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Executive Summary

Consistent with previous forecasts, Australian resource and energy export earnings are forecast to decline by 5% to $369 billion in 2025–26, down from $385 billion in 2024–25. A further fall to $354 billion is forecast in 2026–27. The outlook for total resource and energy exports is little changed from the June 2025 *Resources and Energy Quarterly* (REQ) report.

World growth is relatively soft but is expected to pick up now that trading conditions have stabilised and central bank interest rate cuts impact further. Rising trade barriers – and uncertainty over the height at which these barriers will settle – are disrupting trade between the US and other nations and slowed business investment in some sectors.

While the impact of US tariff hikes is still flowing through, China's growth appears likely to continue to hold up as the authorities take measures to ameliorate the impact of US tariff hikes. The central Government is also taking action to cut/limit capacity in a number of industries (-'anti--involution' measures), including manufacturing and metal refining. The aims are to avoid the trade tensions associated with some of the output generated being exported, limit energy usage (and associated pollution) and raise business margins. Slightly lower commodity purchases by China are likely to be (at least partially) offset by higher purchases by other nations.

The gold price reached new highs in mid--September, with prices lifting above US$3,700 an ounce. The renewed strength in gold prices comes as US interest rates cuts occur – which lowers the opportunity cost of holding gold – and worries rise over the US fiscal outlook and the rate of US inflation. The gold price is forecast to remain above US$3,200 an ounce over the outlook period. Gold is expected to overtake LNG to be our second highest value export in 2025–26. Oil prices have steadied at relatively low levels as rising OPEC+ supply adds to the impact of soft global demand, which also has implications for oil-linked LNG contracts. LNG export values have been revised down from the previous two REQs. Lithium prices have risen as demand picks up and the production cutbacks of the past year or two flow through further.

Resource and energy commodity export volumes are forecast to pick up modestly before stabilising. Trading partners are balancing long-term net zero aims with short-term energy security goals, which is likely to support the demand for energy export commodities in the near term. Energy commodity demand is expected to decline over the longer term as global progress on net zero goals is achieved.

Capital expenditure in Australia's resource and energy sectors continues to lift, underscoring the favourable long-term outlook. Exploration has softened but remains at relatively high levels.

Risks to Australian export earnings forecast include:

- a larger-than-expected fallout from the rise in trade barriers;
- a rise in geopolitical tensions; and
- a rise 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

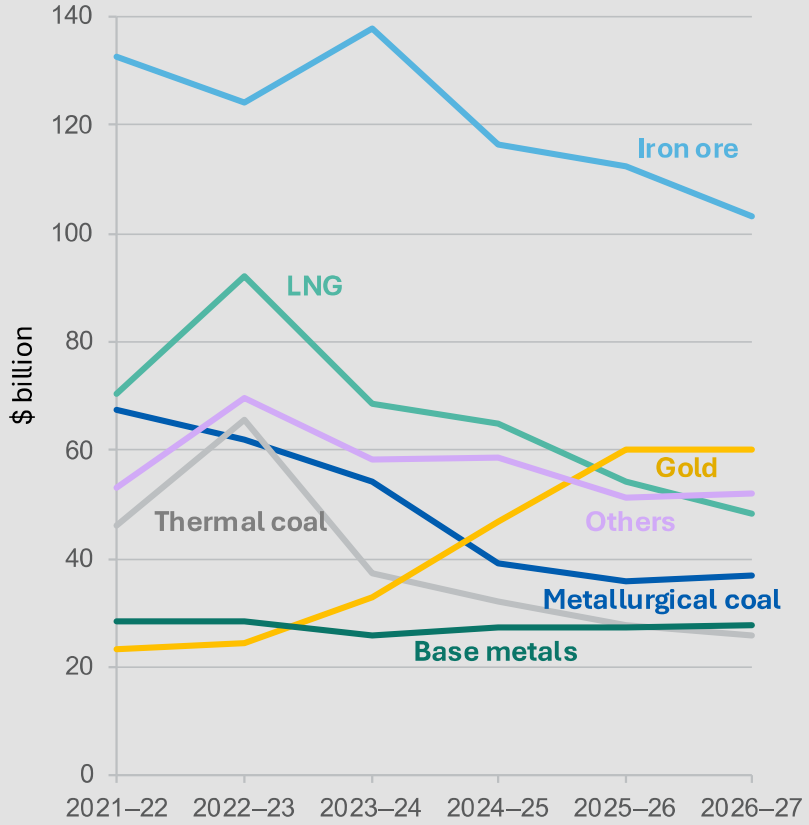
Directly employs around **300,000 people**

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

Source: ABS; DISR; OCE

Australian resources and energy exports



1.1 Summary

- The outlook for total Australian exports of resource and energy commodities is little changed from the June 2025 *Resources and Energy Quarterly* (REQ) report.
- However, the composition of exports has changed: higher prices for the growing volume of gold exports will offset the impact of weaker metallurgical coal and LNG prices in 2025–26 and 2026–27.
- From $385 billion in 2024–25, resource and energy export earnings are now forecast to ease to $369 billion in 2025–26 and then to $354 billion in 2026–27.

1.2 Macroeconomic, geopolitical and policy factors

Global outlook has stabilised

In mid-July, the International Monetary Fund (IMF) made slight upward revisions to its forecast for world growth in 2025 and 2026: growth in 2025 was raised from 2.8% to 3.0% and 2026 growth up from 3.0% to 3.1%. The upward revisions reflected several factors, including trade barriers settling at lower-than-expected levels, front-loading activity ahead of US tariffs and fiscal expansion in some major nations. Resource and energy commodity demand in Q4 2025 and in 2026 is therefore likely to be broadly as forecast in the June 2025 REQ.

Several major central banks have lowered official interest rates further since the June 2025 REQ. Apart from the US, financial conditions in the major economies are neutral rather than restrictive. Over the outlook period, a neutral to stimulatory monetary stance by the major central banks will support global economic growth and thus resource and energy commodity demand.

The absence of major retaliatory trade action against US tariff hikes, and doubts about the legality of many of those imposed so far, has lowered the risk of an escalating trade war and lifted the prospects for world growth and thus commodity demand.

The US economy is transitioning

The impact of US tariff hikes on the US economy is still in its early stages but is ultimately expected to detract noticeably from US growth and add to inflation over the outlook period, particularly in H2 2025 and 2026.

The initial impact of the US Administration's plans to raise tariffs was to bring forward US imports, with some payback as the year progressed. With US tariffs of 35% or more being imposed on exports from Canada and Brazil in August, exporters in those nations are also likely to focus on seeking alternate markets, lifting competitive pressure on Australian exporters of those same commodities.

The boost to US economic activity of strong investment in Artificial Intelligence seems to be helping offset some of the impact of US tariff hikes.

The Chinese economy will see some consolidation but still record solid growth

The Chinese economy has been growing at about 5% so far in 2025, as a strong manufacturing sector and ongoing high exports (to ASEAN in particular) offset ongoing weakness in the property sector and (related) soft domestic consumption. Some of the strength in Chinese manufacturing in H1 2025 was

the ‘front-running’ of US tariff hikes, which means H2 2025 is likely seeing some ‘pay back’.

Chinese exporters will likely be adversely impacted by higher US tariffs over the next year or so but are likely to be able to continue to divert some output elsewhere. The Chinese authorities are likely to take further policy steps to try to offset the impact of higher US tariffs.

China’s government is taking steps to close excess capacity and prevent new capacity being built in some industries. Reducing (old) capacity will help lower foreign trade tensions and improve energy efficiency. It is likely that the overhang of residential property will continue over the outlook period.

