Australian Government
Department of Industry, Science and Resources

Office of the Chief Economist

Resources and Energy Quarterly

December 2025

industry.gov.au/REQ

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.

Editor

David Thurtell

Chapter Authors

- Resource and energy overview: David Thurtell
- Macroeconomic overview and gold: Shuchita Pota
- Iron ore: Sabrina Tabassum
- Metallurgical coal: Dan Dwyer
- Thermal coal: Ryan Spencer
- Gas: Mark Gibbons
- Oil and uranium: Sufyan Saleem
- Aluminium, alumina and bauxite: Andy Lee
- Copper and Zinc: Eshaq Farahmand
- Nickel: Jacob Rossi
- Lithium: Karol Andrzejewski
- Other critical minerals: Steve Smith

Acknowledgements

The authors would like to acknowledge the contributions of Crystal Ossolinksi, Kate Penney , Peter Harris, Andrew Nash, Selene Palmer, Millie Menzies, Renee Jensen, Sam George-Allen and Ebi Ghasemi.

Cover image source: Getty Images

ISSN 1839-5007

Vol. 15, no. 3

© Commonwealth of Australia 2025

Ownership of intellectual property rights

Unless otherwise noted, copyright (and any other intellectual property rights, if any) in this publication is owned by the Commonwealth of Australia.

Creative Commons license

Attribution 4.0 International License CC BY 4.0

All material in this publication is licensed under a Creative Commons Attribution 4.0 International License, with the exception of:

- the Commonwealth Coat of Arms
- content supplied by third parties
- logos
- any material protected by trademark or otherwise noted in this publication.

Creative Commons Attribution 4.0 International License is a standard form license agreement that allows you to copy, distribute, transmit and adapt this publication provided you attribute the work. A summary of the license terms is available from https://creativecommons.org/licenses/by/4.0/.

Wherever a third party holds copyright in material contained in this publication, the copyright remains with that party. Their permission may be required to use the material. Please contact them directly.

Attribution

Content contained herein should be attributed as follows:

Department of Industry, Science and Resources, Commonwealth of Australia Resources and Energy Quarterly December 2025

The Commonwealth of Australia does not necessarily endorse the content of this publication. Requests and inquiries concerning reproduction and rights should be addressed to req@industry.gov.au.

Disclaimer

The views expressed in this report are those of the author(s) and do not necessarily reflect those of the Australian Government or the Department of Industry, Science and Resources.

This publication is not legal or professional advice. The Commonwealth of Australia does not guarantee the accuracy or reliability of the information and data in the publication. Third parties rely upon this publication entirely at their own risk.

Contents

Executive Summary

This *Resources and Energy Quarterly* (REQ) provides a succinct update on market conditions for Australia's major resource and energy exports and explains major developments since the September 2025 REQ. The March 2026 REQ will provide detailed commentary of developments in global commodity markets and effects on the Australian outlook and operations, with an updated 5-year forecast.

Since the September 2025 REQ, forecasts have been revised substantially upwards reflecting surging gold prices, resilient iron ore prices and the failure of the Australian dollar to rise against the US dollar as forecast. Resource and energy earnings, while below the peak in 2022–23, remain robust in historical terms. Australian resource and energy exports are now forecast to decline by just 0.6% to $383 billion in 2025–26, down from $385 billion in 2024–25. A further fall to $374 billion is forecast in 2026–27. This represents upward revisions of $14 billion and $20 billion, respectively. Export volume forecasts are unchanged: volumes are expected to rise modestly over the next 2 years to reach close to historic peaks.

Relatively weak world growth in the last quarter of 2025 impacted adversely on commodity demand. These conditions are expected to remain in 2026 before picking up modestly in 2027, as interest rate cuts support growth and the impact of 2025 tariff hikes fades.

Investment weakened in China – partly due to US tariffs and Chinese government 'anti-involution' measures – and the property sector is in its fourth year of decline. However, China appears likely to reach target growth rates as exports stabilise and the government takes actions to support growth. The Chinese government has lifted infrastructure spending and acted to boost investment by providing funding to Chinese policy banks.

Export earnings are supported by a rise in the gold price, which set a record above US$4,300 an ounce in October. The spike followed concerns over a fresh hike in trade barriers between the US and China, and as speculation grew of further interest rate cuts by the US Federal Reserve. The gold price forecast has been revised up: we now expect gold to remain above US$3,500 an ounce over the outlook period. Oil prices have declined further because of rising supply and weak global demand. This oil price weakness will have implications for oil-linked LNG contracts; LNG export values were revised down slightly from the previous REQ. Lithium prices have risen as the demand for batteries for power storage picks up and supply has moderated. Lithium price forecasts have been raised commensurately.

Capital expenditure in Australia's resource and energy sectors continues to rise, in line with the favourable long-term outlook. Exploration has lifted, driven by spending on oil/gas and gold.

Risks to the Australian export earnings forecast include:

- a larger-than-expected fall in world trade due to the 2025 rise in world trade barriers
- wetter-than-normal weather conditions inhibiting the production and transportation of coal on the east coast of Australia as a mild La Niña climate episode coincides with the Indian Ocean Dipole hitting very low levels
- a rise in geopolitical tensions
- a rise in global bond yields linked to country debt and/or heightened inflation concerns.

