



Australian Government
Department of Industry,
Science and Resources

Office of the
Chief Economist



Resources and Energy Quarterly

September 2026

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: Andy Lee
- Iron ore and Zinc: Sabrina Tabassum
- Metallurgical coal and Thermal coal: Ryan Spencer
- Gas: Mark Gibbons
- Oil: Sufyan Saleem
- Aluminium, alumina and bauxite: Andy Lee
- Gold and Copper: Eshaq Farahmand
- Uranium: Loay Najjar
- Nickel and Lithium: Jacob Rossi
- Other critical minerals: Steve Smith

Acknowledgements

The authors would like to acknowledge the contributions of Dom English, Crystal Ossolinski, Brett Graham, Lauren Jameson, Shuchita Pota, Ryan Service, Selene Palmer, Renee Jasen, Sam George-Allen, Tara Macphail, Declan Rurenga and Ebi Ghasemi.

Cover image source: Getty Images

ISSN 1839-5007

Vol. 15, no. 3

© Commonwealth of Australia 2026

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 September 2026

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	4	Lithium	121
Overview	5	Other critical minerals	127
Macroeconomic outlook	24	Principal markets for Australia's resource and energy exports	133
Iron ore	29	Appendices	139
Metallurgical coal	40	Appendix A: Definitions and classifications	
Thermal coal	48	Appendix B: Glossary	
Gas	57	About the edition	147
Oil	67		
Uranium	77		
Gold	83		
Aluminium, alumina and bauxite	89		
Copper	100		
Nickel	108		
Zinc	115		

Executive Summary

This *Resources and Energy Quarterly* (REQ) provides an update on market conditions for Australia's major resource and energy exports and details developments since the June 2026 REQ.

Australia's resource and energy (R&E) exports in 2025–26 were \$403 billion. Forecasts for exports in 2026–27 and 2027–28 have been revised up modestly from the June 2026 REQ. R&E exports are now forecast at \$422 billion in 2026–27, an upward revision of over \$6 billion from the June 2026 REQ. Exports are forecast to fall to \$391 billion in 2027–28 (up \$3 billion from the June 2026 REQ) and then fall to \$379 billion in 2030–31.

At the time of writing, there remains a high degree of uncertainty in global markets due to disruptions in Middle East shipping. This report refers to developments and data up to 20 September 2026. The REQ forecasts use a 'central' scenario that assumes oil supply is sufficient to meet demand without sharp price rises before Middle East flows pick up and build to pre-conflict levels. An alternative scenario (see Box 1.1) explores the impacts of a more prolonged disruption to Middle East shipping which sees sharp oil price rises and causes notable demand destruction.

In the short term, IMF and RBA assessments indicate that the adverse impact of higher fuel prices, driven largely by disruptions in the Strait of Hormuz, will be broadly offset by the boost from surging investment in AI infrastructure. Over the next few years, the IMF expects firm growth in the US and China due, at least in part, to the AI boom. India will continue to grow strongly and transform further — accounting for a bigger share of world advanced manufacturing as supply chains diversify.

Commodity prices are expected to peak in 2026–27 and then drift lower. Iron ore prices are expected to soften on the back of rising Brazilian/African supply. Energy prices are forecast to normalise as Middle East output and trade resumes fully. The impact of the increased supply of oil — especially outside of OPEC — will likely be partly offset by increased stockpiling as strategic reserves are (re)built. The price of gold is expected to remain above US\$4,000 an ounce in the outlook period.

Ongoing efforts to secure energy self-sufficiency and supply chains are expected to reinforce the ongoing global energy transition and continued diversification of supply chains. Uncertainty about shipping via Middle East routes will see alternative supply lines built and may delay and/or slow the fall in thermal coal usage in coal-rich nations such as China, India and Indonesia. These nations are less likely to switch (as fast) to LNG as an energy source and more likely to lift renewable usage and coal-to-gas conversion (the latter to meet more of their gas needs for petrochemicals) to boost their energy self-sufficiency.

Factors that may move export earnings unexpectedly include:

- high diesel prices. If high diesel prices cause (some high-cost, offshore) competitors to cut production, low-cost Australian miners could benefit from resulting higher prices;
- geopolitical tensions, especially in the Middle East and Russia/Ukraine;
- a rise in global bond yields linked to perceived high levels of sovereign debt and/or rising inflation expectations; and
- the intensification of the El Niño climate pattern underway, with implications for the demand for, and supply of, energy commodities for heating/cooling, especially thermal coal.



Overview

Australia's resources and energy sector



Contributes
around
11% of GDP



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



Directly employs
around
300,000 people

Outlook



Near term surge in
resource and energy
exports due to the
Middle East conflict



Near-term outlook
for world growth has
been hurt by the
Middle East conflict



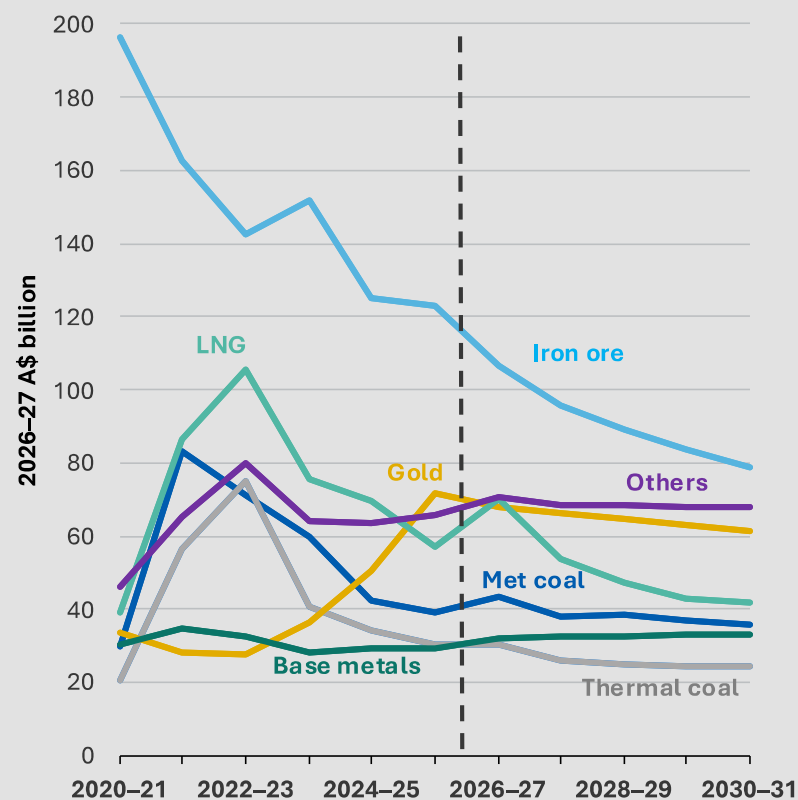
Energy and supply
chain security is
becoming a much
higher priority



Investment in new
Australian deposits
and mines to grow

Source: ABS; DISR; OCE

Australian resources and energy exports



1.1 Summary

- The outlook for Australia's exports of resource and energy commodities is modestly changed from the June 2026 *Resources and Energy Quarterly* (REQ) report. Resource and energy export earnings are forecast to lift to about \$422 billion in 2026–27 up from \$403 billion in 2025–26 largely on the back of higher energy and gold prices. Exports are then expected to fall to \$391 billion in 2027–28 and drift down further to about \$379 billion (\$343 billion in real terms) by 2030–31.
- The Middle East conflict is expected to weigh on global growth in the short term. However, strong investment is likely to support global growth in the first half of the outlook period. World growth is expected to be 2.9–3.0% in 2026, rising to 3.4% in 2027 and then 3.1–3.2% over the rest of the 5-year outlook period. Investment will continue to be driven by spending on AI infrastructure, efforts to strengthen supply chain resilience and the energy transition.
- Gold exports are forecast at \$68 billion (nominal terms) in the next few years, passing LNG to become our 2nd largest export, but iron ore will stay our biggest export.

1.2 Macroeconomic, geopolitical and policy factors

Outlook for short-term world growth worsens slightly

In early July, the International Monetary Fund (IMF) made slight revisions to its forecast for world growth in 2026. The IMF projected global growth to be 3.0% in 2026 and 3.4% in 2027. Later in the outlook period, growth was forecast at 3.1–3.2%. Those forecasts predated the renewed disruption in the Strait of Hormuz. The September 2026 REQ assumes world growth of

2.9–3.0% in 2026 as high energy prices (due to the Middle East conflict) hurt economic activity, especially in developing nations — many of which have a high dependence on imported energy.

Ukrainian strikes on Russian oil refineries have tightened the diesel market further, impacting activity in industries that are heavy users such as mining and transport. High-cost miners — especially of bulk commodities such as iron ore and coal — may struggle to operate, cutting world supply and raising prices.

The AI boom continues to boost world economic activity — especially in the US and Northern Asia — broadly offsetting the impact of the surge in energy prices. As the price of AI tokens falls and the wave of AI infrastructure building crests, the potential productivity boost associated with growing AI usage should support world economic growth and limit inflation.

US trade barriers are now at levels that seem unlikely to set off large disruption/dislocation. Under a new tariff regime put in place in July, tariff rates imposed against many nations are little changed from the rates set in February 2026 when temporary tariffs replaced International Emergency Economic Powers Act tariffs ruled unconstitutional by the US Supreme Court.