India is forecast to continue to grow at a relatively fast rate over the outlook period and so raise its consumption of (the world’s) energy and resources. The Indian Government has a target of 300 million tonnes of steel production capacity by 2030. However, the US imposition of a 50% import tariff will impact Indian exporters and thus reduce their demand for commodity inputs (some of which are imported). The current 50% tariff could halve if India halts the importation of Russian oil.

While Germany’s move to raise government spending (to improve its defence capabilities and infrastructure) will be beneficial for the demand for resource commodities, other major European economies (such as France, Italy, Spain and the United Kingdom) are somewhat fiscally constrained.

The global push to net zero is expected to continue, assisting the demand for resource commodities and low emission energy commodities (such as uranium) while constraining the demand for fossil fuels. The Indian government aims to lower fossil fuel usage by lifting solar, wind and hydro power generation, and by raising nuclear energy generation ten-fold by 2047.

Geopolitical tensions likely to impact energy markets and maintain the demand for gold

Ongoing hostilities in the Middle East and Ukraine pose risks, particularly in energy markets. The demand for safe-haven assets such as gold is likely to remain strong during the outlook period. A deal to end the fighting in Ukraine could involve sanctions relief on Russian exports and lead to a reorganisation of trade flows.

AUD expected to rise against the USD

In recent months, the AUD has traded in a relatively narrow range against the USD. The USD has steadied after falling in H1 2025: worries over the outlook for the US economy and the government’s fiscal position caused the USD falls. The AUD is expected to rise against the USD over the outlook period: deeper and faster US interest rate declines than in Australia will boost the relative attractiveness of AUD interest bearing assets.

Normal weather conditions assumed to follow wetter-than-normal conditions in 2025–26

The odds of wetter-than-normal conditions in the rest of 2025 and H1 2026 raises the risk coal production/transport disruptions on the eastern side of Australia. In recent months, the likelihood of a La Nina weather event in 2026 has risen. Weather conditions are assumed to be normal in 2027.

1.3 Export values

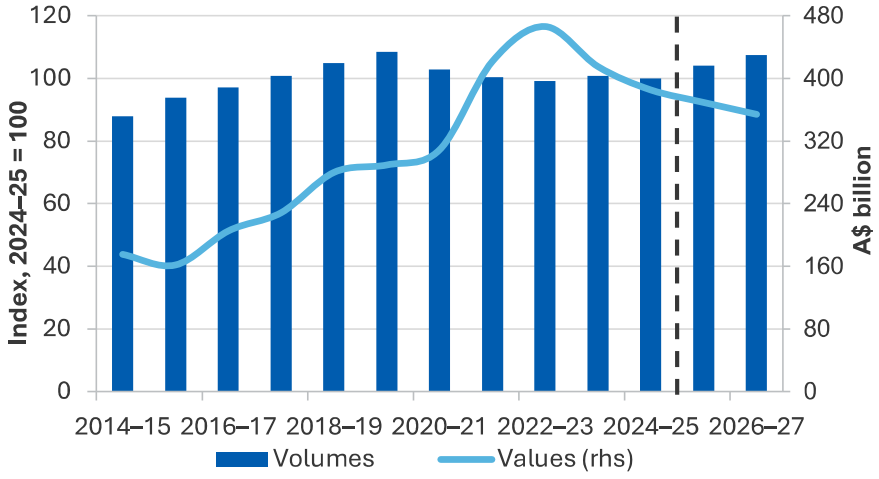
Bulk commodity price falls to lower exports in the next few years

Commodity prices generally weakened during the September quarter, mainly on worries over rising trade barriers. A 3% fall in prices outweighed the impact of a 2% rise in export volumes, resulting in a 1% fall in the Resources and Energy Export Values Index from June quarter 2025.

Since the June 2025 REQ, there has been little change to the aggregate forecasts for exports in 2025–26 and 2026–27. Weaker LNG and metallurgical coal export forecasts have offset forecasts of stronger gold exports.

Resource and energy export earnings are now forecast to be $369 billion in 2025–26 (unchanged from the June REQ forecast), down from $385 billion in 2024–25 (Figure 1.1).

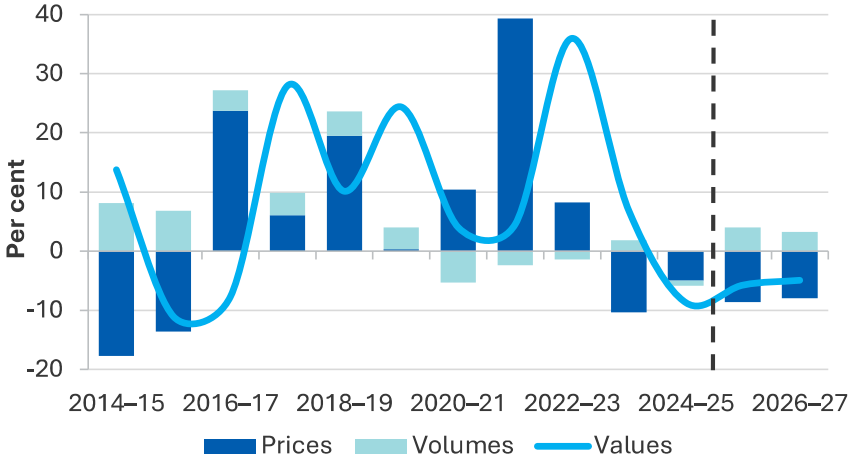
Figure 1.1: Australia's resources and energy exports



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

In 2026–27, exports are forecast to be $354 billion (down $1 billion). Lower prices will more than offset the impact of higher export volumes during the outlook period (Figure 1.2).

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)

Among resource commodities:

- **Iron ore** export earnings will still account for over 25% of all resource and energy commodities over the outlook period. With prices drifting down iron ore exports are forecast to fall by $3.9 billion to $113 billion in 2025–26 and then fall to $103 billion in 2026–27.
- **Gold** exports are expected to rise by $12 billion to $60 billion in 2025–26. Higher export volumes will add to the impact of a strong rise in prices. Gold prices are forecast to decline slightly in 2026–27, with earnings remaining around $60 billion as a rise in export volumes offsets the impact of

lower prices. Export volumes should remain strong over the outlook period.

- Rising volumes and prices are forecast lift **copper** exports from $13 billion in 2024–25 to $16 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 are forecast to fall to less than $9 billion in 2025–26.
- **Lithium** earnings are forecast to rise from $4.8 billion in 2024–25 to over $6.1 billion in 2026–27. The increase will be driven by modest and gradual rise in output and prices of lithium hydroxide.

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 from $65 billion in 2024–25 to $54 billion in 2025–26 and $48 billion in 2026–27. The fall reflects a combination of slow declines in spot prices and a rapid decline in oil prices, which feed through into LNG contracts.
- **Thermal coal** export earnings are forecast to fall gradually, from $32 billion in 2024–25 to $28 billion in in 2025–26 and $26 billion in 2026–27.
- **Metallurgical coal** exports are forecast to be steady at around $36-37 billion over the outlook period.
- **Uranium** exports are also projected to be stable over the outlook period at $1.5 billion.

1.4 Prices

Resource and energy commodity prices have generally declined since the June 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.

In Australian dollar terms, the Resources and Energy Commodity Price Index fell by 6.2% in the September quarter 2025 to be down 4.2% year-on-year (Figure 1.3). In US dollar terms, the index fell by 2% in the quarter to be down 4% year-on-year. Resource export prices (in A$ terms) were up 7% year-on-year, while energy prices fell by 17%.

Iron ore prices hit their lowest level since June 2020 in the June 2025 quarter but rebounded in the September quarter due to improved steel market sentiments and anti-involution measures in China. Despite occasional rebounds, prices are expected to drift down slightly due to abundant supply and moderating steel demand. Prices are forecast to rise to US$87 a tonne in 2025–26 from US$86 a tonne in 2024–25 and then decline to US$82 a tonne in 2026-27 (Figure 1.4).