Overview

Australia's resources and energy sector

Contributes around **11% of GDP**

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

Directly employs around **300,000 people**

Outlook

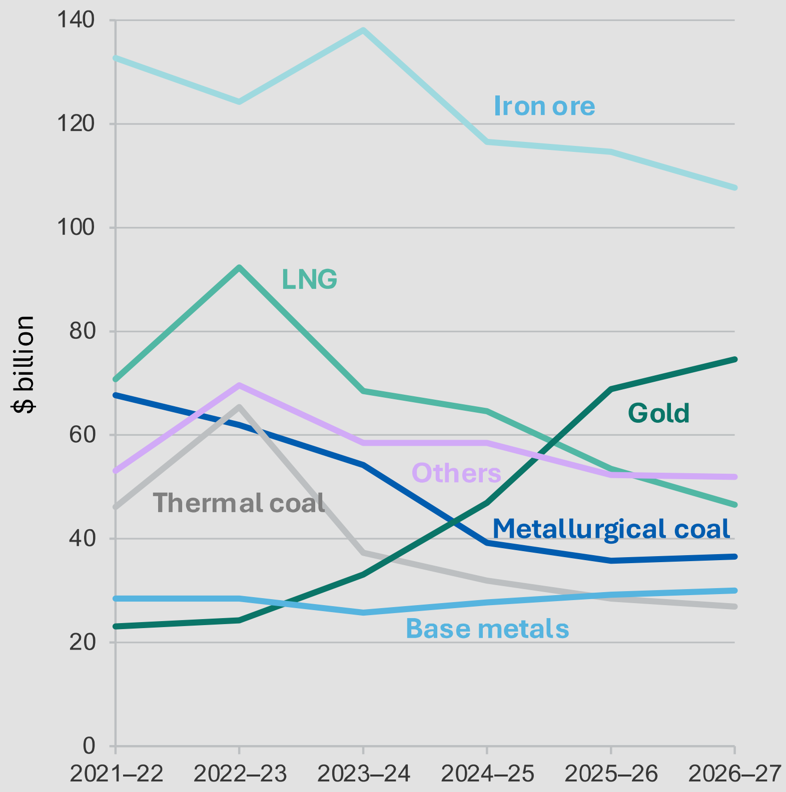
Near-term outlook for resource and energy exports is for further normalisation

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 outlook for total Australia's exports of resource and energy commodities has improved markedly since the September 2025 *Resources and Energy Quarterly* (REQ) report was released.
- Slower world growth in 2025 due to uncertainty and heightened trade barriers has adversely impacted commodity demand. But growth has been, and will be, supported by easier monetary and fiscal policy, and by investment driven by rising artificial intelligence (AI) usage and the energy transition.
- From $385 billion in 2024–25, export earnings are now forecast to ease to $383 billion in 2025–26 and then to $374 billion in 2026–27. Gold exports are rising rapidly, iron ore exports have held up better than expected and the AUD/USD has not risen as expected.

1.2 Macroeconomic, geopolitical and policy factors

The near-term outlook for world growth remains weak

In mid-October, the International Monetary Fund (IMF) revised its forecast for world growth in 2025 from 3.0% to 3.2%. Forecast growth in 2026 was left unchanged at 3.1% as the effects of this year's hike in trade barriers are fully realised. The IMF forecasts growth of 3.2% in 2027.

The US Federal Reserve has lowered official US interest rates further since the September 2025 REQ, while other major central banks appear to have (nearly or completely) finished easing monetary policy. Over the outlook period, a neutral to stimulatory monetary stance by the major central banks will support global economic growth and thus commodity demand.

The global shift to net zero is expected to continue, supporting demand for metals and low emission energy commodities (such as uranium) while constraining the demand for fossil fuels. Rising AI usage will lift copper demand as data centres are built.

Tariffs and lower migration have hurt US growth

Tariff hikes and a sharp fall in net migration in 2025 appear to have slowed US employment growth, especially in H2 2025. The full impact of these two factors is expected to flow through in 2026, offset somewhat by easing monetary policy and ongoing investment in AI. The recent Federal Government shutdown was the longest in history and affected both economic activity and the collection and dissemination of economic data, making it more difficult to get an accurate reading on the underlying strength of the US economy over the past few months.

China is adjusting to the impact of US tariffs

China's growth appears to have slowed in recent months, as falling investment and flatter exports add to the impact of a weak property sector. The government's consumer goods trade-in program has helped support consumption as disinflation threatens to turn into deflation. The impact of higher US tariffs on Chinese exports is still playing out; margin cuts mean some tariffs haven't been fully passed on, reducing their impact. China is also exporting more goods to the US via other nations. The government's anti-involution measures have contributed to the economic slowdown and may soon include more base metals: China's Nonferrous Metals Industry Association has recently advocated controls on new copper smelters.

India is forecast to continue to grow at a relatively fast rate over the outlook period. India and the US appear to be close to reaching a trade deal, which could sharply lower the current (50%) tariff imposed on US imports of Indian goods.

Geopolitical tensions likely to maintain gold demand

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

AUD expected to rise against the USD

In recent months, the AUD declined modestly against a resurgent USD. The USD has gained ground as markets wind back expectations of numerous further cuts in the US Fed Funds rate. Having already cut interest rates in recent months, the US Fed appears slightly less concerned about a weakening in the US economy than a few months ago, and is still keen to contain the impact of tariff hikes on US inflation. The AUD/USD is expected to rise over the outlook period, driven by an improving interest rate differential and strong commodity earnings.

Wetter weather conditions assumed in 2025–26

The odds of wetter-than-normal conditions in 2026 have raised the risk of coal production/transport disruptions on the eastern side of Australia. A mild La Niña climate episode is underway, and the Indian Ocean Dipole has pushed below 'wetter' threshold levels. Weather conditions are assumed to be normal in 2026–27.