Going forward, the prices of oil and LNG are likely to be higher than they otherwise might have been before the Middle East conflict. Any toll imposed by Iran/Oman on shipping through the Strait of Hormuz would add to the unit cost of oil and LNG: workarounds to disruptions to strategic Middle East shipping routes (such as pipelines) will add to the cost of supply. This wouldn't prevent prices falling to pre-conflict levels when a market glut existed. In the long run, the disruption of strategic Middle East shipping lanes (and worries over future disruptions)

seems likely to accelerate the push away from oil/gas/LNG to clean energy technologies and slow the fall in thermal coal usage, especially in nations with good coal reserves.

The US Federal Reserve raised the official interest rate in mid-September, as it took the view that inflation risks are on the high side. The Bank of Japan and the European Central Bank have also tightened monetary policy recently, alert to the inflationary impact of high energy prices and strong AI investment. Over the latter half of the outlook period, it is expected a broadly neutral monetary stance taken by the major central banks will support world economic growth and hence commodity demand.

India is broadening its growth base, with a rapidly expanding consumer electronics industry: five iPhone factories now employ more than 200,000 workers. Hundreds of thousands of other jobs are indirectly tied to the smartphone industry. India's growing wealth is emerging as an added source of commodity demand for countries such as Australia.

The global energy transition is set to continue but the pace will vary by country. The uncertainty associated with the supply of crude oil and LNG is hastening switching to clean energy technologies in some applications (such as vehicles and dwellings) and raising nuclear power usage. And nations such as China, India and Indonesia will likely make efforts to sustain the domestic supply of thermal coal to enhance energy security.

China has large oil inventories to help avoid shortages

China has continued to grow at an annual rate of 4-5% in 2026, helped by increased demand for equipment needed for the buildout of AI infrastructure. Strong exports have been offset by

soft consumption, ongoing weakness in the real estate sector and fiscal restraint. Any economic slowdown is likely to see the Government deploy fiscal stimulus.

Having accumulated large reserves of oil over recent years, China has been able to cut imports sharply to cushion the impact of the surge in oil prices associated with the disruption to shipping in the Strait of Hormuz. It likely has enough reserves to avoid shortages for numerous quarters.

Over the outlook period, China is forecast to grow by 4-5% per annum. The Chinese government's ongoing 'anti-involution' push can potentially boost efficiency as new, better processing technology replaces old, dated production technology. Toward the end of the outlook period, Chinese exporters of some manufacturing products could face higher trade barriers in some export markets as some countries try to bolster their supply chains for security or job-retention/creation purposes.

The US economy is growing solidly, mainly due to AI capex

The US economy continues to show firm growth, helped mainly by the AI infrastructure boom. As the world's largest producer of oil and LNG — and a net exporter of energy — the US economy is also being lifted by the surge in energy prices induced by the Middle East conflict. Despite the rise in energy prices, so far, inflation has not surged, allowing the US central bank to avoid a sharp hike in official interest rates. High bond issuance and some reticence from bond investors have seen long-dated bond yields hit their highest level in twenty years, cutting the US government's fiscal flexibility. As the benchmark for assessing investment returns, a rise in long-dated bond yields may impact capital spending adversely.

Geopolitical tensions likely to maintain gold demand

Hostilities in the Middle East and between Russia and Ukraine pose ongoing risks to commodity markets, especially for energy commodities. Box 1.1 examines how a longer disruption to trade from the Middle East could impact commodities trade and pricing. Since the June 2026 REQ, heavy Ukrainian strikes on Russian oil refining facilities have affected the supply (and hence price) of oil products and Russian economic activity. Russia is a significant supplier to China and India.

The demand for safe-haven assets such as gold will likely be strong while geopolitical tensions are high. Central banks' appetite for gold remains healthy (particularly when the price moves under US\$4,500 an ounce) as some investors seek alternatives to US assets.

AUD expected to rise modestly against the USD

So far in 2026, the AUD has risen significantly against the USD. The main driver has been the Australia-US interest rate differential: with the US Fed Funds rate steady until this month, a series of RBA rate hikes widened the differential, pushing funds from USD assets to AUD assets. The AUD peaked at around USD0.725 in mid-Q2 then fell back to USD0.69 before recovering to USD0.72 in mid-September on US dollar weakness. Solid commodity earnings may see modest gains in the AUD/USD in 2027-29.

Risks of drier than normal conditions in 2026–27

According to numerous weather bureaus, an El Niño weather pattern is now underway, which has significant implications for energy production and consumption. While the El Niño weather

pattern should ensure lower than normal disruption to Australia's coal production and transport, it will likely lower river levels in Indonesia, making the barging of thermal coal (largely for export) more difficult.

On the demand side, lower-than-usual rainfall in China (due to El Niño) could weigh negatively on hydro generation (~13% of China's power supply) and is likely to incentivise fossil fuel-driven power generation (i.e. coal and gas) and support Chinese LNG demand (~15% of world demand). If LNG prices remain high, China may use more thermal coal, some imported.

Weather conditions are assumed to be normal from 2028 over the remainder of the outlook period.

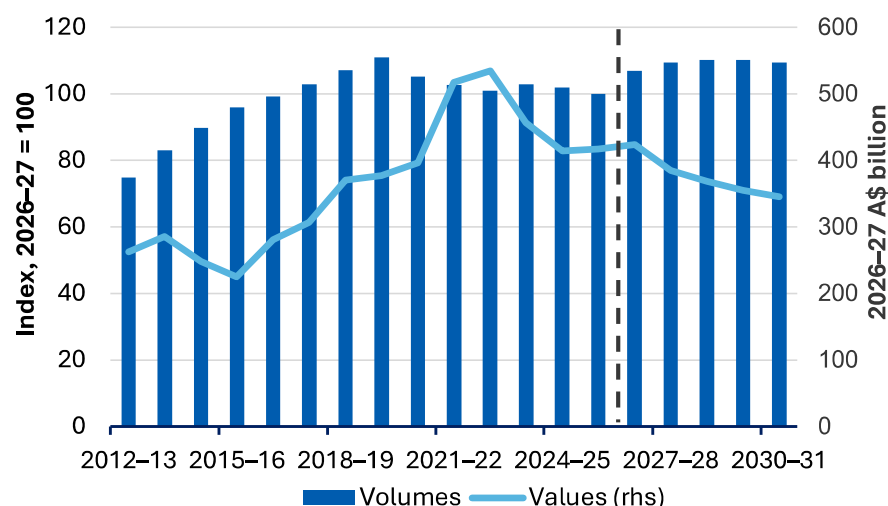
1.3 Export values

Higher AUD/USD and lower prices partly offsetting higher volumes

Higher export volumes contributed to increased export earnings in the September quarter 2026. The Resources and Energy Export Values Index rose over 3% from June quarter 2026, as a 7% fall in prices was more than offset by a 10% rise in volumes.

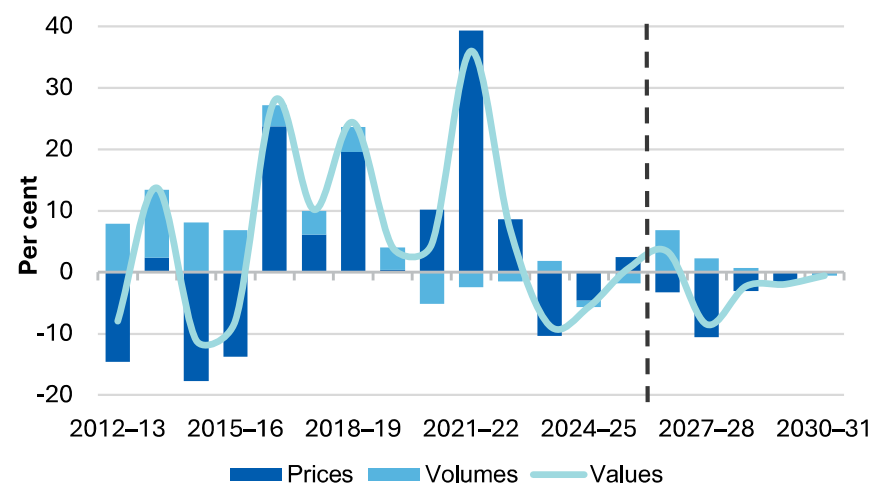
High base metal prices and the fallout from the Middle East conflict are forecast to result in increased resource and energy exports in 2026–27 before export values fall over the rest of the outlook period. The forecast rise in the AUD/USD in 2026–27 will have an adverse impact on export values. Exports are forecast at \$422 billion in 2026–27 up from \$403 billion in 2025–26 (Figure 1.1). Price falls tend to offset the impact of higher volumes in the outlook period (Figure 1.2), with exports falling to \$379 billion (\$343 billion in real terms) in 2030–31.