Metallurgical coal prices remained below US$180 a tonne for most of July before recovering above US $190 a tonne in August as concerns of an oversupply of coal in China eased. Prices are expected to remain near current levels over the outlook.

Copper prices rose to average US$9,800 a tonne in the September quarter 2025, following the easing of reciprocal trade restrictions between the US and China and major mine outages. Over the outlook period, prices are forecast to rise to an average of US$10,100 a tonne in 2027; a strong, structural uplift in demand will not be matched by rising supply.

Aluminium prices have recovered the losses associated with the jump in US tariffs in early April. Alumina prices have fallen by 52% so far in 2025, due to a recovery in global supply with a large rise in Chinese output. Aluminium prices are forecast to be flat over the outlook period, as rising supply offsets the impact of growing global demand for new, energy efficient cars and technologies.

The **gold** price has been very strong in recent months, pushing above US$3,800 an ounce in September. The gain came on growing prospects of US interest rate cuts and a worsening fiscal and inflation outlook in the US. Prices are forecast to rise to 2026 and then moderate, with risks to the downside.

Spodumene concentrate prices have increased from just above US$600 a tonne in June to around US$1,000 tonne in late August, marking a recovery of almost 70%. **Lithium hydroxide** prices have seen an almost 20% recovery over the same period, rising from around US$7,550 a tonne to around US$9,000 a tonne in late August. The recovery in lithium prices reflects ongoing demand growth and production curtailments. Spodumene concentrate is expected to average US$800 a tonne in 2026 and US$925 a tonne in 2027, while lithium hydroxide should average about US$11,250 a tonne in 2026 and US$13,250 a tonne in 2027.

Nickel prices averaged US$15,276 a tonne in the first half of September 2025, trading just above five-year lows. Recent growth in nickel supply has continued to outstrip demand growth, contributing to weaker prices and growing nickel stockpiles. Stainless demand has been moderate, while battery demand has remained robust. Nonetheless, market sentiment is still weighed down by trade policy uncertainty, and larger than expected mining quota permits issued by Indonesia in Q1 2025. Beyond 2025, expectations of Indonesia tightening the issuance of mining permits in 2026 may set the environment for a gradual price recovery. Supply tightening is eventually anticipated from 2027 and may gradually push up prices to around US$18,000/t by end 2027.

Zinc prices strengthened to around US$2800 at tonne in late August after falling to below US$2,600 in early April as US tariff hikes were announced. The zinc price is expected to average US$2,740 a tonne in 2025, weaken slightly in 2026 but then rise to average more than US$2,750 a tonne in 2027.

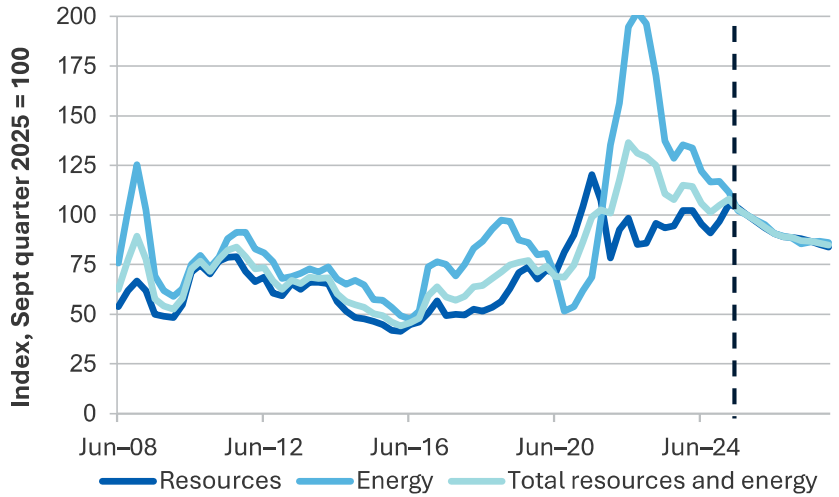
Energy prices remain relatively weak: slow world economic growth and seasonal conditions have slowed energy use and supply has risen. Since the ceasefire in hostilities between Israel and Iran, **oil (Brent)** prices have remained relatively steady at US$65–70 per barrel. Oil prices are expected to drift lower over the outlook period, as supply rises and the switch to EVs reduces oil demand.

Higher US output has pushed down **LNG** prices – from about US$15/MMbtu in early 2025 to US$11/Mmbtu in September. Price volatility across LNG markets is also likely to ease due to rising supply, though this may not become apparent until 2027.

Thermal coal prices fell to a 4 year low of $US89 a tonne in late March but have bounced back to an average of $US108 a tonne in the September quarter. Prices are expected to be stable to 2027 as demand and supply steadily fall.

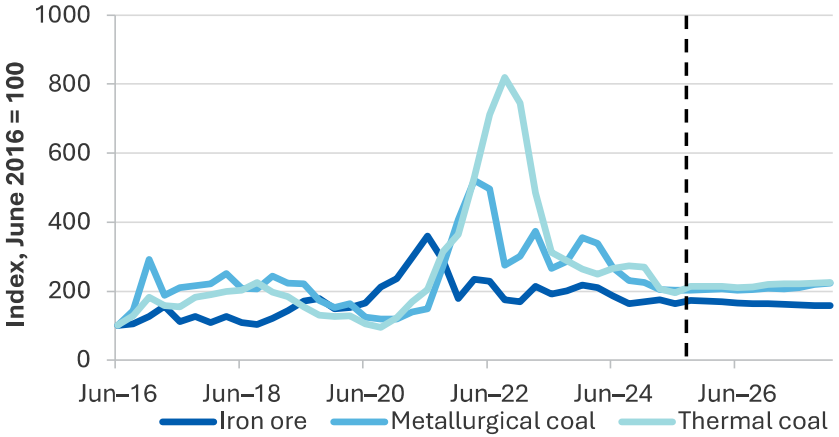
Uranium prices were relatively stable at US$70–75 a pound in the early part of the September quarter. Supply problems and higher demand are forecast to push prices up through the forecast period.

Figure 1.3: Resource and energy export prices, AUD terms



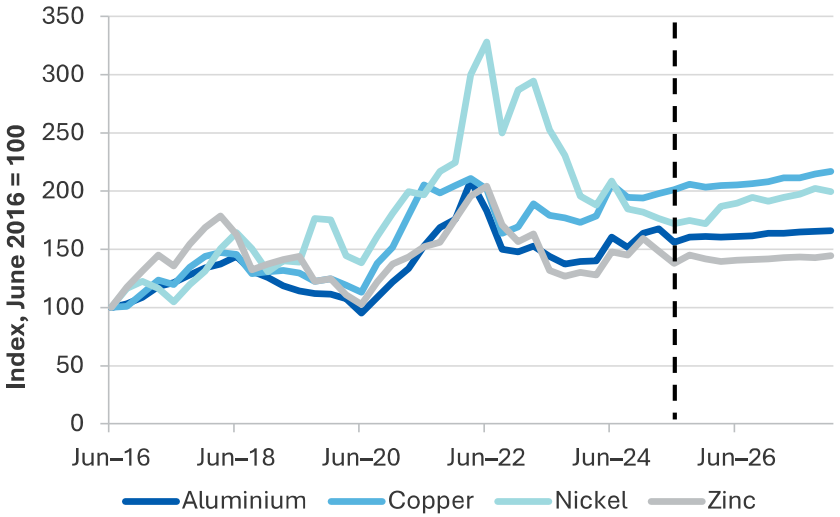
Notes: The export price index is based on Australian dollar export unit values (EUVs, export values divided by volumes); the export price index is a Fisher price Index, which weights each commodity's EUV by its share of total export values.
Source: ABS (2025); Department of Industry, Science and Resources (2025)

