global conflicts will adversely impact confidence and may thus reduce growth.

2.2 World economic outlook

Uncertainty dominates the world growth outlook

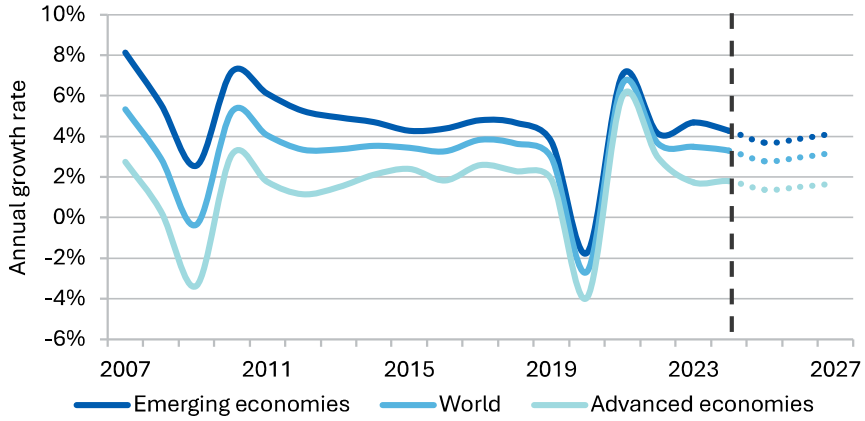
The International Monetary Fund's (IMF) April World Economic Outlook projects world economic output to fall from 3.3% in 2024 to 2.8% in 2025, before recovering to 3% in 2026. IMF global growth projections have been downgraded for nearly all countries since January (Figure 2.1). The current IMF forecast accounts for all policy announcements up to and including 2 April 2025. The OECD's June Economic Outlook also revised their growth forecasts downward to 2.9% in 2025 and 2026 due to tariffs and weak investment, noting uncertainty and deteriorating trade prospects.

Downward revisions to IMF growth projections reflect lower-than-expected growth in the December quarter 2024 and downside risks from protracted trade uncertainty. Uncertainty has been created by the imposition of the US' broad-based tariffs and the drawn-out nature of trade negotiations between major global economies.

Businesses will likely defer investments until it becomes clear where global tariff levels will settle and whether new non-tariff trade barriers will further disrupt supply chains. Consumer sentiment is also low, putting downward pressure on economic growth. IP growth in the March 2025 quarter was much lower than expected. PMI surveys suggest that industrial demand will be softer in H2 2025.

Downside risks to the outlook include further policy uncertainty and trade protection measures. However, not all tariffs are included in current forecasts and more changes are likely, which could lead to growth forecasts to surprise on the upside.

Figure 2.1: IMF GDP growth forecasts



Source: IMF (April 2025)

Trade and budget policy will impact the US economy and may slow US official interest rate cuts

Tariff announcements on 2 April 2025 led to a temporary sharp drop in equity prices and a spike in bond yields. While some of these tariff hikes have since been paused- leading to a recovery in equity markets- worries over the US fiscal outlook have kept US bond yields relatively high. In mid-May, these concerns were reinforced by Moody's downgrading of the US to one level below the 'Aaa' rating. Rising Japanese bond yields have impacted fund flows between the US and Japan. If sustained, higher US bond yields will lift mortgage rates and hurt investment and consumption.

In May 2025, the US Government announced a 90-day reduction in US-China tariffs that reversed much of the cumulative tariff increases introduced by both nations since the start of 2025. These reductions improved market expectations over the demand outlook for resources and energy commodities. However, substantial uncertainty remains around future levels of US-China tariffs.

US inflation rose in May 2025 by 2.8% year-on-year which was lower than market expectations, suggesting US companies are holding back on passing on higher tariff costs to consumers or that all impacts of tariffs have not yet. Looking ahead, upward pressure on prices will be felt by US consumers as prices rise from possible supply chain disruptions and inventories built-up ahead of the tariff hike are depleted. As a result, US official interest rate cuts are forecast to be slower than expected in the March 2025 *Resources and Energy Quarterly*.