Figure 1.1: Australia's resources and energy exports



Source: ABS (2026); Department of Industry, Science and Resources (2026)

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



Source: ABS (2026); Department of Industry, Science and Resources (2026)

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, iron ore exports are forecast to fall from \$107 billion in 2026–27 to \$79 billion (real terms) in 2030–31.
- **Gold** export earnings are estimated to fall by 2% from almost \$72 billion in 2025–26 to \$68 billion in 2026–27, before falling to \$61 billion (real terms) in 2030–31, driven by lower gold prices and a modest appreciation of AUD/USD.
- Demand for **copper** is being driven by increasing electrification, expansion of electricity grids and AI-related data centres developments. Rising prices and higher export volumes are expected to drive a lift in copper exports, from \$14 billion in 2025–26 to \$19 billion (real terms) in 2030–31.
- **Alumina** exports are forecast to fall from \$7.0 billion to \$6.6 billion in 2026–27 before rising to \$7.8 billion in 2030–31 (real terms).
- **Aluminium** exports are forecast to fall from over \$7 billion in 2026–27 to \$6 billion in 2030–31 (real terms).
- **Lithium** earnings are forecast to rise from \$10.2 billion in 2025–26 to \$17 billion in 2026–27, before easing to \$14 billion (real terms) by 2030–31 as rising world supply causes prices to moderate.

Energy exports are set to fall over the outlook period, driven by lower thermal coal, LNG and oil export earnings. In part, this reflects an adjustment after a spike in earnings expected in 2026–27 due to reduced Middle East trade.

By commodity:

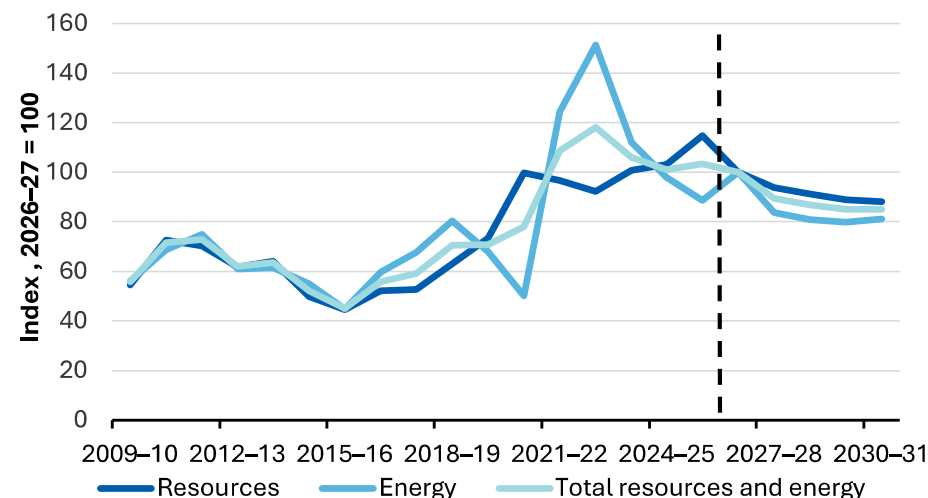
- **Thermal coal** export earnings are forecast to fall from \$31 billion in 2026–27 to \$26 billion in 2027–28 and \$24 billion in 2030–31 in real terms.
- **Metallurgical coal** exports are forecast to fall from \$44 billion in 2026–27 to \$38 billion in 2027–28 and \$36 billion in 2030–31 in real terms.
- **Oil** exports are projected to fall slightly in 2026–27 as falling volumes are largely offset by higher prices before falling to \$5.6 billion in 2030–31 in real terms.
- **LNG** export earnings are forecast to fall from \$57 billion in 2025–26 to \$42 billion in 2030–31 (real terms). The fall reflects falls in spot LNG prices and oil prices, the latter of which feed through into LNG contract sales.

1.4 Prices

Resource and energy commodity prices have been mixed since the June 2026 REQ. Lower gold and iron ore prices offset higher prices for energy, lithium and some base metals. The Resources and Energy Commodity Price Index (AUD terms) fell by 8.1% in the September quarter 2026 but was up 8.9% year-on-year (Figure 1.3). In US dollar terms, the index fell by 8% in the quarter but was up 18% year-on-year. Resource export prices (in AUD terms) fell 0.4% year-on-year, but energy prices rose 23%.

Iron ore (61% Fe CFR China) prices fell by about US\$10 a tonne in the September 2026 quarter compared to the June 2026 quarter, due to seasonally weaker construction activity, lower mill margins, high port inventories, and strong seaborne supply.

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 (2026)

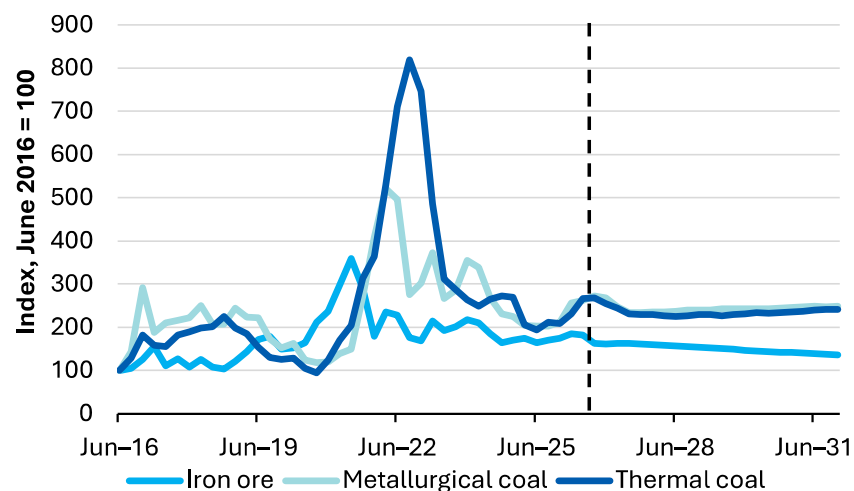
The 61% Fe (FOB, Australia) price is forecast to fall from US\$83 a tonne in 2026–27 to US\$72 a tonne in 2030–31 (Figure 1.4), as supply rises amidst stagnant demand.

Metallurgical coal prices rose sharply in late August to US\$263 a tonne, the highest level since March 2024. The rise was driven by a surge in Chinese demand amid tighter domestic supply and disruptions to Mongolian deliveries caused by diesel shortages. Prices are expected to ease as Mongolian deliveries normalise, but the duration of the disruptions is uncertain. Over the outlook period, prices are forecast to be broadly stable in real terms.

Thermal coal prices are expected to remain elevated in the near term as nations seek alternatives to LNG and Northern

Hemisphere temperatures stay relatively high. As these pressures ease, prices are forecast to fall, settling at around US\$110 a tonne in real terms over the outlook period.

Figure 1.4: Bulk commodity prices



Notes: Indices track international benchmark prices which are in US dollars.
Source: ABS (2026); Department of Industry, Science and Resources (2026)

The **gold** price is tracking the likelihood of US official interest rate hikes, the US dollar and varying safe-haven demand. Prices are forecast to average US\$4,600 an ounce in 2026 and remain high through 2028, supported by geopolitical uncertainty, resilient investment demand and inflation concerns, before easing to US\$3,760 an ounce (real terms) by 2031.

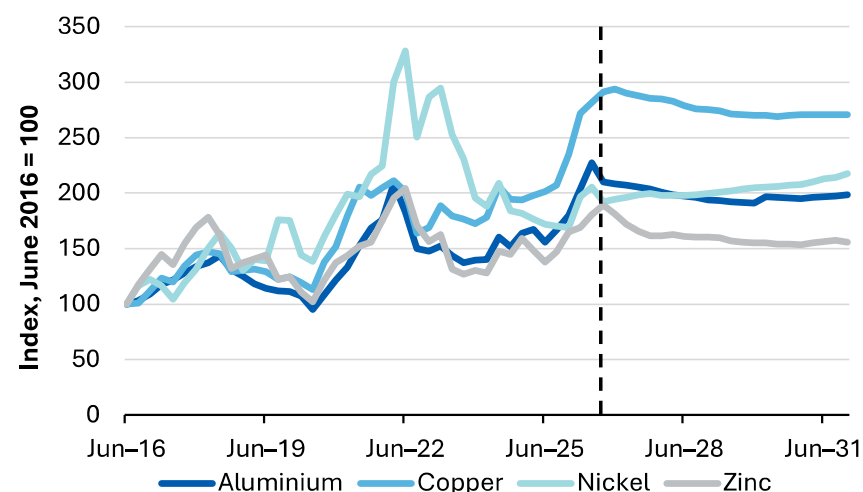
The **aluminium** price has retreated from its four-year high of US\$3,855 a tonne in early June 2026, as the market reacts to higher exports from China and Indonesia. Prices are projected to remain above US\$2,900 a tonne in real terms over the outlook

period, driven by tight supply and rising world demand for energy-efficient cars and technologies.

Copper prices rose 36% year-on-year in Q2 2026 and reached a record high above US\$14,700 a tonne in early September. Since then, prices have eased slightly, trading around US\$14,500 a tonne but still historically high as supply risks persisted. Prices are forecast to average US\$13,460 a tonne in 2026, before easing to US\$11,600 a tonne (real terms) by 2031, as supply gradually catches up with demand.

Zinc prices surged around 30% year-on-year in Q3 2026, rising above US\$4,000 a tonne in late August 2026 as supply tightened and warehouse stocks fell. Over the outlook period, prices are expected to ease, averaging US\$3,393 in 2026–27 and then falling to US\$3,042 a tonne by 2030–31, reflecting soft demand.

Figure 1.5: Base metal prices



Notes: Prices are in US dollars and are the international benchmark prices.
Source: ABS (2026); Department of Industry, Science and Resources (2026)

The average **nickel** price fell to around US\$16,000 a tonne in the first half of September from around US\$19,000 in May, on changing expectations of higher Indonesian ore output. Prices are expected to remain flat in Q4 2026 as concerns over ore availability ease after Indonesia approved revised 2026 mining plans for several nickel miners, improving near-term ore availability. By the end of the outlook period, higher supply is expected to keep the market in surplus conditions, keeping price at about US\$18,500 a tonne by 2031.