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)

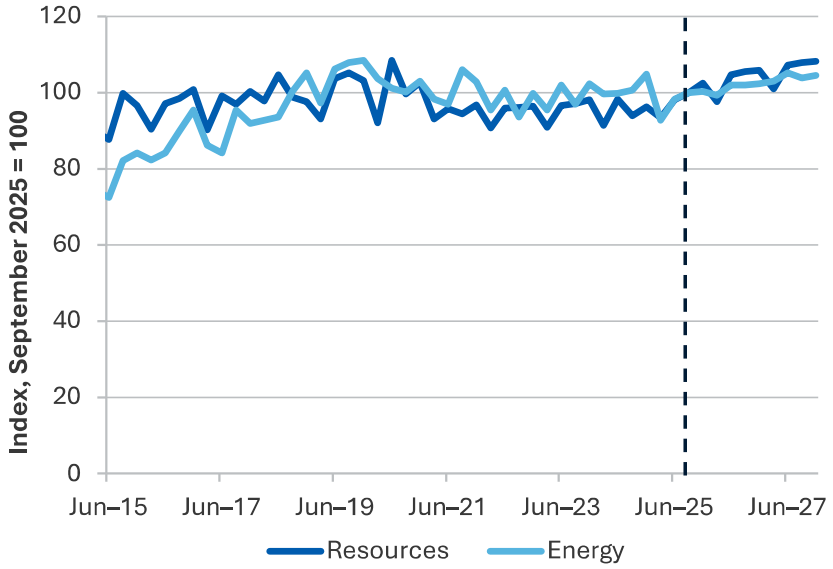
1.5 Export volumes

Export volumes strengthened in the September quarter

The Resources and Energy Export Volumes Index is estimated to have risen by 1.9% in the September quarter 2025 from the June quarter 2025 to be up 3.5% year-on-year. Resource commodity export volumes rose 6.5% over the year to September quarter 2025, but energy export volumes were 0.6% lower (Figure 1.6) largely due to bad weather.

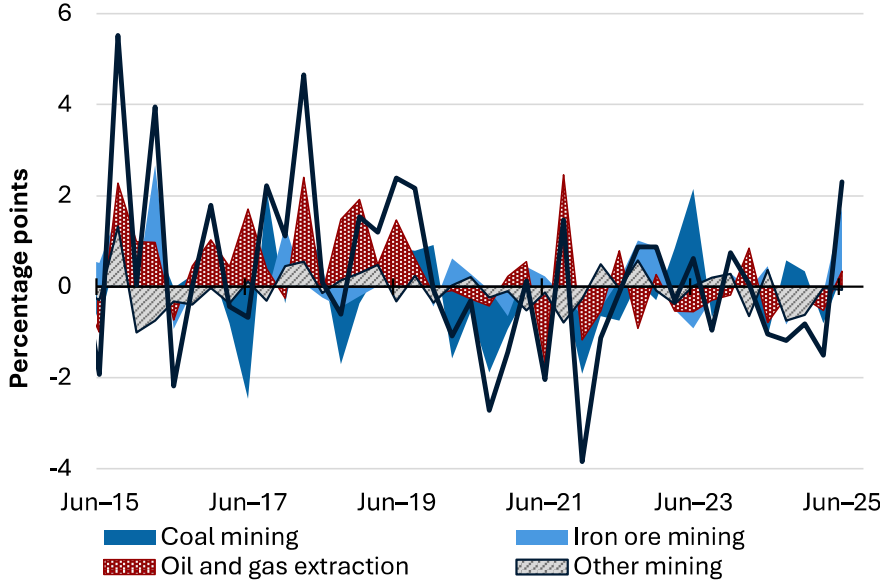
High prices for some base and precious metals should lift resource export volumes over the outlook period. However, growth in the volume of energy exports is expected to be more modest.

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)

1.6 Contribution to growth and investment

Mining output rose in the June quarter

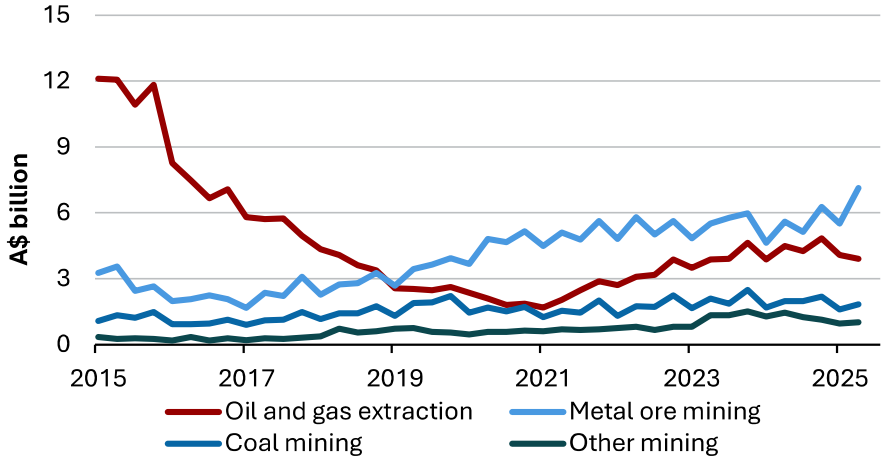
Australia's real GDP rose by 0.6% in the June quarter 2025, to be up 1.8% from a year before. Mining value-added grew by 2.3% in the June quarter and but fell by 1.2% from the June quarter last year as cutbacks in nickel and lithium production impacted (Figure 1.7).

In the quarter, iron ore mining rose by 6.1% as bad weather disruptions ended, exploration and mining support services rose by 2.3%, oil and gas extraction rose by 1.2%, coal mining rose by 0.8%, but other mining fell by 0.7%.

Quarterly mining capital expenditure has picked up

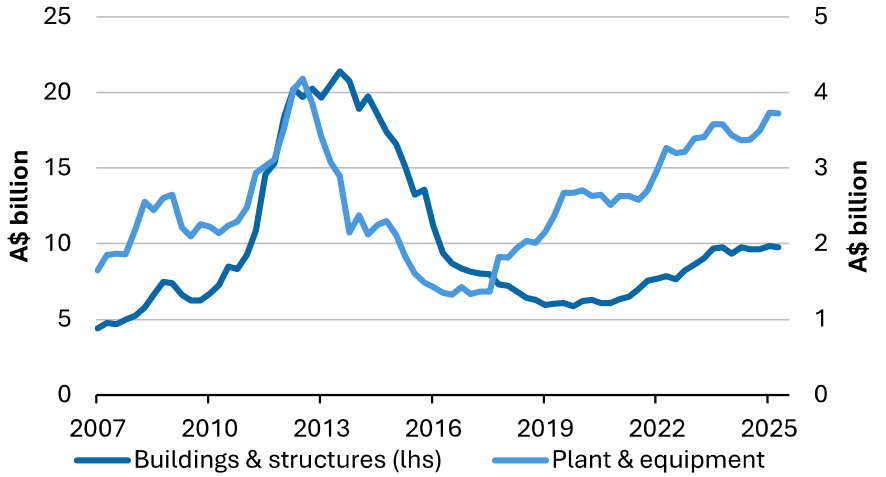
The latest ABS Capital Expenditure and Expected Expenditure survey shows that Australia's resources and energy industries invested $13.9 billion in the June quarter 2025, up 14% from the March quarter 2025 and 3% from the June quarter 2024. In non-seasonally adjusted terms, capex varied noticeably among commodities, rising for metal ore and coal mining, but falling for oil & gas (Figure 1.8). Expenditure on buildings and structures fell by 0.6% in the June quarter, while investment in plant and equipment was flat (Figure 1.9). Both categories have recovered well from the 2021 lows. Since 2017, capex on plant and machinery has been a steadily rising share of total capex. However, in recent years, spending on buildings and structures has correlated more closely with plant and equipment capex.