Disinflation has stalled in most advanced and developing economies, limiting the possibility of renewed monetary and fiscal stimulus. Global services disinflation continues but has been offset by core goods inflation. China has more scope to lower interest rates and loosen fiscal settings than many other countries and is already using this scope to counteract negative trade shocks.

The IMF downgraded its world trade outlook in the April 2025 World Economic Outlook compared to the January 2025 edition. The IMF now expects world trade volumes to grow by 1.7% in 2025 (-1.5 ppt) and 2.5% in 2026 (-0.8 ppt). The downgrade reflects increased tariffs and cyclical factors that are reducing global trade volumes. Especially slower US growth and weaker global demand due to increased uncertainty in many other economies including Europe.

Growth in major trading partners to slow in 2025 and 2026, India to accelerate modestly

Assuming a reversal in the constant changes to trade barriers, the RBA forecasts GDP growth in Australia's major trading partners will fall to 2.8% by December 2025. Growth will then gradually pick up to 3.3% by the end of 2026. The outlook is weak in historical terms and reflects lower growth forecasts in China, Japan and India.

China's economy grew by 5.4% year-on-year in the March quarter 2025. Growth through the year was driven by industrial production and net exports. However, China's real estate sector continued to drag on growth. Chinese consumer demand has picked up in the last two quarters to account for about half of GDP growth over the year.

Looking forward, China's economy is forecast by the IMF to grow by 3.2% year-on-year to December 2025. China's government has set a GDP growth target of around 5% in 2025, indicating further policy support to push up domestic demand. Policy support is expected to be delivered through use of increased government spending. Policy support will lift from the planned 6.6% in 2024 to the recently announced 8% of GDP (or US$1.5 trillion.

United States annual GDP growth was negative in the March quarter 2025, the first contraction in three years. The fall follows US growth outperforming expectations for much of 2024 due to robust domestic demand, easing monetary policy and financial conditions. The IMF downgraded US GDP growth to 1.7% in 2025 (-0.9 ppt) and to 1.7% in 2026 (-0.4 ppt) with concerns of trade barrier induced supply shocks and a pickup in inflation, limiting the US Federal Reserve's ability to loosen monetary policy.

2.3 Global industrial conditions

Pre-trade barrier US imports whipsawed inventory and growth in H1 2025

Global industrial production grew 2.6% year-on-year in the March quarter 2025, a modest pickup from the 2.0% growth in the December quarter 2024 (Figure 2.2).

Global industrial production growth in the March quarter was largely driven by China. However, China's industrial production slowed in April, as the US raised tariffs on imports from China. Growth was supported by expansions in emerging Asia and high-tech export economies such as South Korea, Taiwan and Singapore. Weak and declining output in advanced economies continued to be a drag on global growth. Europe's industrial production remains weak due to high energy prices and weak consumer demand.

After strengthening in the March quarter 2025, forward indicators of global manufacturing activity have weakened in recent months. Weakness in both output and new orders in major manufacturing economies have led the JP Morgan Global Manufacturing Purchasing Managers Index (PMI) into contractionary territory in April 2025 (Figure 2.2).

Global merchandise trade rose 7% year-on-year in March 2025. This was the strongest monthly growth since the post-COVID rebound in 2021. That this strong growth was not accompanied by a commensurate upswing in global industrial production indicates a rapid buildup in inventories ahead of tariff increases.

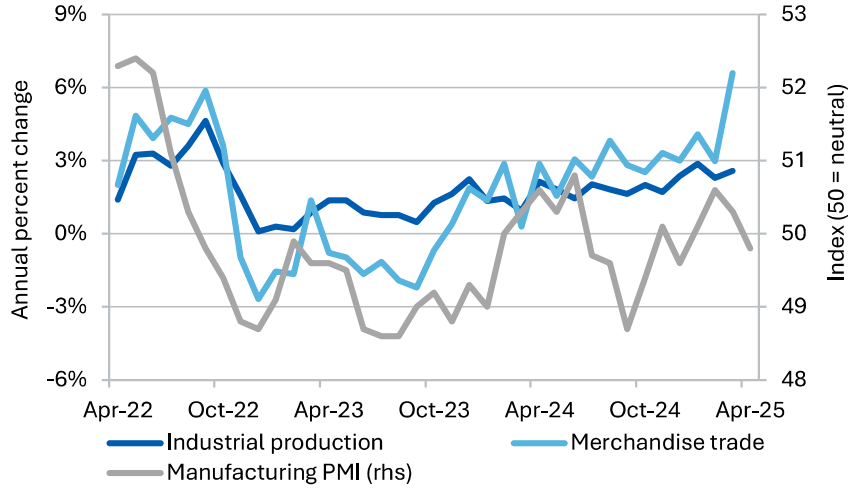
Global industrial production should grow modestly once supply chains recover from trade turmoil