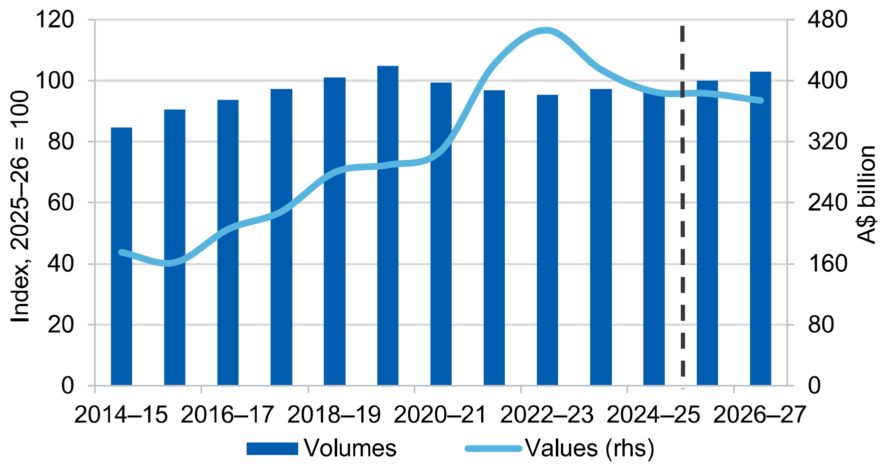
1.3 Export values

Surging gold exports offsetting weaker bulks revenues

Commodity prices generally rose during the December quarter. The standout move was gold rising above US$4,300 an ounce. The Resources and Energy Export Values Index rose 1.2% from September quarter 2025 reflecting a 1.1% rise in prices and a 0.5% rise in export volumes.

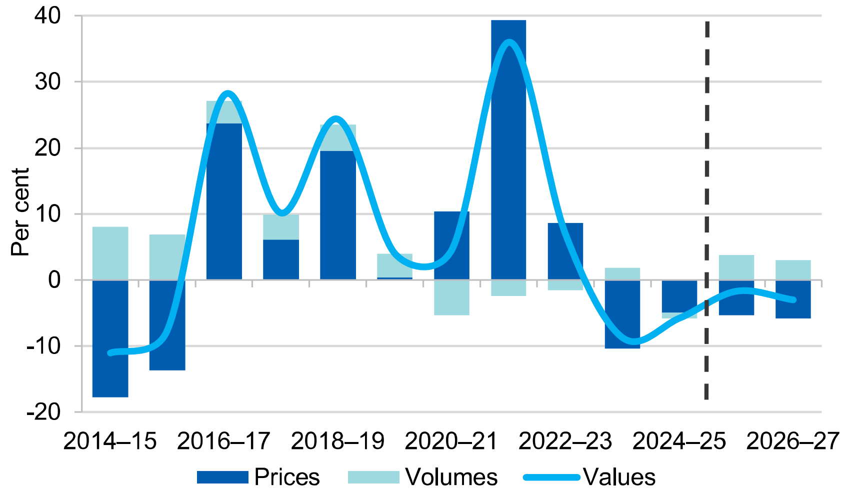
There has been a sharp upward revision to the forecasts for total resource and energy exports in 2025–26 and 2026–27. This is the result of surging gold exports, unexpected resilience in iron ore prices, and the AUD not rising against the USD in line with consensus forecasts. Exports are now forecast at $383 billion in 2025–26 – up $14 billion from the September 2025 REQ forecast (Figure 1.1). In 2026–27, exports are forecast to be $374 billion (up $20 billion). Price falls will offset the impact of higher export volumes over the forecast period (Figure 1.2).

Figure 1.1: Australia's resources and energy exports



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

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 continue to account for over 25% of all resource and energy commodities in the outlook period. With prices falling, exports are forecast to fall by $2 billion to $114 billion in 2025–26 and to $107 billion in 2026–27.
- **gold** exports are expected to rise by 47% to $69 billion in 2025–26, driven by higher exports and a strong rise in prices. The average gold price is forecast to rise in 2026–27, with earnings consequently increasing to $74 billion.
- rising volumes and prices are forecast to lift earnings from **copper** exports from $12.6 billion in 2024–25 to $17.6 billion in 2026–27.
- **alumina** earnings are forecast to fall 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 $8 billion in 2025–26.
- **aluminium** exports are forecast to be flat at just over $6 billion, with upside risk.
- **lithium** earnings are forecast to rise from $4.8 billion in 2024–25 to over $6.8 billion in 2026–27. The increase will be driven by modest rise in output and spodumene prices at the end of the outlook period. Higher lithium hydroxide production and exports will have a positive impact on export earnings.

Energy exports are set to decline over the outlook period, driven by lower thermal coal, LNG and oil exports.

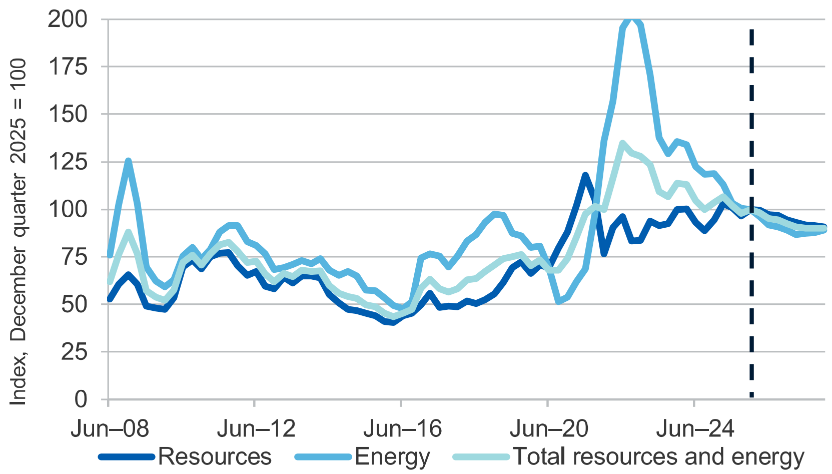
- **LNG** export earnings are forecast to fall from $65 billion in 2024–25 to $53 billion in 2025–26 and $47 billion in 2026–27. The fall reflects a combination of slow declines in spot prices and a rapid decline in oil prices, which feed through into LNG contracts.
- **Thermal coal** export earnings are forecast to fall gradually, from $32 billion in 2024–25 to $29 billion in 2025–26 and $27 billion in 2026–27.
- **Metallurgical coal** exports are forecast to be steady at around $36-37 billion over the outlook period.
- **Uranium** exports are projected to be stable over the outlook period at around $1.5 billion.

1.4 Prices

Resource and energy commodity prices have generally risen since the September 2025 REQ. Commodity markets have responded positively to the relatively smooth adjustment to higher trade barriers, and to easing monetary conditions.