Figure 1.8: Mining capex by commodity, not seasonally adjusted



Notes: Other mining includes non-metallic mineral mining and quarrying, 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

Mining investment forecast to hold up in 2025–26

Total mining industry investment in 2024–25 increased by 1.2% from 2023–24 (Figure 1.10). The latest ABS capital expenditure survey suggests that 2025–26 spending will be effectively unchanged (at $53 billion), but estimates are typically revised up over time.

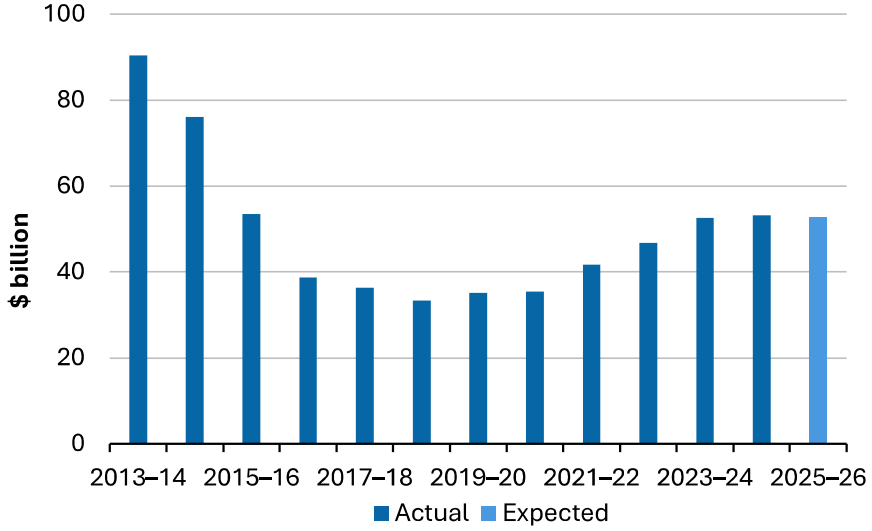
Exploration spending down, but signs of a rebound

Australian mineral and petroleum exploration expenditure was effectively unchanged in the June quarter 2025 (in seasonally-adjusted terms), to be 3% lower year-on-year. Through-the-year expenditure grew for gold (up 35%), mineral sands (up 20%) and iron ore (up 10%), but declined for other commodities.

Gold exploration has recovered from two years of decline, with recent investment responding to 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).

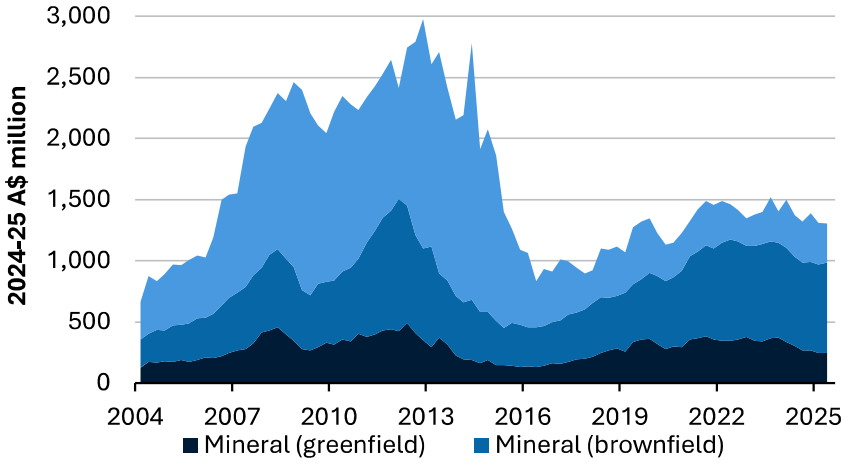
Greenfield exploration activity was largely steady in the June quarter after declining to a 7-year low in the March quarter 2025 (Figure 1.11). Drilling metres fell to a new 9-year low (Figure 1.12). Decreased activity reflects a continuation of recent trends with exploration companies (and investors) prioritising less-risky brownfield projects: relatively tight financial conditions, rising costs and economic uncertainty have reduced investment flows into the sector.

Figure 1.10: Mining industry capital expenditure, fiscal year



Source: ABS (2025)

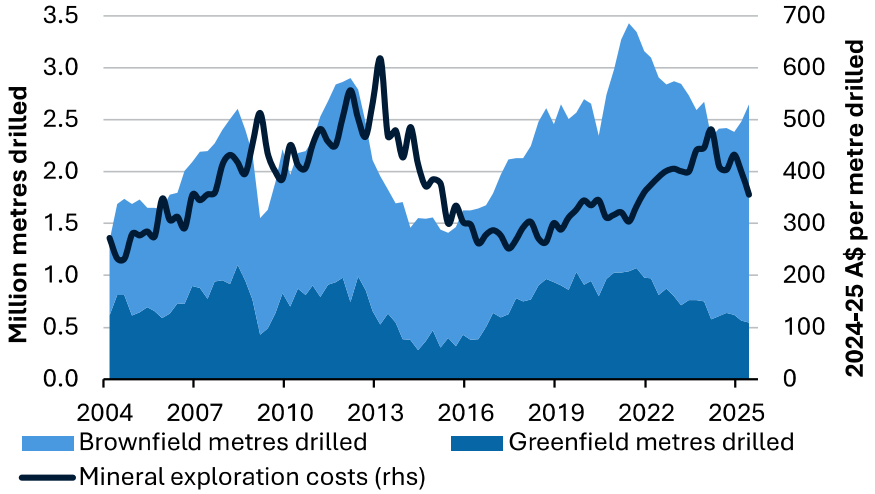
Figure 1.11: Quarterly mineral and petroleum exploration spending



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

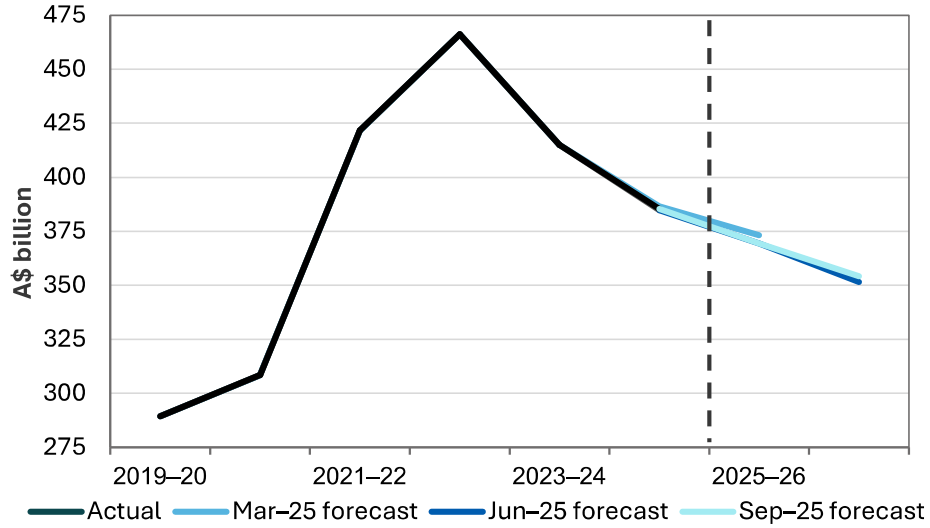
Downgrades to LNG and metallurgical coal more than offsetting higher gold exports

From $385 billion in 2024–25, resource and energy exports are now forecast to fall to $369 billion in 2025–26 – virtually unchanged from the forecast in the June 2025 REQ. The forecast for exports in 2026–27 is $2.6 billion higher at $354 billion (Figure 1.13).