Global industrial production growth is forecast to pick up over the next two years to 2.3% in 2025 and 2.7% in 2026, following 2 years of below-average growth. Despite this pickup, the growth outlook for industrial production is weaker than forecast in the March 2025 *Resources and Energy Quarterly*.

Revisions to the outlook

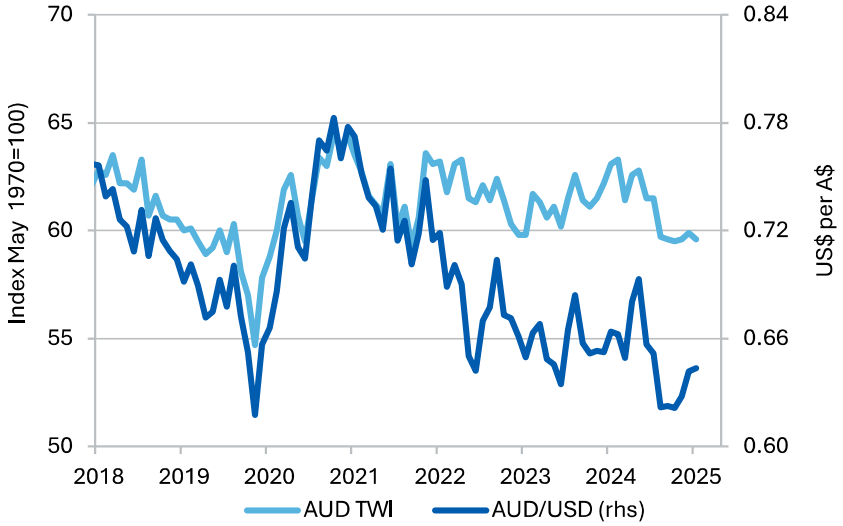
Exchange rate assumptions have been revised up. Since the release of the March 2025 *Resources and Energy Quarterly*, the forecast for the Australian dollar has been revised up to be stronger against the US dollar and in trade weighted terms. Australian export value forecasts in this *Resources and Energy Quarterly* 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 the USD weakens due to slower-than-expected disinflation. Adopting recent consensus forecasts leads to upgrades of about US$0.02 in 2025 and 2026 in AUD/USD compared with the March 2025 *Resources and Energy Quarterly*.

Figure 2.2: Manufacturing PMI vs growth in global industrial production and trade



Source: CPB Netherlands Bureau for Economic Policy Analysis (2025)

Figure 2.3: Australian trade-weighted index, US dollar exchange rate



Source: RBA (2025)

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

	2024	2025[a]	2026[a]	2027[a]
World [b]	3.3	2.8	3.0	3.2
China [c]	5.0	4.0	4.0	4.2
Japan	0.1	0.6	0.6	0.6
Republic of Korea	2.0	1.0	1.4	2.1
India [d]	6.5	6.2	6.3	6.5
ASEAN-5 [e]	4.6	4.0	3.9	4.2
Eurozone	1.1	1.2	1.5	1.6
United States	2.8	1.8	1.7	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 (2025); Bloomberg (2025)

Table 2.2: Exchange rate and inflation assumptions

	2024	2025[a]	2026[a]	2027[a]
AUD/USD exchange rate	0.66	0.64	0.68	0.70
Inflation rate [b]				
United States	3.0	3.0	2.5	2.1
	2023–24	**2024–25[a]**	**2025–26[a]**	**2026–27[a]**
Australia	4.2	2.4	2.9	2.8

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

Sources: ABS (2025); Bloomberg (2025); Department of Industry, Science and Resources (2025); IMF (2025); RBA (2025).