Spodumene concentrate prices have recovered strongly over the past year. Spodumene prices rose from an average of about US\$720 a tonne in July 2025 to over US\$2,200 a tonne in early September 2026 (CIF China), while lithium hydroxide prices more than doubled to around US\$19,000 a tonne (FOB China).

Resilient EV and energy storage demand, lower inventories and supply disruptions in China and Zimbabwe drove the recovery. Spodumene is forecast to average about US\$2,410 a tonne in 2026 before easing to about US\$1,500 by 2031 as global supply expands. Lithium hydroxide is forecast to fall from US\$21,100 to US\$16,200 a tonne over the same period (in real terms).

Energy prices rebounded in early July as the Strait of Hormuz was blocked again. Longer term trends point to rising supply and downward pressure on prices. **Oil** prices are expected to average US\$96 a barrel in the September quarter and then rise to US\$101 a barrel in the December quarter, before beginning to fall back over the outlook period as Middle East supply returns. The conflict in the Middle East has flipped **LNG** markets from an expected oversupply to expected undersupply for the next 2-3 years. Higher US output is expected to partially mitigate the loss

of output from Qatar, but price forecasts have risen from previous REQ editions. LNG prices (Japan Korea Marker) are expected to reach over US\$17/MMBtu in 2026, declining closer to historical averages at around US\$11/MMBtu by 2028 and subsequently settling in a US\$8-10/MMBtu band.

Uranium prices have risen in the September quarter 2026 averaging around US\$91 a pound. An existing supply deficit and higher demand are forecast to raise prices in the outlook period.

1.5 Export volumes

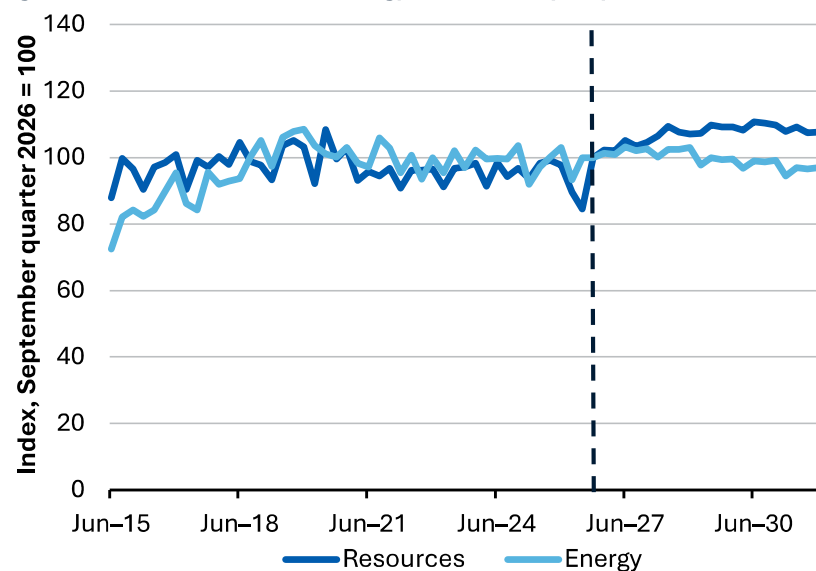
Long-term trend boosted by record gold and metals prices

Improved weather saw the Resources and Energy Export Volumes Index rise by an estimated 10.4% in the September quarter 2026 from the June quarter 2026, to be little changed from the September quarter 2025. Better weather saw resource commodity export volumes rise 18.1% in the September quarter to be up 1.1% over the year. Energy export volumes were flat in the September quarter and over the year (Figure 1.6).

High prices for some base metals and gold are forecast to lift resource export volumes over the outlook period. The standouts will be gold and copper, commonly located in polymetallic deposits. Iron ore exports will fall as Chinese economic growth settles at a lower pace than in recent decades and Chinese steel mills source more ore from Guinea and other emerging sources.

The forecast for the volume of energy exports in the first half of the outlook period is relatively flat but subject to considerable uncertainty due to the Middle East conflict. Further out, fossil fuel demand is forecast to drift down as our major energy export customers pursue decarbonisation goals.

Figure 1.6: Resource and energy commodity export volumes



Source: ABS (2025); Department of Industry, Science and Resources (2026)

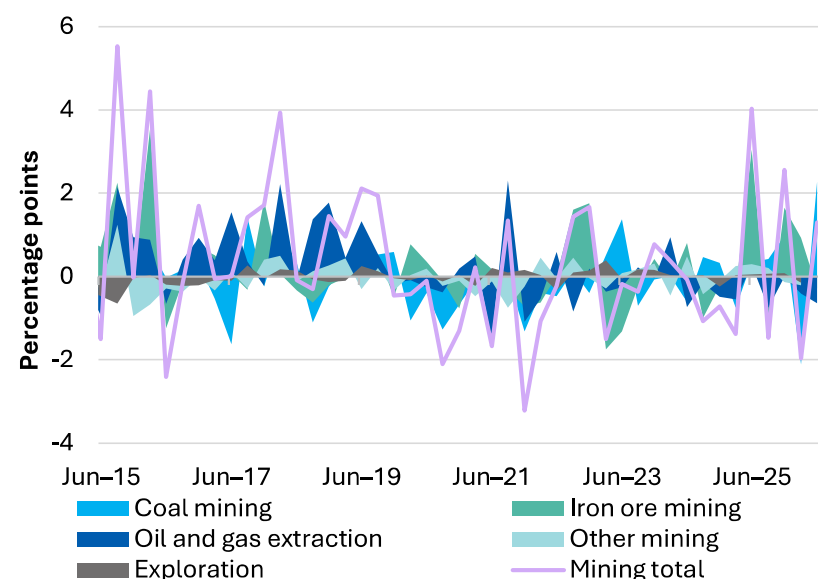
1.6 Contribution to growth and investment

Mining output rebounded in the June quarter

Better weather saw mining value-added rise by 1.3% in the quarter to be 0.3% higher year-on-year (Figure 1.7). Mining made a small contribution to growth in real GDP, which rose by 0.4% in the June quarter 2026 to be up 2.1% from a year before.

Over the year to the June quarter 2026, coal mining increased by 12%, and exploration and mining support services rose 3.2%. This was partially offset by oil and gas extraction down 2.6%, other mining down 2.1%, and iron ore mining down 0.7%.

Figure 1.7: Contribution to quarterly growth by sector



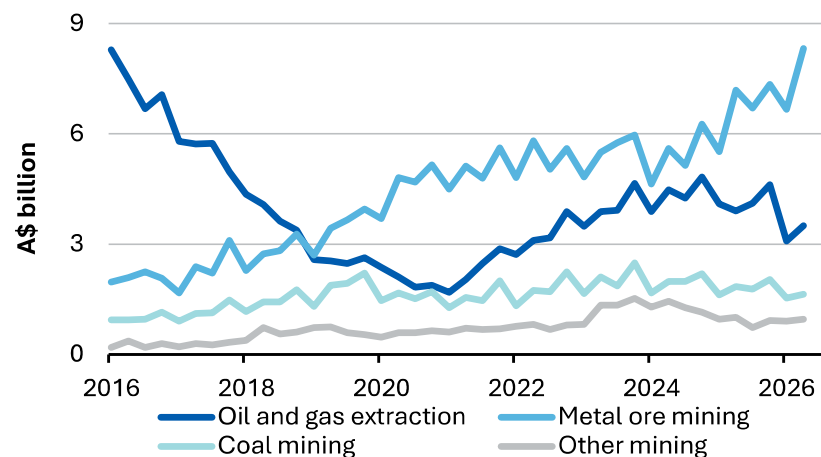
Source: ABS (2026); Department of Industry, Science and Resources (2026)

Mining capital expenditure rose in the June quarter

The latest ABS Capital Expenditure and Expected Expenditure survey shows that Australia's resources and energy sectors invested \$13.9 billion in the June quarter 2026, up 3% from the June quarter 2025 and 2% from the March quarter 2026.

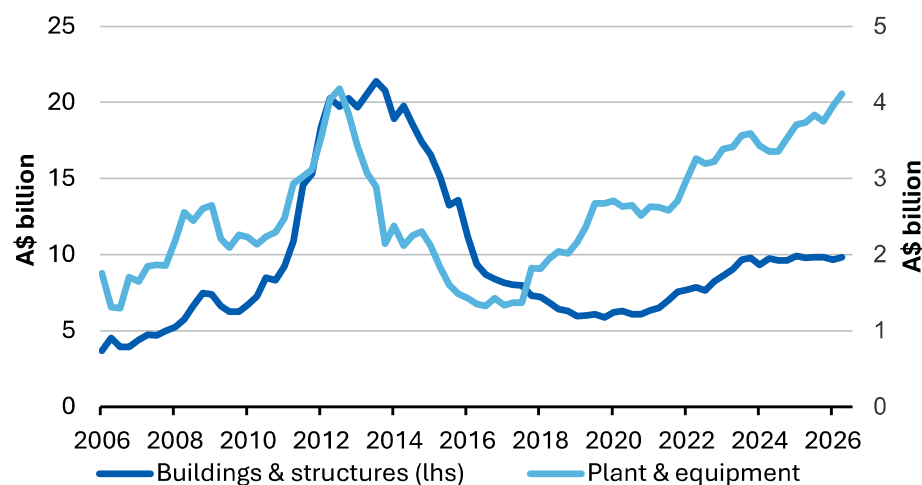
In non-seasonally adjusted terms, capex rose across all commodities, with particularly strong growth in metal ores (Figure 1.8). Expenditure on plant and equipment rose by 4.1% in the June quarter 2026, to almost equal the record of September quarter 2012 (Figure 1.9). Investment in buildings and structures rose by 1.5%, still around the \$10 billion mark (Figure 1.9).