In Australian dollar terms, the Resources and Energy Commodity Price Index rose by 1.2% in the December quarter 2025 to be down 3.8% year-on-year (Figure 1.3). In US dollar terms, the index rose by 2% in the quarter to be down 3% year-on-year. Resource export prices (in A$ terms) were up 5% year-on-year, while energy prices fell by 16%.

Figure 1.3: Resource and energy export prices, AUD terms



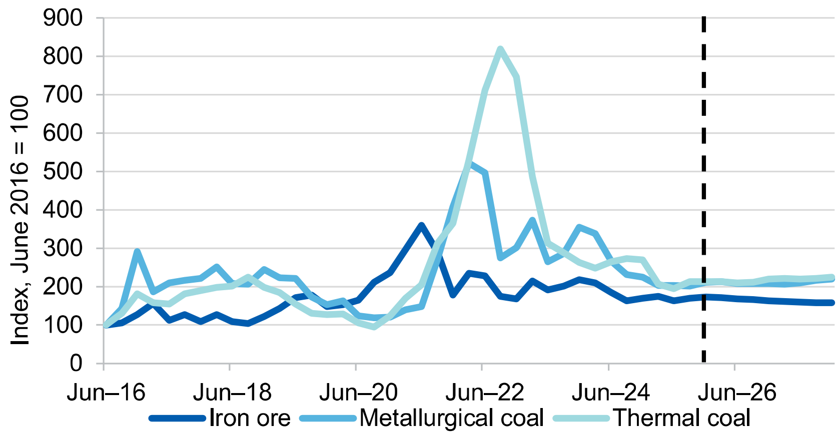
Notes: The export price index is based on Australian dollar export unit values (EUVs, export values divided by volumes); the export price index is a Fisher price Index, which weights each commodity's EUV by its share of total export values.

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

Iron ore prices have been steady after rebounding in the September quarter, due to improved steel market sentiment and anti-involution measures in China. In trend terms, prices are expected to decline slightly because of 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$83 a tonne in 2026–27 (Figure 1.4).

Metallurgical coal remained in a relatively narrow US$188–197 a tonne band during October and November before broaching US$200 a tonne in December, as restrictions on coal production in China continued to support prices. Prices are expected to remain near current levels over the outlook period.

Figure 1.4: Bulk commodity prices



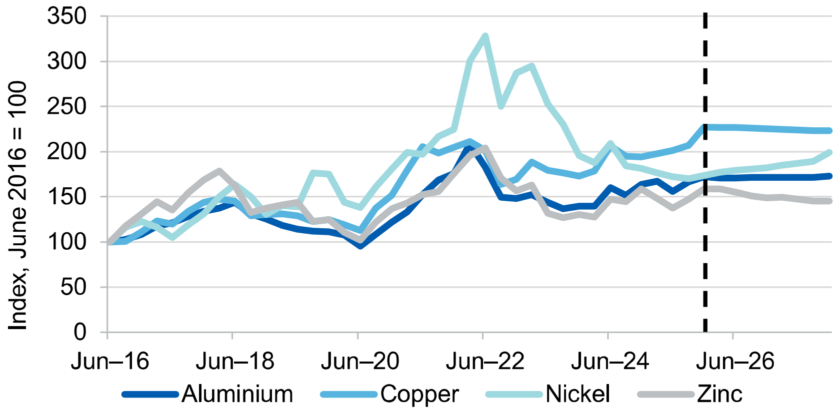
Notes: Prices are in US dollars and are the international benchmark prices.

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

The **gold** price has risen strongly in recent months, reaching more than US$4,300 an ounce in November before settling back closer to US$4,000. The gain came on the back of renewed US-China trade tensions and the prospect of further US official interest rate cuts. Prices are forecast to remain about US$4,000 an ounce in 2026 and then moderate, with downside risks.

Copper prices have surged in recent months, reaching a record high of US$11,870 a tonne in early December 2025, driven by strong demand and recent disruptions at major copper mines. Prices are forecast to remain high in 2026, before easing slightly to US$10,780 a tonne in 2027 as supply rises.

Figure 1.5: Base metal prices



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

Aluminium prices rose over the December quarter, hitting multi-year highs. Supply constraints in China and easing US-China trade tensions drove the gains. Prices are forecast to remain high over the outlook period, driven by rising global demand for new, energy efficient cars and technologies.

Zinc prices rose to about US$3,000 a tonne in the December quarter 2025, driven by tighter demand/supply fundamentals. Prices are expected to remain high in H1 2026, averaging about US$2,970 a tonne, before easing to US$2,820 a tonne in 2027.

Nickel LME prices averaged about US$15,000 a tonne in the first half of November 2025, near 5-year lows. This weakness reflects persistent global market surpluses and weaker-than-expected demand from both the battery and stainless-steel sectors. High global inventories are limiting prospects for a meaningful price rebound. An anticipated tightening of Indonesia's mining permit issuance in 2026 is expected to constrain supply over the outlook period, which could gradually support a recovery in prices to around US$17,000 per tonne by late 2027.

Spodumene prices rose 19% from the September quarter to an average quarterly price of over US$975 a tonne at the start of December. **Lithium hydroxide** prices rose by 15% over the same period to average US$9,750 a tonne. The price recovery reflects ongoing demand growth and production cuts. Spodumene is expected to average US$900 a tonne in 2026 and US$950 a tonne in 2027, while lithium hydroxide should average about US$10,250 a tonne in 2026 and US$12,250 a tonne in 2027.

Energy prices remain relatively weak: slow world economic growth and favourable seasonal conditions have slowed energy use and supply has risen. Since the ceasefire in hostilities between Israel and Gaza, **oil (Brent)** prices have mostly remained in a US$60–65 per barrel range. Oil prices are forecast to fall over the outlook period, as supply rises and the ongoing switch to EVs lowers oil demand. Higher US output has pushed down **LNG** prices – from about US$15/MMbtu in early 2025 to US$11/Mmbtu in Q4. LNG price volatility is likely to ease due to rising supply, though this may not happen until 2027.