A surge in the gold price has driven a substantial upward revision in gold exports in the outlook period. However, forecast weaker revenues for metallurgical coal and LNG have largely offset the upward revision to gold. The weaker revenues for 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

Exports (A$m)	2023–24	2024–25	2025–26 f	2026–27 f	2023–24	2024–25	2025–26 f	2026–27 f
Resources and energy	414,991	385,393	369,354	354,144	–11.0	–7.1	–4.2	–4.1
– real[b]	437,387	396,561	369,354	344,672	–14.6	–9.3	–6.9	–6.7
Energy	180,151	154,466	134,663	126,482	–24.5	–14.3	–12.8	–6.1
– real[b]	189,874	158,942	134,663	123,100	–27.6	–16.3	–15.3	–8.6
Resources	234,840	230,927	234,691	227,662	3.2	–1.7	1.6	–3.0
– real[b]	247,514	237,619	234,691	221,573	–0.9	–4.0	–1.2	–5.6

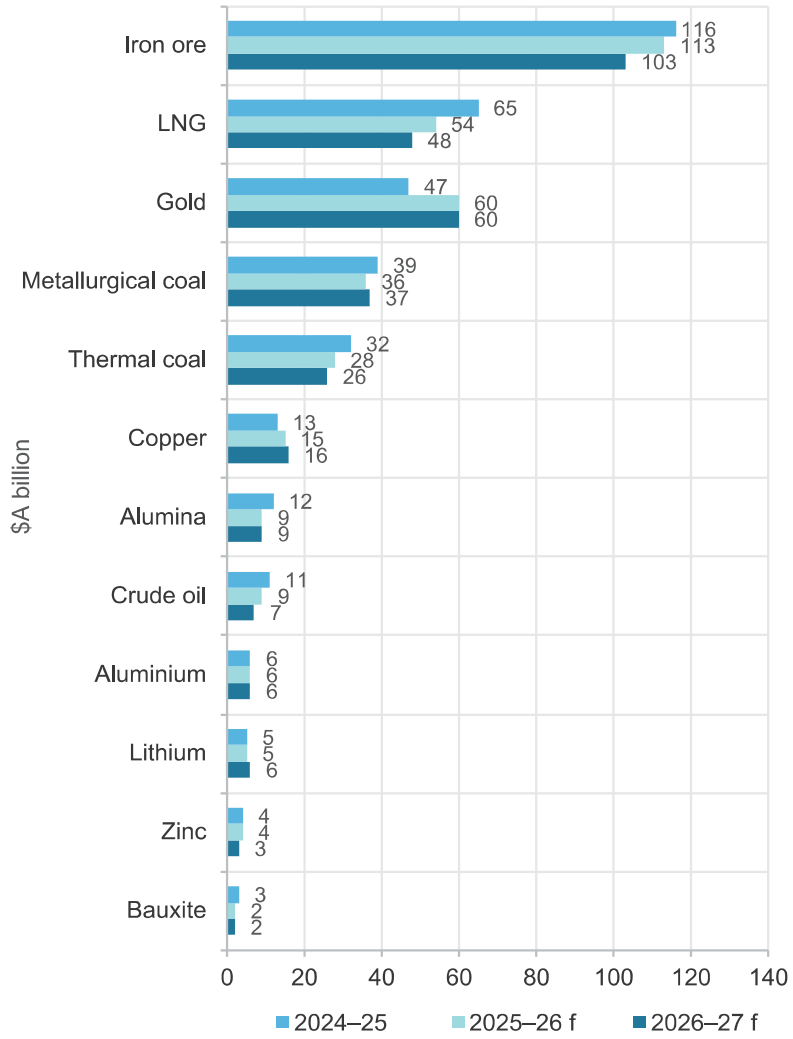
Notes: **b** In 2025–26 Australian dollars; **f** forecast.
Source: ABS (2025); Department of Industry, Science and Resources (2025).

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

	Prices				Export volumes				Export values A$b		
	Unit	2024–25	2025–26 [f]	2026–27 [f]	Unit	2024–25	2025–26 [f]	2026–27 [f]	2024–25	2025–26 [f]	2026–27 [f]
Iron ore	US$/t	86	87	82	Mt	901	918	926	116	113	103
LNG	A$/GJ	15.5	13.0	11.2	Mt	79	79	82	65	54	48
Gold	US$/oz	2,820	3,377	3,321	t	239	287	309	47	60	60
Metallurgical coal	US$/t	197	186	189	Mt	147	158	169	39	36	37
Thermal Coal	US$/t	121	109	112	Mt	205	203	201	32	28	26
Copper	US$/t	9,312	9,694	9,906	Kt	768	883	962	13	15	16
Alumina	US$/t	532	374	374	Kt	14,718	15,660	16,632	12	8.7	8.7
Crude oil [a]	US$/bbl	75	66	60	Kb/d	251	230	225	11	9	7
Aluminium	US$/t	2,508	2,524	2,566	Kt	1,460	1,549	1,552	6.0	5.8	5.6
Lithium [b]	US$/t	1,833	791	754.1	Kt LCE	474	505	524	4.8	5.4	6.1
Zinc	US$/t	2,827	2,715	2,726	Kt	1,272	1,348	1,382	4.4	3.6	3.5
Nickel	US$/t	15,760	15,939	17,146	Kt	81	58	49	2.3	1.3	1.1
Uranium	US$/lb	74	79	86	t	5,034	6,531	6,631	1.2	1.5	1.5

Notes: **a** Export data covers both crude oil and condensate; **f** forecast. **Price information:** Iron ore fob (free-on-board) at 62% 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 (6% spodumene concentrate) price. Above lithium volumes, in lithium carbonate equivalent (LCE) units, include lithium hydroxide and 6% spodumene concentrate.
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 resource and energy commodity exports



Annual per cent change

	2025–26 f			2026–27 f	
volume	EUV	value	volume	EUV	value
▲ 2	▼ -5	▼ -3	▲ 1	▼ -7	▼ -6
→ 0	▼ -16	▼ -16	▲ 1	▼ -15	▼ -14
▲ 20	▲ 7	▲ 28	▲ 14	→ 0	▲ 13
▲ 7	▼ -15	▼ -9	▲ 7	▼ -10	▼ -3
▼ -1	▼ -13	▼ -13	▼ -1	▼ -9	▼ -10
▲ 15	▲ 5	▲ 21	▲ 12	▲ 1	▲ 13
▲ 6	▼ -33	▼ -28	▲ 6	▼ -20	▼ -15
▼ -8	▼ -14	▼ -21	▼ -5	▼ -14	▼ -19
▲ 6	▼ -8	▼ -3	▲ 3	▼ -6	▼ -3
▲ 7	▲ 4	▲ 11	▲ 5	▲ 7	▲ 13
▲ 6	▼ -24	▼ -19	▲ 4	▼ -15	▼ -11
→ 0	▼ -39	▼ -39	▲ 1	▼ -19	▼ -18

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, 2024

Country	China	US	EU	India	ASEAN	Japan	S Korea	Taiwan	**Australia**
Per cent share of global GDP (PPP)	**20%**	**15%**	**14%**	**9%**	**5%**	**3%**	**2%**	**1%**	**1%**
Yearly change	▲ 5.0%	▲ 2.8%	▲ 1.2%	▲ 6.5%	▲ 4.6%	▲ 0.2%	▲ 2.0%	▲ 4.3%	▲ **1.0%**
Share of Australia's 2-way trade (2023-24)	26%	10%	9%	4%	15%	9%	6%	3%	–

Global overview

- Growth prospects have been revised slightly up in 2025 and 2026 for most countries by the IMF, but uncertainty still dominates the global economic outlook.
- Global manufacturing is expected to hold steady over the outlook period with a slight dip in 2026 as trade fragmentation impacts flow through.