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 (2026) Private New Capital Expenditure & Expected Expenditure, 5625.0

Figure 1.9: Mining industry capital expenditure by type, quarterly

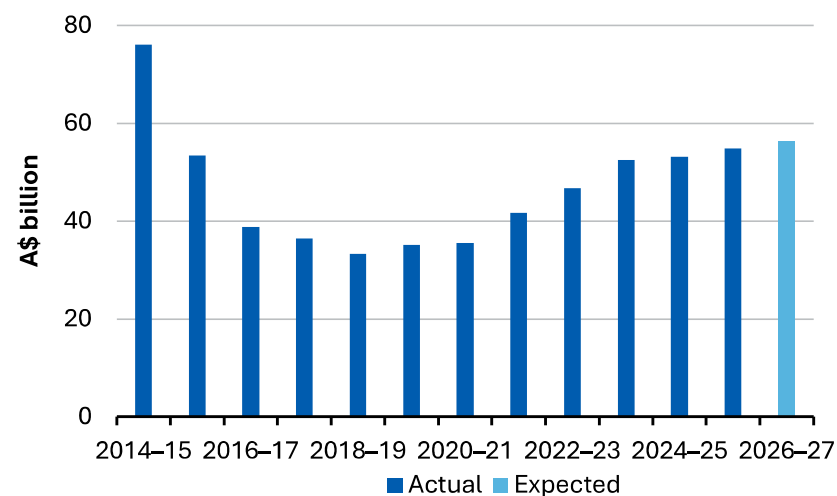


Notes: Chart data is in nominal terms, seasonally adjusted.
Source: ABS (2026) Private New Capital Expenditure & Expected Expenditure, 5625.0

Mining investment forecast to rise modestly in 2026–27

The latest ABS capital expenditure survey shows that 2025–26 spending rose by 3% (to about \$55 billion), with the fifth survey estimate of expenditure in 2026–27 coming in at \$56 billion (Figure 1.10). Estimates are typically revised up over time.

Figure 1.10: Mining industry capital expenditure, fiscal year

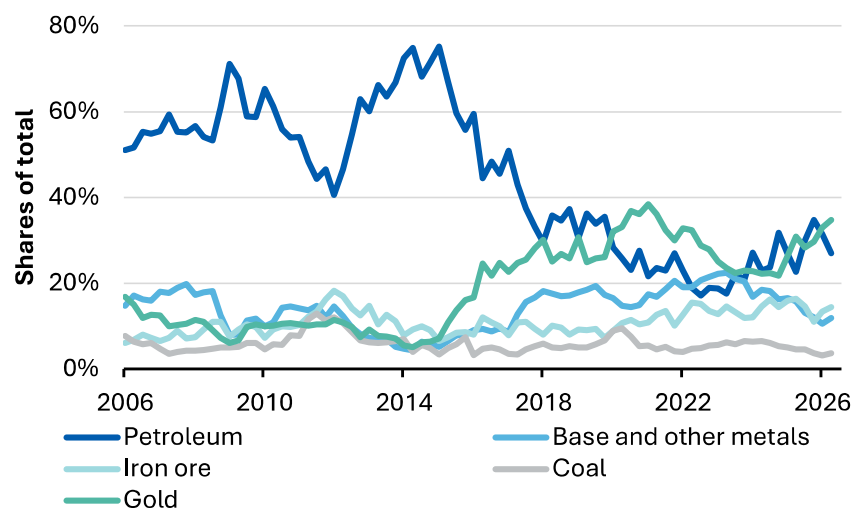


Source: ABS (2026)

Exploration spending has risen strongly in the past year

Australian mineral and petroleum exploration expenditure was stable in the June quarter 2026 but was 49% higher year-on-year (Figure 1.11). In year-on-year terms, expenditure grew for gold (up 41%), silver, lead and zinc (up 38%), uranium (up 13%), iron ore (up 10%), coal (up 2%), and copper (up 1%) but fell for nickel, mineral sands, and other base metals. Gold exploration is rising sharply following 2 years of falls, with recent investment a response to the sharp price rise in recent years (Figure 1.11).

Figure 1.11: Shares of exploration by commodity type



Source: ABS (2026)

Record prices for copper and high gold prices suggest copper-gold exploration should remain strong over the next few years. Gold exploration reached near-record levels in the June quarter 2026. Petroleum exploration spending remains near its largest share of total exploration spending so far in this decade, reflecting a favourable outlook for the domestic gas market.

1.7 Revisions to the outlook

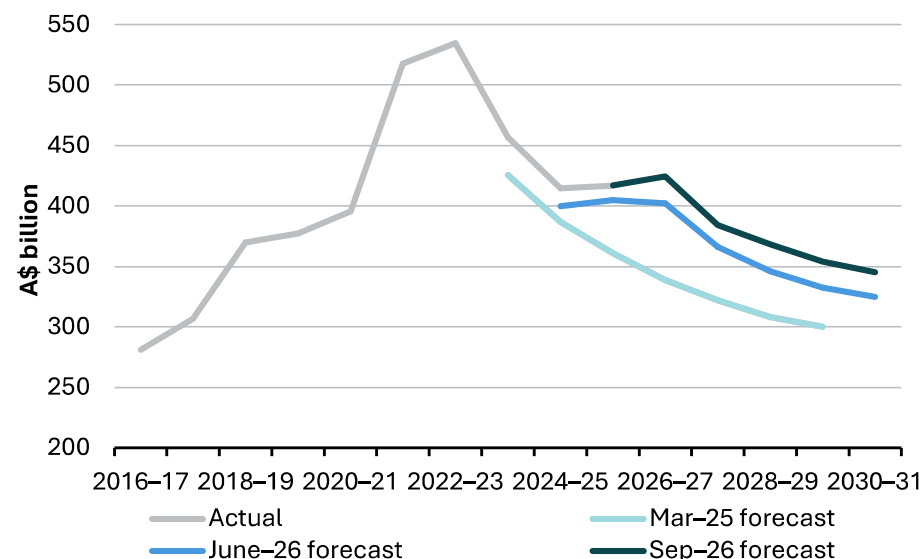
Forecasts are little changed from the June 2026 REQ

From \$403 billion in 2025–26, resource and energy exports are now forecast to rise to \$422 billion in 2026–27 (up \$6 billion from the June 2026 REQ forecast). In 2027–28, exports are forecast to be \$391 billion, revised up \$3 billion from the June 2026 REQ (Figure 1.12).

A pullback in the gold price has driven a downward revision in gold exports early in the outlook period. However, stronger earnings from metallurgical coal, thermal coal, LNG and lithium more than offset this decline. Higher thermal coal and LNG export values reflect the impacts of the Middle East conflict while the lithium outlook has improved across the forecast period.

The impact of a slightly lower forecast for the AUD/USD over the outlook period from the Consensus survey has given a modest boost to the forecasts of commodity export revenues.

Figure 1.12: Resource and energy exports, by forecast publication



Notes: forecast data is in real terms for the corresponding financial year
Source: ABS (2026); Department of Industry, Science and Resources (2026)

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

Exports (A\$m)	2024–25	2025–26	2026–27 ^f	2027–28 ^f	2028–29 ^z	2029–30 ^z	2030–31 ^z	% change CAGR ^f
Resources and energy	385,933	403,149	422,336	391,185	384,485	379,096	378,548	-0.3
– real ^b	414,790	416,873	422,336	381,876	366,181	352,242	343,154	-3.1
Energy	154,360	141,706	163,108	137,050	130,991	126,739	126,990	-3.2
– real ^b	165,902	146,530	163,108	133,789	124,755	117,761	115,116	-5.9
Resources	231,573	261,442	259,227	254,135	253,494	252,358	251,558	1.4
– real ^b	248,888	270,342	259,227	248,087	241,426	234,481	228,037	-1.4

Notes: **b** In 2026–27 Australian dollars; **f** forecast; **z** projection; **r** compound annual growth rate between 2025–26 and 2030–31.

Source: ABS (2026); Department of Industry, Science and Resources (2026).