Thermal coal prices are expected to remain near current levels over the outlook period, averaging $US109 a tonne in 2026 and rising slightly to $US113 in 2027 with rising production costs.

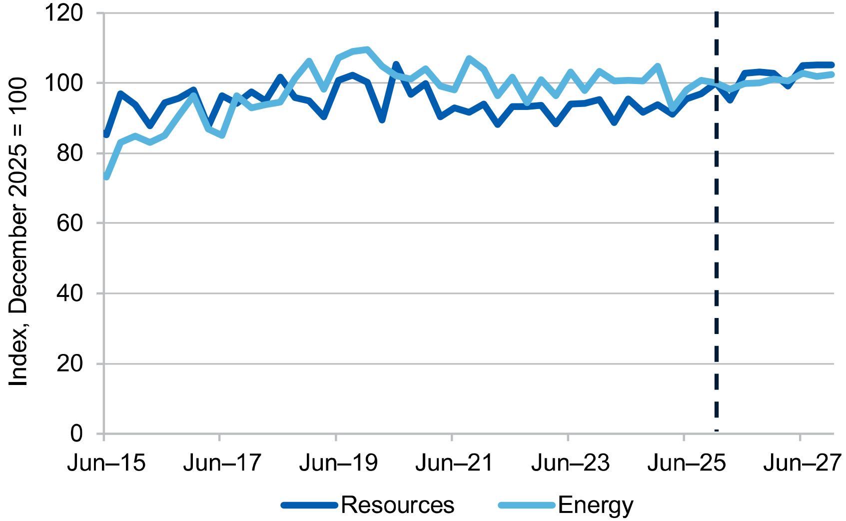
Uranium prices were broadly stable at US$70–75 a pound in the early part of the December quarter. A supply deficit and higher demand are forecast to push prices up over the outlook period.

1.5 Export volumes

Export volumes strengthened in the December quarter

The Resources and Energy Export Volumes Index is estimated to have risen by 1.1% in the December quarter 2025 from the September quarter 2025 to be up 1.2% year-on-year.

Figure 1.6: Resource and energy commodity export volumes



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

Resource commodity export volumes rose 5.9% over the year to the December quarter 2025, but energy export volumes were 5.1% lower (Figure 1.6) largely due to bad weather.

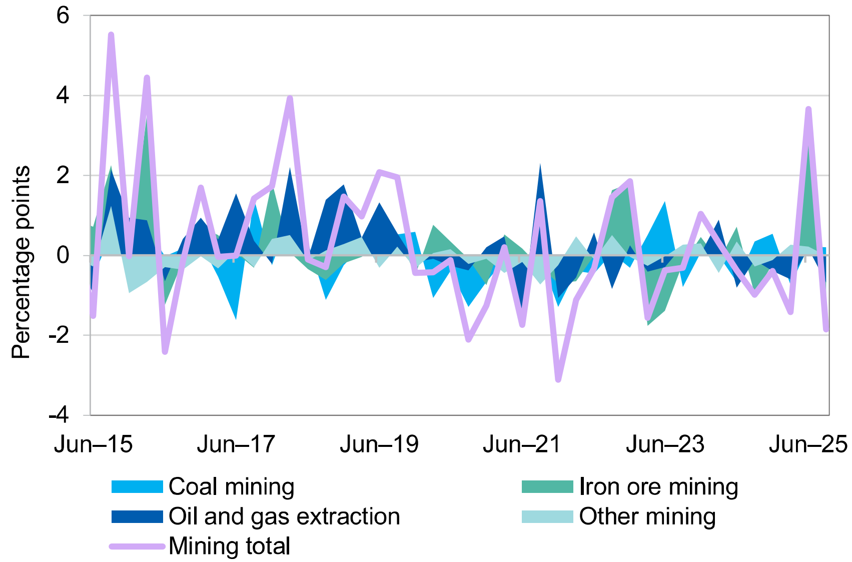
High prices for some base and precious metals should increase resource export volumes over the outlook period. However, the forecast for energy exports is for more modest growth.

1.6 Contribution to growth and investment

Mining output fell in the September quarter

Australia's real GDP rose by 0.4% in the September quarter 2025, to be up 2.1% from a year before. Mining value-added fell by 1.8% in the September quarter to be little changed on a year ago reflecting the ongoing impact of reductions in nickel and lithium mining (Figure 1.7).

Figure 1.7: Contribution to quarterly growth by sector



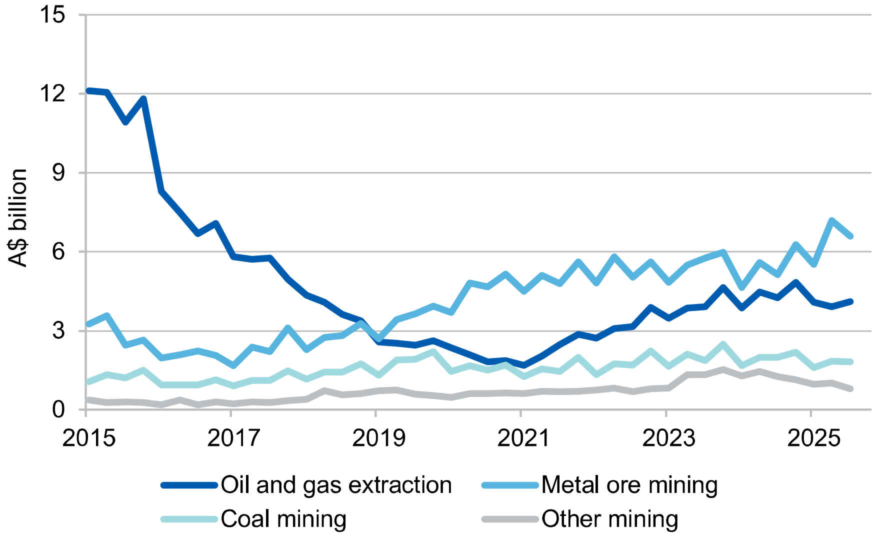
Source: ABS (2025); Department of Industry, Science and Resources (2025)

In the quarter, iron ore mining continued to normalise after bad weather disrupted output earlier in 2025, oil and gas extraction fell by 0.7%, coal mining rose by 0.2%, and 'other mining' and 'exploration and mining support services' were both flat.