Global risks

- Ongoing trade policy uncertainty.
- Increased geopolitical tensions.
- Global trade and economic fragmentation.

Source: IMF; ABS; OCE

2.1 Summary

- After two quarters of downward revisions to the world growth outlook, the global macroeconomic outlook has stabilised as trade policy settles. Risks are still tilted to the downside with persistent uncertainty and geopolitical tensions continuing.
- Overall global inflation expectations remain steady since the June REQ. Disinflation is expected to continue in most countries over the outlook period given cooling demand and falling energy prices, except for the US where inflation is expected to pick up as tariffs flow through to domestic prices.
- Economic growth in Australia's major trading partners to improve over the outlook, with China in particular faring better than expected after tariff measures.

2.2 World economic outlook

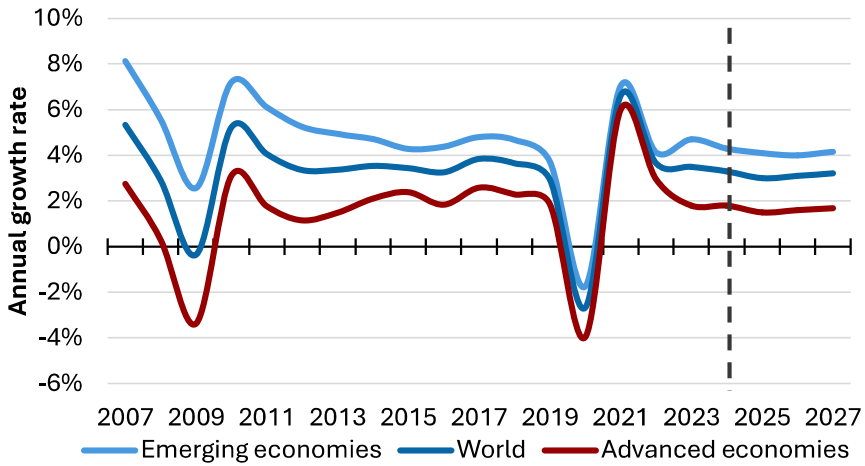
The global outlook has improved in recent months, amidst lower-than-expected tariff measures

The International Monetary Fund's (IMF) July World Economic Outlook Update projects growth in world economic output to fall from 3.3% in 2024 to 3.0% in 2025, before recovering to 3.1% in 2026, with growth to climb to 3.2% in 2027 (Figure 2.1).

The slight upgrade to the IMF's April outlook and reflects the impact of business actions to help cope with rising trade barriers, easier financial conditions (including a weaker US dollar), and expansionary fiscal policy in some nations. The front-loading activity by firms ahead of tariff hikes, though distortionary, helped push March quarter growth 0.3 percentage points above IMF forecasts.

The IMF July update also revised its outlook for growth in world trade. World trade in 2025 is forecast to grow by 2.6% (+0.9 ppt) but downward for 2026 to 1.9% (-0.6ppt). The latter reflects the impact of rising trade barriers.

Figure 2.1: IMF GDP growth forecasts



Source: IMF World Economic Outlook Update (July 2025)

Changes to the outlook for trade reflect the front-loading activity seen in H1 2025, with trade falling subsequently as inventories are run down. The slowed growth of global trade volumes is dampened by the lower-than-expected US effective tariff rate, which was around 17% in June 2025, down from the peak of around 30% in April 2025. Retaliation from other nations to US trade measures has been limited, with many major economies coming to trade agreements. Risks to global GDP growth remain weighed to the downside, with the possibility of increased trade tensions and lack of clarity in announced trade agreements.

The path of global inflation is unchanged in aggregate from the June 2025 REQ, but this masks changes at the country-level.

Tariffs are expected to be passed on to consumers gradually in the US increasing inflation in H2 2025, while other nations will face a negative demand shock from tariffs cooling inflationary pressures.

China's growth has exceeded expectations in 2025, with exports strong but consumption and housing still weak

The Chinese economy has remained resilient to trade disruptions and grew by 5.2% year-on-year to the June quarter 2025, exceeding expectations.

US tariff hikes drove a decrease in Chinese exports to the US but Chinese exports remain competitive elsewhere (notably the EU and ASEAN) with growing Chinese export volumes in H1 2025 (Figure 2.4). A drop in Chinese imports over the last two quarters reinforced other signs of weak consumer sentiment, largely driven by the ongoing weakness in the property market.

Economic growth is expected to meet targets set by China's government of 5% a year to 2027. Chinese policymakers still have significant space for stimulus measures to counter the negative impacts of tariffs, weak consumer sentiment and property sector weakness. Any government fiscal stimulus will likely be aimed at strategic objectives such as boosting productivity and self-sufficiency.

In early March, the Chinese government announced plans to restructure the steel industry by reducing production due to overcapacity and low profitability pressures. Changes to the steel industry are part of a broader Chinese economic policy known as 'anti-involution', measures to reduce excessive competition within sectors of the Chinese economy that can lead to a race to the bottom on prices and quality of goods.

The steel sector in China had already begun efforts to address overcapacity in the first half of 2025. During this period, steel production in China decreased by approximately 2.4% year on year, primarily driven by a 6.9% and 9.2% reduction in May and June, respectively.

Growth of Australia's major trading partners to improve over the outlook period

Reserve Bank of Australia forecasts GDP growth in Australia's major trading partners to slow over H2 2025 and into 2026.

The IMF revised Japan's GDP growth slightly up for 2025 however weak consumer demand persists and exports volumes have not improved since 2021 with growth remaining under 1% over the outlook period. Republic of Korea (ROK) growth was revised down by the IMF in 2025 to 0.8% (-0.2 ppt) but will bounce back to 1.8% in 2026 (+0.4 ppt). Over the outlook ROK's growth is forecast to pick up to 2.5% from 2029.

India's business activity has expanded strongly in 2025. With India currently Australia's fifth-largest export market and in the top five markets for our largest three resource and energy exports. India's growth is heavily driven by growth in domestic consumer spending, which has been boosted by three rate cuts in 2025.

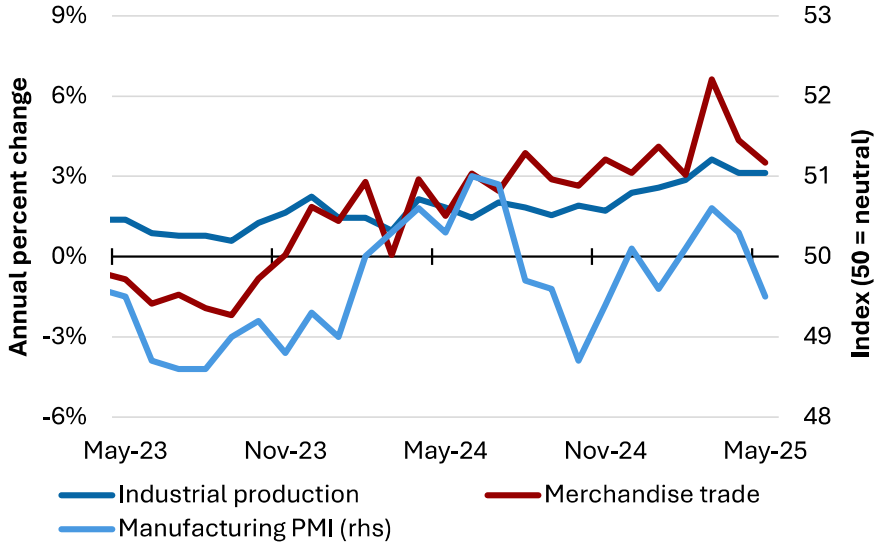
The IMF has revised up India's growth in both 2025 (+0.2 ppt) and 2026 (+ 0.1ppt) to 6.4%, with forecast growth of 6.5% in 2027.