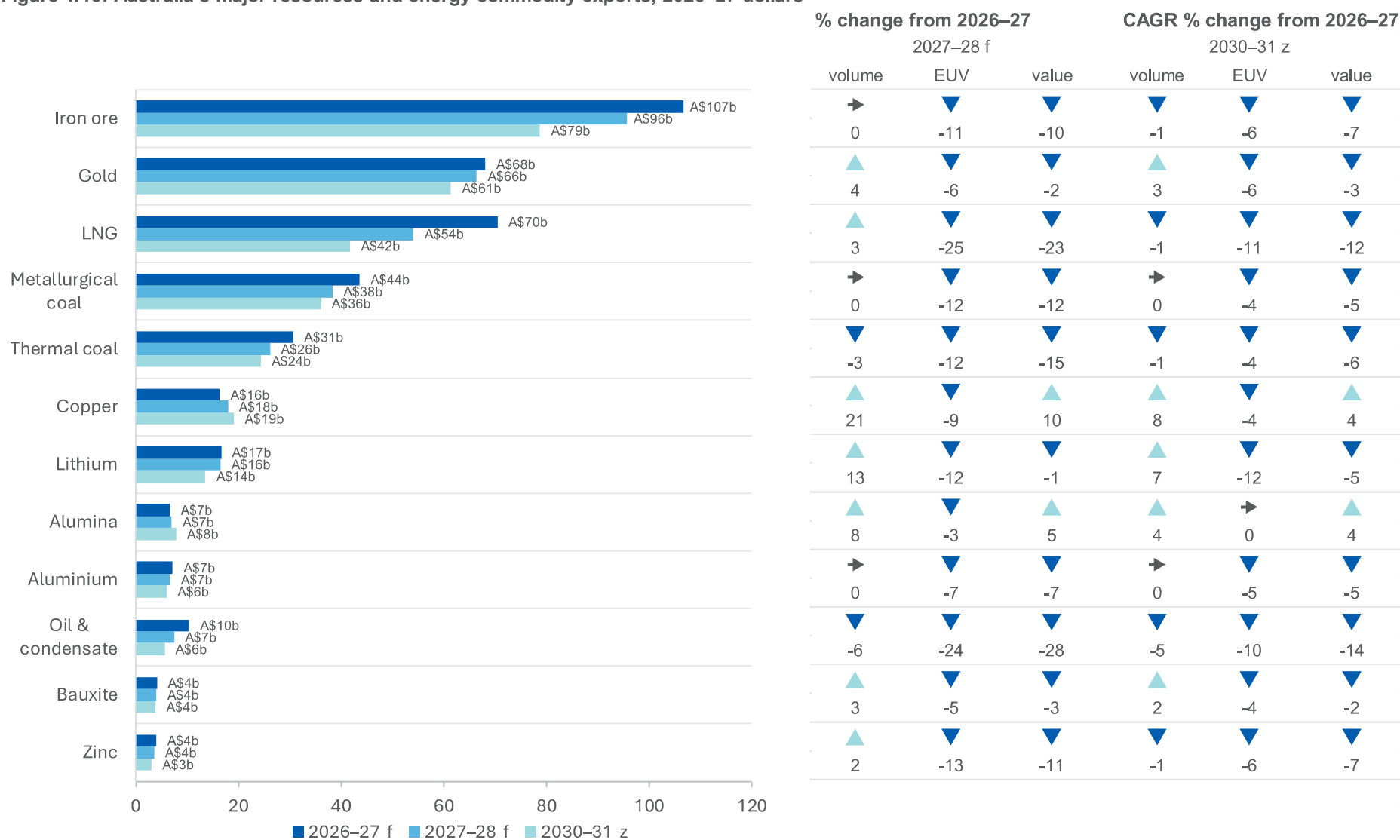
Table 1.2: Australia's resource and energy exports, selected commodities

	Unit	Nominal Prices			Unit	Export volumes			Export values (2026–27 A\$ billion)		
		2025–26	2026–27 ^f	2030–31 ^z		2025–26	2026–27 ^f	2030–31 ^z	2025–26	2026–27 ^f	2030–31 ^z
Iron ore	US\$/t	92	83	72	Mt	944	948	912	123	107	79
Gold	US\$/oz	4,268	4,534	4,149	t	216	287	325	72	68	61
LNG	A\$/GJ	13	16	11	Mt	78	81	77	57	70	42
Metallurgical coal	US\$/t	213	233	225	Mt	151	161	158	39	44	36
Thermal coal	US\$/t	117	128	121	Mt	215	209	199	31	31	24
Copper	US\$/t	11,767	13,754	12,786	Kt	682	730	1,001	14	16	19
Crude oil	US\$/bbl	79	87	68	Kb/d	247	227	182	11	10.4	5.6
Lithium	US\$/t (b)	1,532	2,499	1,684	Kt (c)	532	556	742	10	17	14
Alumina	US\$/t	318	351	403	Kt	14,337	13,558	15,900	7.2	6.6	7.8
Aluminium	US\$/t	3,054	3,264	3,076	Kt	1,434	1,587	1,587	6.8	7.2	6.0
Zinc	US\$/t	3,174	3,393	3,042	Kt	1,101	1,328	1,266	4.4	4.0	3.1
Uranium	US\$/lb	82	93	113	t	6,324	6,302	6,479	1.7	1.7	1.8
Nickel	US\$/t	16,348	17,226	18,473	Kt	52	49	89	1.4	1.2	1.6

Notes: **a** Export data covers both crude oil and condensate; **f** forecast; **z** projection. **Price information:** Iron ore fob (free-on-board) at 61% 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; Aluminium 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 (2026); LME (2026); London Bullion Market Association (2026); The Ux Consulting Company (2026); US Department of Energy (2026); Metal Bulletin (2026); Japan Ministry of Economy, Trade and Industry (2026); Argus (2026); Department of Industry, Science and Resources (2026)

Figure 1.13: Australia's major resources and energy commodity exports, 2026–27 dollars



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

Source: ABS (2026) International Trade in Goods and Services, 5368.0; Department of Industry, Science and Resources (2026)

Box 1.1: Impacts of the Middle East conflict on commodity markets and Australian exports

Overview

Prior to the major disruption to shipping in the Strait of Hormuz, about 20% of global oil and LNG supply and about 21% of global alumina imports flowed through the Strait. Continued disruption to shipping through the Strait, together with the partial blockade of Saudi oil flows through the Bab el-Mandeb, has constrained global energy trade and significantly increased prices.

The forecasts presented in this edition of the REQ remain highly uncertain. The outlook depends not only on when major shipping routes reopen, but also on how quickly damaged production facilities return to service and depleted inventories are rebuilt. While repairs at Qatar's Ras Laffan LNG facility have progressed, the timing of a full recovery in export flows now depends primarily on the reopening of the Strait. Disruptions to oil and refined-product markets — especially diesel — may also affect production and transport costs of other commodities.

The forecasts in this REQ assume world oil and gas supply are sufficient to meet demand before Middle East flows resume and build to pre-conflict levels. Qatari LNG production is assumed to return to about 80% of capacity within one month of the Strait of Hormuz reopening fully, before recovering fully over the subsequent two years.

To assess the effects of a more prolonged disruption, this box also considers another scenario. Under this scenario, oil and LNG inventories fall further, energy prices remain elevated for longer and higher diesel costs create broader risks for

commodity production and transport. Prolonged high oil and LNG prices also result in notable demand destruction, with some price-sensitive economies switching to alternative fuels or reducing energy consumption. The box examines the implications for prices of oil, LNG, thermal coal and aluminium and Australian export earnings.

Impact on export earnings

Under the central scenario, higher earnings from commodities directly affected by the Middle East conflict provide support to Australia's resource and energy export earnings. In 2026–27, combined earnings from oil, LNG, thermal coal, aluminium and alumina are forecast at \$124 billion, about \$5.0 billion higher than in the June 2026 REQ. Higher earnings from oil, LNG, thermal coal and alumina more than offset a downgrade in aluminium exports.

Under the prolonged disruption scenario, combined earnings from these commodities rise to \$129 billion in 2026–27, about \$4 billion above the central scenario. Higher oil, LNG, thermal coal and aluminium earnings more than offset lower alumina earnings.

In 2027–28, under the central scenario, total resource and energy export earnings are forecast at \$393 billion, about \$5 billion higher than in the June 2026 REQ. Combined earnings from the commodities significantly impacted by the Middle East conflict are forecast at \$104 billion, about \$1 billion lower than in the June 2026 REQ, largely due to a downgrade in LNG exports. Under the prolonged disruption scenario, combined earnings in 2027–28 lift to \$106 billion, mainly due to higher LNG and thermal coal prices.

Oil

The resumption of hostilities in early July and then the heavy disruption to Saudi oil flows via the Bab el-Mandeb saw prices trade in a US\$85-95 a barrel range in July/August. Signs that peace talks were on hold and attacks on the Saudi pipeline to the Red Sea in early-mid September, then resulted in prices rising above US\$100 and reaching US\$130 a barrel.

Under the central or 'baseline' scenario, Brent crude oil prices are expected to average about US\$97 a barrel in the September quarter 2026, before falling over the following two years (Figure 1.14). Australian crude and condensate earnings are forecast to be \$10.4 billion in 2026–27 and \$7.5 billion in 2027–28.

If trade continues to be disrupted until inventories begin to reach very low levels it is expected that prices will begin to rise sharply. And prices could average US\$135 a barrel in the December quarter.

Once inventories reach very low levels, some regions may face localised shortages of oil products. Very low stocks can also disrupt supply chains because pipelines and storage facilities require minimum operating volumes and may be damaged if levels fall too far.