Mining capital expenditure has picked up

The latest ABS Capital Expenditure and Expected Expenditure survey shows that Australia's resources and energy industries invested $13.7 billion (seasonally adjusted) in the September quarter 2025, up 1% from the June quarter 2025 and 5% from the September quarter 2024. In non-seasonally adjusted terms, capex varied noticeably among commodities, rising for oil and gas, but falling or metal ores and 'other mining' (Figure 1.8).

Figure 1.8: Mining capex by commodity, not seasonally adjusted

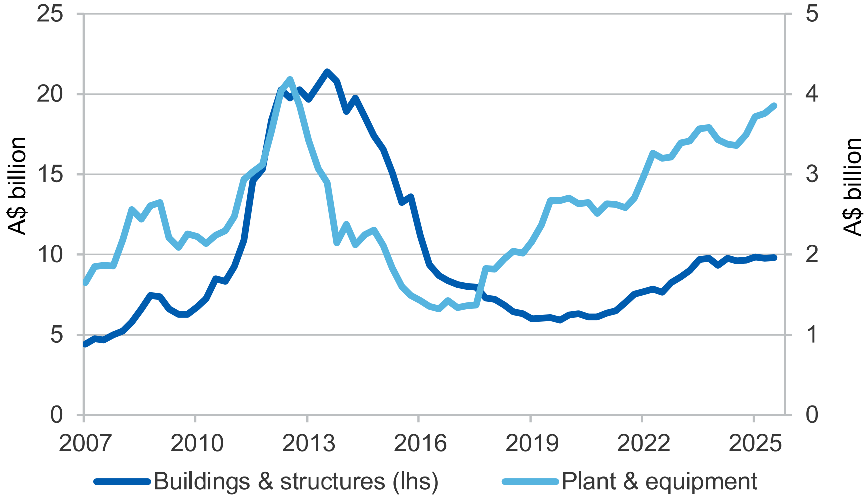


Notes: Other mining includes non-metallic mineral mining and quarrying, exploration and other mining support services; chart data is in nominal, original terms

Source: ABS (2025) Private New Capital Expenditure and Expected Expenditure, 5625.0

Expenditure on plant and equipment rose by 2.6% in the September quarter, while investment in buildings and structures was flat (Figure 1.9). Since 2017, spending on plant and machinery has been a steadily rising share of total capex. However, in recent years, spending on buildings and structures has linked more closely with plant and equipment capex.

Figure 1.9: Mining industry capital expenditure by type, quarterly



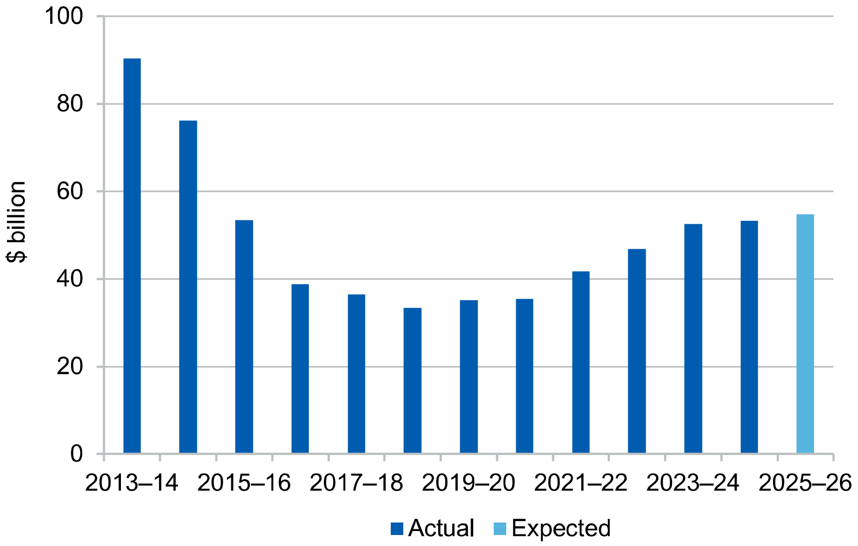
Notes: Chart data is in nominal terms, seasonally adjusted.

Source: ABS (2025) Private New Capital Expenditure and Expected Expenditure, 5625.0

Mining investment forecast to rise modestly in 2025–26

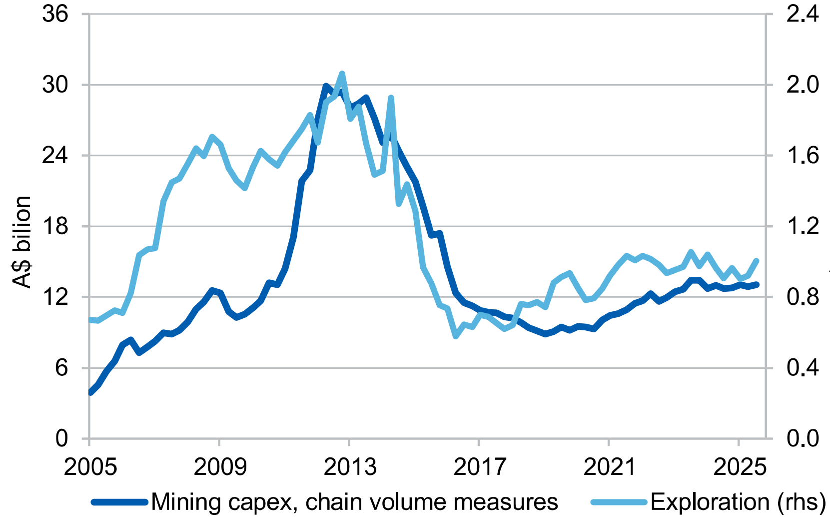
Total mining industry investment in 2024–25 increased by 1.2% from 2023–24 (Figure 1.10). The latest ABS capital expenditure survey suggests that 2025–26 spending will rise modestly (to around $55 billion), and estimates are typically revised up modestly over time.