2.3 Global industrial conditions

Conditions normalise as tariffs take effect, and businesses adjust to new settings

Actions taken by firms to mitigate the impact of US tariff hikes by front-loading inventories, has distorted global industrial activity in the first two quarters of 2025 (Figure 2.2). Global industrial production grew by 2.8% year-on-year in the June quarter, up from 2.5% in the March quarter. Global merchandise trade has begun to recede from high levels seen during the March quarter 2025 to around the level of December 2024, and the global manufacturing PMI (a leading indicator of global industrial production) contracted in April and May 2025 (Figure 2.2).

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



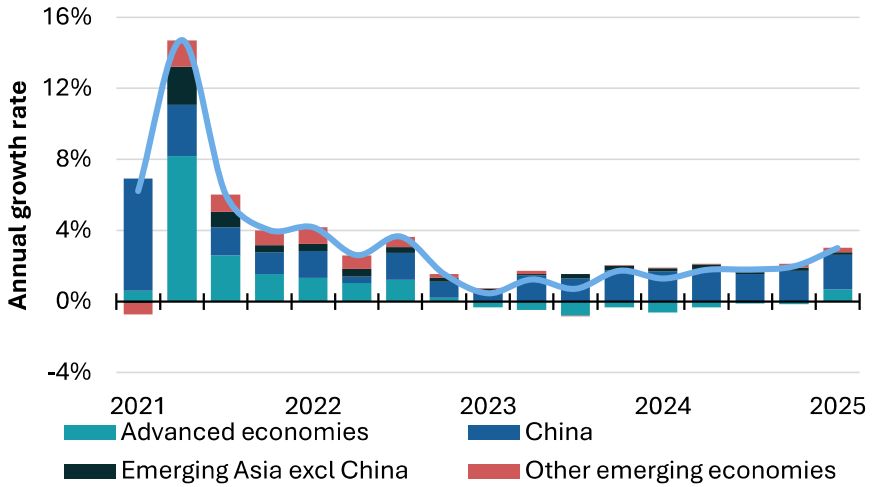
Source: CPB Netherlands Bureau for Economic Policy Analysis (2025)

In the March 2025 quarter, growth in global industrial production and merchandise trade was driven largely by China, where exporters boosted sales before US tariff hikes took effect. Growth was also supported by advanced economies including the US, Japan and the Euro area (Figure 2.3 and 2.4).

Global industrial production is forecast to continue growing at the current level of 2.8% until 2026, when it will ease to 2.4% as the impact of US rising trade barriers hits home fully. Growth in industrial production should pick up to 2.8% in 2027.

Recent data suggests that Chinese manufacturing may contract in coming months, with US and India picking up. China's official manufacturing Purchasing Managers Index (PMI), which is a leading indicator for industrial production, rose from a contractionary 49.3 reading in July to 49.4 in August (with 50 being neutral). August marked the fourth consecutive month of contractionary Chinese manufacturing PMI.

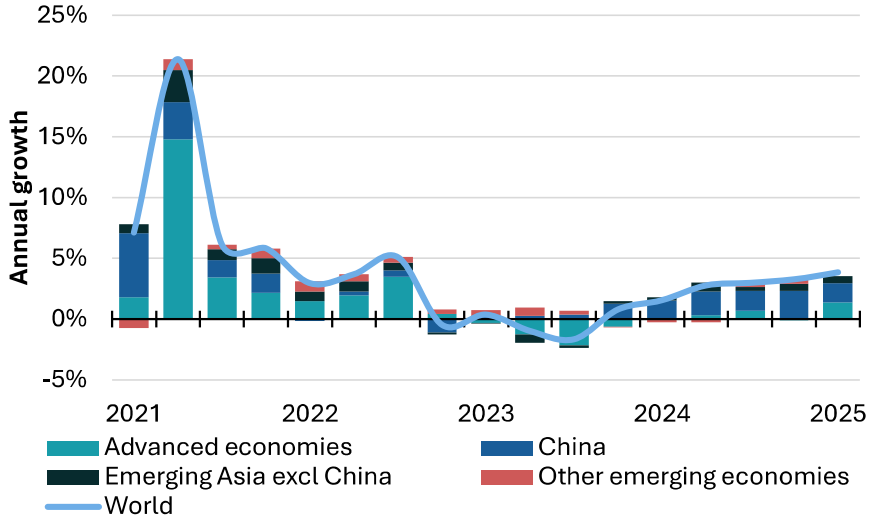
Figure 2.3: Contributions to growth of industrial production



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

Meanwhile, the S&P US Flash PMI suggests that US business activity grew at the fastest pace recorded so far in 2025 in August, up to 55.4 in August (preliminary) from 55.1 in July. The flash US Manufacturing PMI rose from 49.8 in July to 53.3 in August 2025. In August 2025, the HSBC Composite Purchasing Managers Index (PMI) for India hit an all-time high of 65.2.

Figure 2.4: Contributions to growth of global exports

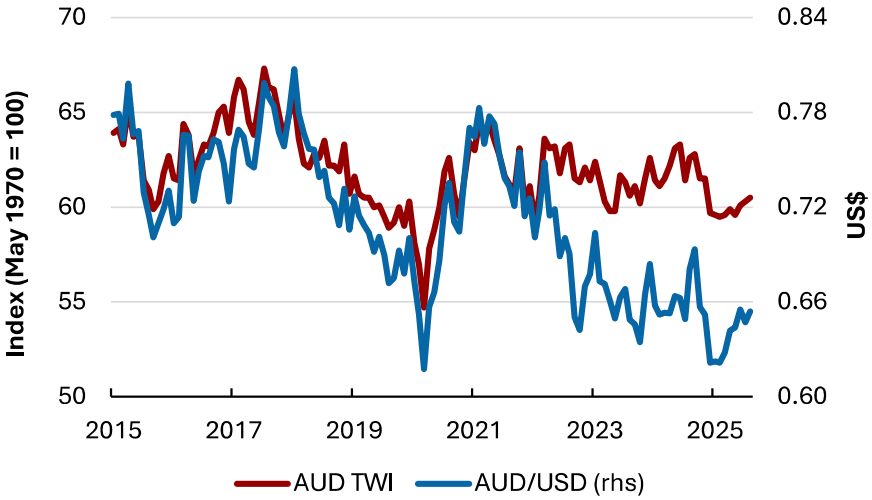


Source: CPB Netherlands Bureau for Economic Policy Analysis (2025)

2.4 Revisions to the outlook

Since the release of the June 2025 *Resources and Energy Quarterly*, the forecast for the Australian dollar has been revised up to be stronger against the US dollar. 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. The outlook for the USD is clouded by rising US trade barriers and a worrying fiscal outlook. Adopting recent consensus forecasts leads to upgrades of about US$0.01 in 2025 and 2026 in AUD/USD compared with the June 2025 *Resources and Energy Quarterly*.

Figure 2.5: Australian trade-weighted index, US dollar exchange rate (monthly)



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**	**3.0**	**3.1**	**3.2**
China [c]	5.0	4.8	4.2	4.2
Japan	0.2	0.7	0.5	0.6
Republic of Korea	2.0	0.8	1.8	2.1
India [d]	6.5	6.4	6.4	6.5
ASEAN-5 [e]	4.6	4.1	4.1	4.2
Eurozone	1.2	1.3	1.4	1.6
United States	2.8	1.9	2.0	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	0.65	0.69	0.71
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	2.7

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).