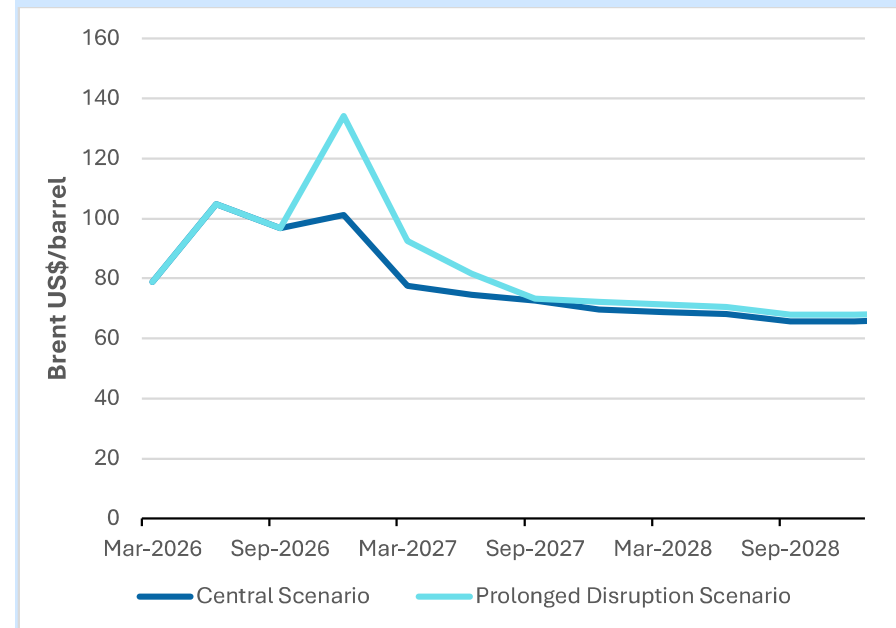
Governments may respond to protect national and economic security by increasing purchases from the global market. Combined, these factors will result in greater pressure on the oil market, pushing up prices. Low inventories also leave the market more susceptible to further disruption and increased price volatility.

A continued conflict in the Middle East is expected to have an outsized impact on product markets (particularly diesel) beyond the impact on crude oil markets.

Once trade resumes through the Strait of Hormuz, prices are expected to decline over a period of several years as production comes back online much more slowly than in the central scenario.

Prices are also expected to remain relatively high throughout the outlook as the depleted inventories are replaced. High prices increase Australian export revenues to \$12 billion in 2026–27 and \$7.8 billion in 2027–28.

Figure 1.14: Oil Prices by Scenario



Source: Bloomberg (2026), DISR (2026)

LNG

Qatari output previously faced two hindrances: missile damage inflicted on the Ras Laffan LNG facility in mid-March, and the broader blockade on the Strait of Hormuz, which is the key transit corridor for Qatari LNG. Repairs at the Ras Laffan facility have progressed significantly, and guidance from QatarEnergy suggests the facility could be operating at 80% capacity within a month of the Strait reopening. The primary swing factor is now the timing for reopening rather than the pace of damage repair.

JKM LNG prices rose to a peak of around US\$22/MMBtu after the hit on Ras Laffan, eased to under \$16/MMBtu as seasonal demand softened but subsequently rose again as heatwaves affected Asia and Europe. Key buyers, including China have mitigated further price spikes by successfully pivoting to other energy sources, notably coal and renewables.

Price pressures are likely to build again as seasonal demand picks up. European restocking for next winter has run behind schedule for months; inventory storage was 65% full by late August, well below the seasonal norm (around 90%).

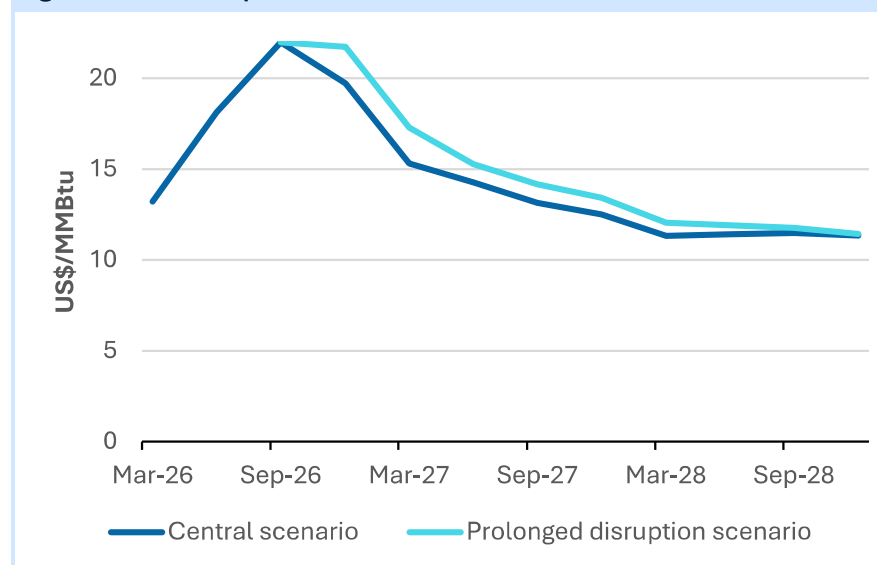
Under the central scenario, Middle Eastern LNG output recovers to 80% of capacity within one month of flows through the Strait resuming. Full production is restored within two years as damaged LNG infrastructure is repaired.

Prices under this scenario rise to about US\$22/MMBtu in the September quarter 2026, before easing to US\$13.80 in 2027 (Figure 1.15). European stock pressures will keep markets tight through 2026, with likely short-term energy restrictions and lower industrial production helping to manage shortages.

Price pressures linked to the Middle East conflict are expected to largely ease by 2029, with prices then returning to levels broadly consistent with forecasts made in March 2025. LNG exports in 2026–27 are expected to be about \$25 billion higher than forecasts made prior to the closure of the Strait of Hormuz.

Under the prolonged disruption scenario, sustained loss of Qatari output extends inventory shortages through 2027. Prices under the prolonged disruption scenario hold at around US\$22/MMBtu in the December quarter 2026, and average US\$15/MMBtu over 2027. Elevated prices will further limit LNG uptake by price-sensitive buyers, leading to lower near- and long-term demand. Long-term buyers including South Korea and Japan will face higher pressure to reduce their reliance on LNG.

Figure 1.15: LNG price scenarios



Source: Bloomberg (2026), DISR (2026)

Expected demand destruction diminishes global LNG trade by around 40 Mt from prior forecasts to 490 Mt by 2029. This demand destruction gap closes to 20 Mt by 2031.

In the prolonged disruption scenario, export earnings are expected to be about \$2 billion above the baseline forecast in 2026–27, and \$1 billion higher in 2027–28. However, demand destruction will likely persist into the 2030s, lowering longer-term earnings.

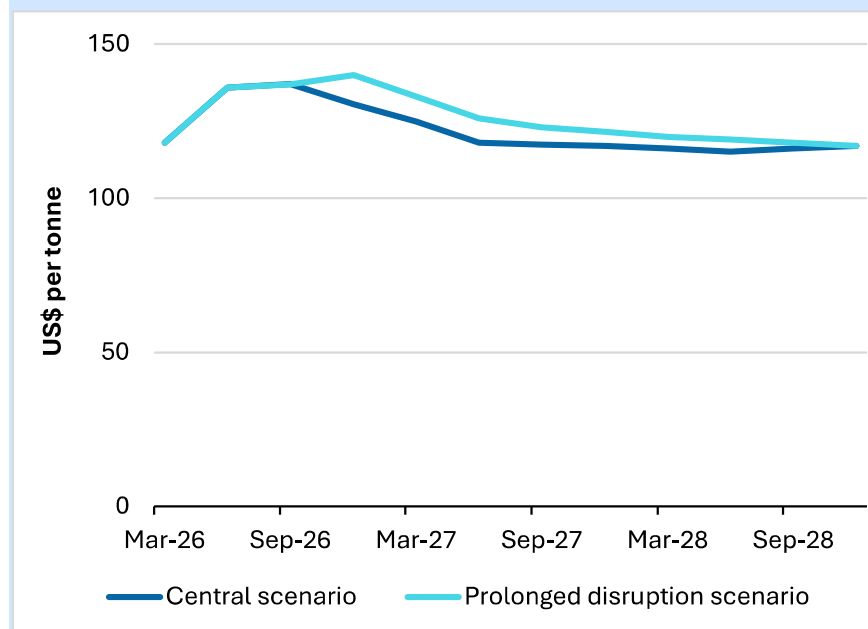
Thermal coal

The Newcastle 6,000 kcal thermal coal price has averaged around US\$135 per tonne in the September quarter, well above the pre-conflict level of US\$116 per tonne in February. Prices have remained elevated as disruptions to LNG supply have encouraged gas-to-coal switching, especially in Japan, South Korea and Taiwan. Unusually hot Northern Hemisphere summer conditions associated with an El Niño weather pattern have also lifted electricity demand and thermal coal prices.

Thermal coal prices are expected to remain elevated while LNG supply disruptions persist, but ample coal stocks in key importing nations and falling temperatures (as the Northern Hemisphere summer ends) are expected to limit price gains.

Under the central scenario, as LNG supply conditions gradually normalise, Newcastle 6,000 kcal thermal coal prices are forecast to moderate from the December quarter 2026 and return to pre-conflict levels by mid-2027 (Figure 1.16). Australian thermal coal export earnings are forecast to be \$31 billion in 2026–27 and \$27 billion in 2027–28.