Figure 1.10: Mining industry capital expenditure, fiscal year



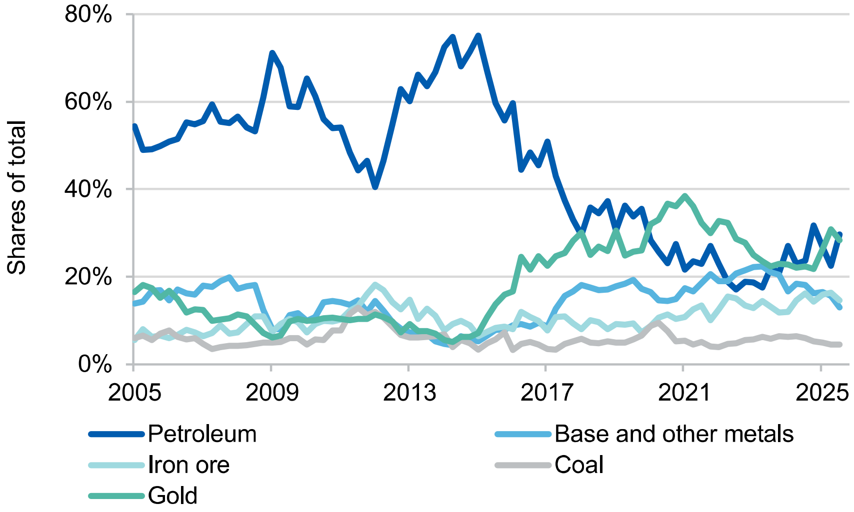
Source: ABS (2025)

Figure 1.11: Mineral exploration and capital expenditure



Source: ABS (2025)

Figure 1.12: Shares of exploration by commodity type



Source: ABS (2025)

Exploration spending up, with the prospect of more to come

Australian mineral and petroleum exploration expenditure rose by 11% in the September quarter (seasonally adjusted), to be 15% higher year-on-year (Figure 1.11). Through-the-year expenditure grew for silver, lead and zinc (up 47%), gold (up 45%), and iron ore (up 3%), but declined for other commodities.

Gold exploration has recovered following two years of decline, with recent investment responding to steady rises in prices (Figure 1.12). 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).

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	385,342	383,478	374,012	–11.0	–7.2	–0.6	–2.3
– real[b]	439,556	398,474	383,478	363,647	–14.6	–9.4	–3.9	–5.0
Energy	180,151	154,370	134,216	124,387	–24.5	–14.3	–13.2	–7.1
– real[b]	190,815	159,631	134,216	120,940	–27.6	–16.3	–16.1	–9.7
Resources	234,840	230,972	249,262	249,625	3.2	–1.7	7.8	0.2
– real[b]	248,741	238,843	249,262	242,707	–0.9	–4.0	4.3	–2.5

Notes: **b** In 2025–26 Australian dollars; **f** forecast.

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

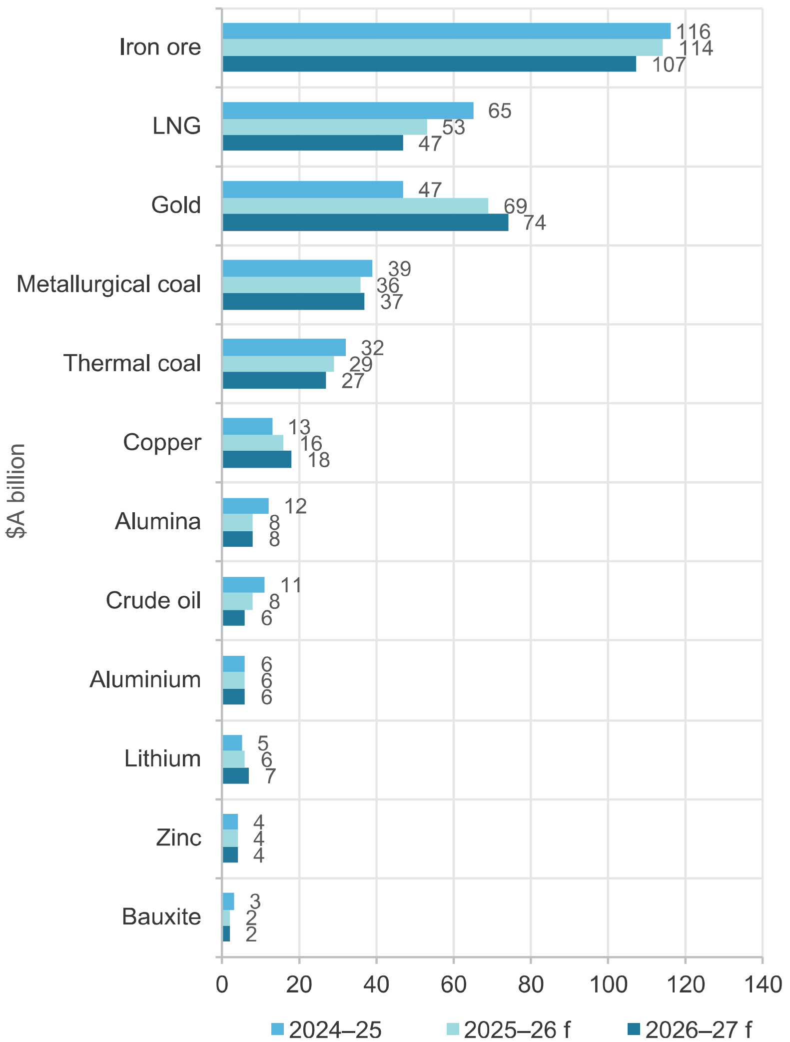
Table 1.2: Australia's resource and energy exports, selected commodities

	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	83	Mt	900	919	934	116	114	107
LNG	A$/GJ	15.5	12.9	10.8	Mt	79	79	81	65	53	47
Gold	US$/oz	2,820	3,869	3,956	t	239	284	309	47	69	74
Metallurgical coal	US$/t	197	190	190	Mt	147	152	160	39	36	37
Thermal Coal	US$/t	121	109	111	Mt	205	212	202	32	29	27
Copper	US$/t	9,312	10,658	10,896	Kt	765	865	948	13	16	18
Alumina	US$/t	532	350	370	Kt	14,718	15,488	15,795	12	8.1	8.5
Crude oil [a]	US$/bbl	75	63	54	Kb/d	251	236	219	11	8	6
Aluminium	US$/t	2,508	2,673	2,695	Kt	1,461	1,498	1,552	6.0	6.0	6.1
Lithium [b]	US$/t	1,833	791	871.1	Kt	471	525	553	4.8	6.3	6.8
Zinc	US$/t	2,827	2,971	2,864	Kt	1,264	1,268	1,331	4.4	4.0	3.7
Nickel	US$/t	15,760	15,447	16,202	Kt	81	59	49	2.3	1.4	1.2
Uranium	US$/lb	74	79	87	t	5,034	6,676	6,404	1.2	1.6	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 1.13: Australia's major resource and energy commodity exports



Annual per cent change

	2025–26 f			2026–27 f		
	volume	EUV	value	volume	EUV	value
Iron ore	2	-4	-2	2	-6	-4
LNG	-1	-17	-17	1	-16	-15
Gold	19	24	47	14	11	26
Metallurgical coal	4	-12	-9	4	-8	-4
Thermal coal	4	-14	-11	-1	-8	-8
Copper	13	13	27	11	6	19
Alumina	5	-37	-34	4	-19	-16
Crude oil	-6	-19	-24	-7	-17	-23
Aluminium	3	-2	1	3	-2	1
Lithium	11	16	30	8	9	19
Zinc	0	-10	-10	3	-11	-9
Bauxite	4	-28	-25	1	-19	-18

Notes: f forecast; 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)	25.7%	10%	9%	4%	15.3%	9%	6%	3%	–

Global overview

- IMF growth forecasts have been revised slightly up in 2025 and 2026 for most countries, but the outlook remains uncertain.
- 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 Global outlook

The global outlook is slightly stronger than September 2025

Trade barriers continue to affect forecast growth before an expected modest recovery in 2027. The IMF projects growth at 3.2% in 2025 and 3.1% in 2026, a downgrade of 0.1 of a percentage point in each year relative to the October 2024 outlook (pre-tariff) but an upward revision since July 2025.

Globally, the impacts of US tariffs have not been as bad as first feared. Most countries have been restrained in imposing retaliatory tariffs, and exporters/importers have absorbed some of the impost, shielding consumers. However, trade volumes are expected to be lower in 2025 and 2026 compared with October 2024, even considering front-loading of trade observed in 2025. Over the longer term, the costs of rerouting trade and higher input costs will also feed through to lower growth due to inefficient resource allocation, reducing trade volumes.

Growth in global industrial production (IP) is little changed since the September 2025 REQ, with expansionary fiscal policies in Germany and China largely offsetting negative shocks brought on by low business confidence from increased tariffs and trade fragmentation. Global IP growth is expected to drop to 2.4% in 2026 and pick up to 2.8% in 2027.

2.2 Australia's trading partners

China's growth remains resilient, with exports remaining buoyant despite higher US tariffs

Resilient exports have countered weak consumer demand and continued weakness in the property sector, with China's 2025 growth likely to meet 5% expectations. China faces relatively high US tariffs, with effective tariff rates currently at about 45% (but down from highs of around 65% in April 2025). Support for global trade volumes appears likely via both a diversion of exports to Europe and Asia and a depreciation in the real exchange rate (lifting competitiveness). Expectations are that the Chinese government will set a growth target for 2026 at a similar level to 2025.

Growth of Australia's major ex-China trading partners is expected to slow in 2026, as higher tariffs affect demand

US economic growth has shown resilience throughout 2025, but market observers are cautious about a build-up of risks not yet affecting growth. Inflation concerns remain in the US because of higher import tariffs. Combined with continued fiscal deficits and subdued sales of US Treasury bonds, there is a risk of higher bond yields for longer, constraining economic growth. Positives for growth are strong investment in artificial intelligence and a depreciation of the US dollar. The weak dollar is boosting competitiveness for exporters and easing global financial conditions to stimulate demand for US exports.

The outlook for growth in ASEAN countries in 2026 has been revised up by 1 percentage point to 4.3% in 2027. Growth fundamentals in ASEAN countries remain strong, despite some countries being heavily affected by the US tariffs due to their major presence in global value chains.

The IMF revised up its growth expectations for India in 2025 with strong industrial production and services sector expansion. The Indian economy is expected to slow in 2026 off the back of strong 2025 growth and then pick up in 2027.

Japan's economy grew solidly in H1 2025. The impacts of the US imposition of a 15% tariff are still flowing through. New export orders have softened in H2 2025.

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

	2024	2025[a]	2026[a]	2027[a]
World [b]	3.3	3.2	3.1	3.2
China [c]	5.0	4.8	4.2	4.2
Japan	0.1	1.1	0.6	0.6
Republic of Korea	2.0	0.9	1.8	2.2
India [d]	6.5	6.6	6.2	6.4
ASEAN-5 [e]	4.6	4.2	4.1	4.3
Eurozone	1.1	1.4	1.4	1.6
United States	2.8	2.0	2.1	2.1

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	0.68	0.69
Inflation rate [b]				
United States	3.0	2.7	2.4	2.2
	2023–24	**2024–25** [a]	**2025–26** [a]	**2026–27** [a]
Australia	4.2	2.4	3.4	2.9

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).