Figure 1.16: Thermal coal price scenarios



Source: McCloskey (2026), DISR (2026)

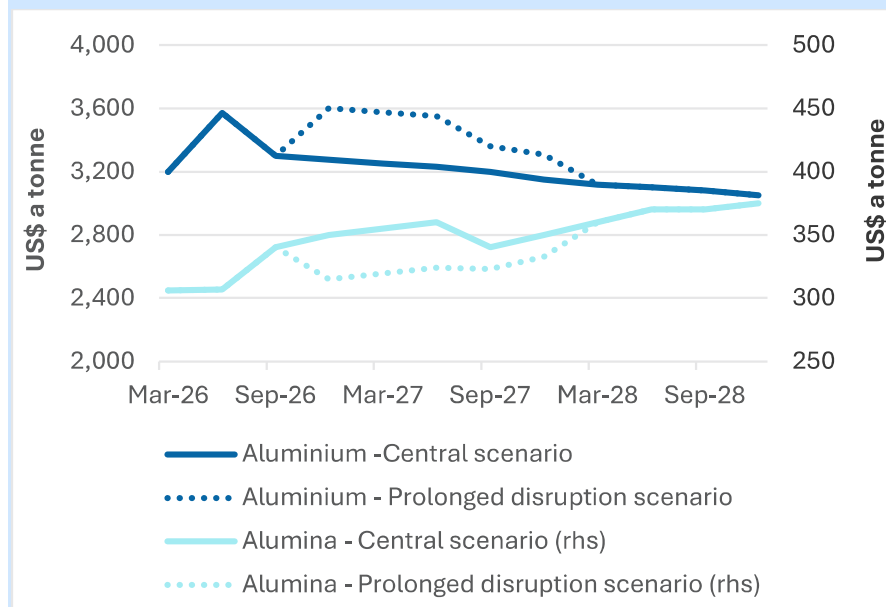
Under the prolonged disruption scenario — which keeps LNG supply constrained for longer and thus thermal coal prices elevated for longer — Australian thermal coal exports are forecast to reach \$32 billion in 2026–27 and \$28 billion in 2027–28.

Longer disruptions also raise the risk of higher diesel costs and shortages. As thermal coal mining and transport is heavily reliant on diesel, continued disruption to crude oil and refined-product markets could significantly constrain output from key exporters and place additional upward pressure on thermal coal prices.

Aluminium, Alumina and Bauxite (AAB)

The Middle East is a significant global producer of alumina and aluminium, and reduced trade with the region is having an impact on trade volumes and prices. Bahrain, the United Arab Emirates (UAE), Qatar, Oman, Iran, and Saudi Arabia together account for 9.4% of global primary aluminium output, 2.9% of alumina output and 1.6% of global bauxite production. The Middle East is Australia's largest alumina export market, accounting for 47% of Australia's alumina exports and 6.3% of Australia's bauxite exports. Around 2.5 Mt of Middle East primary aluminium production has been curtailed since the start of the conflict.

Figure 1.17: Aluminium and alumina prices under each scenario

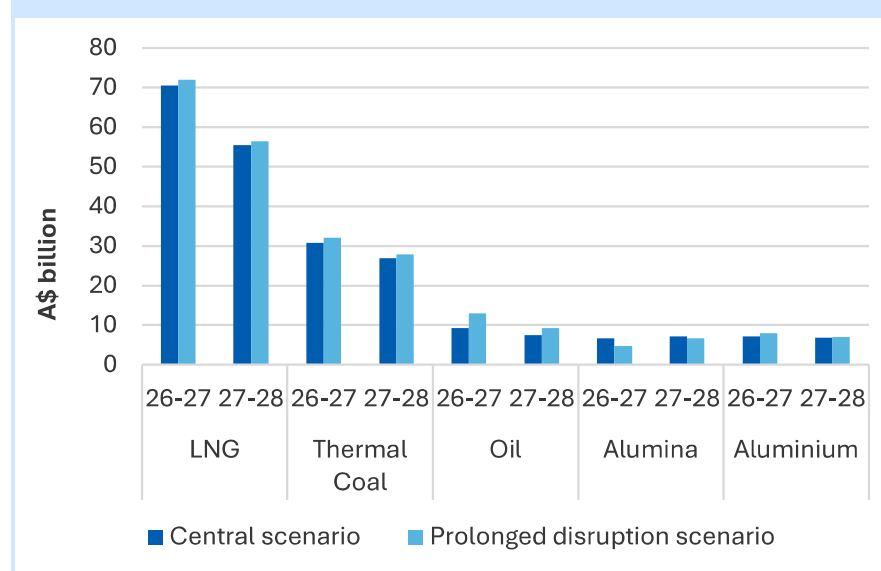


Source: Department of Industry, Science and Resources (2026)

The impacts of the Middle East conflict on the aluminium market have lessened since the June 2026 REQ, due to the impact of rising exports from China and Indonesia, and faster than expected repairs at damaged Middle East aluminium smelters.

Under the central scenario where 1.7 Mt (or 24% of Middle East smelting capacity) of curtailed primary aluminium capacity is assumed to be offline for 12 months, prices in 2026 and 2027 are expected to be around US\$3,335 and US\$3,210 a tonne, respectively, for aluminium and about US\$320 and US\$350 a tonne, respectively, for alumina. Australia's AAB exports are estimated to experience a gain of \$0.9 billion in 2026–27, and a gain of \$0.2 billion in 2027–28.

Figure 1.18: Australian export earnings for select commodities

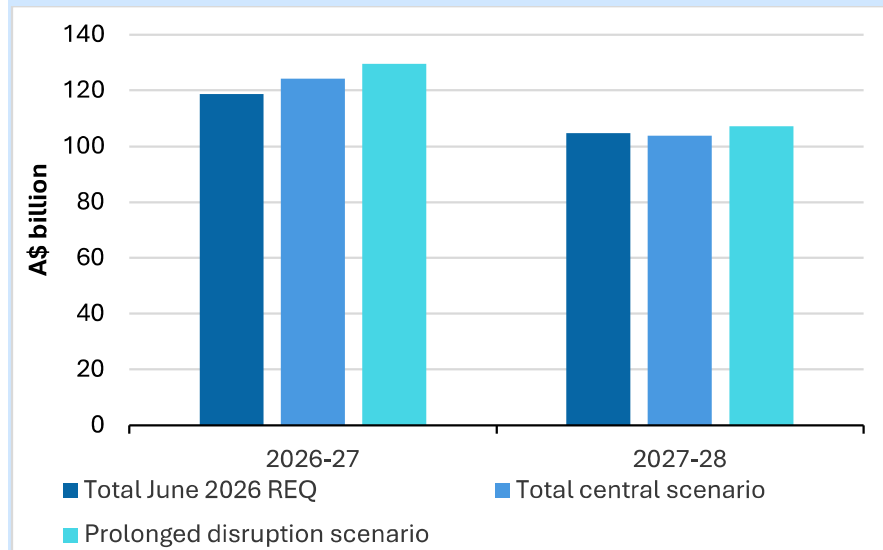


Source: Department of Industry, Science and Resources (2026)

Under the prolonged disruption scenario, 4.7 Mt (or 68% of Middle East smelting capacity) is assumed to be offline for 12 months — which could occur if smelters are forced to shut down due to prolonged disruptions to imports of alumina and bauxite — and prices in 2026 and 2027 are expected to be about US\$3,590 and US\$3,450 a tonne, respectively for aluminium, and about US\$300 and US\$325 a tonne, respectively for alumina.

Relative to the central scenario, Australia’s AAB exports are estimated to experience a further decline of \$1.4 billion in 2026–27, and a further gain of \$1.4 billion in 2027–28.

Figure 1.19: Australian total export earnings for select commodities (under each scenario)

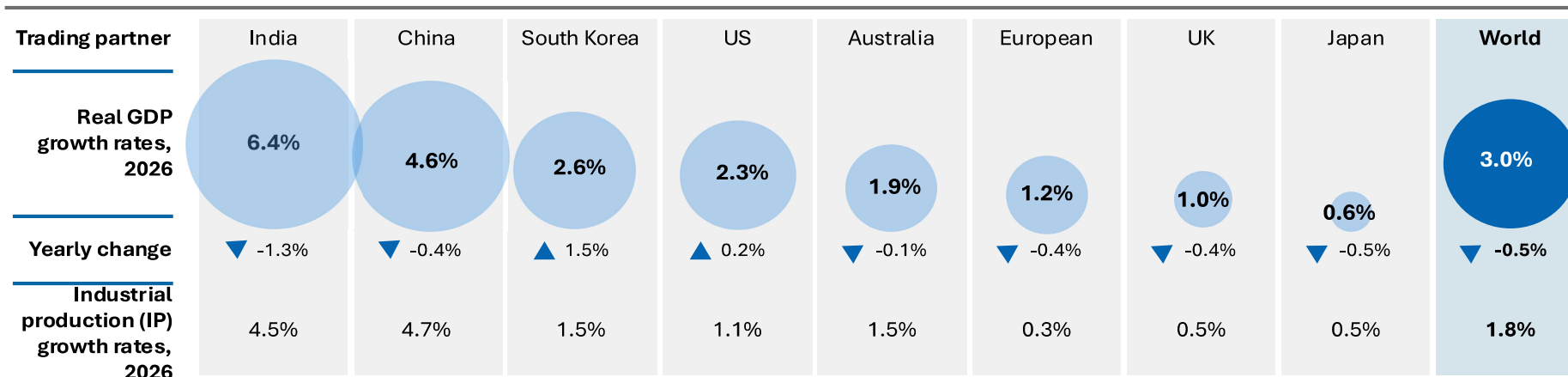


Source: Department of Industry, Science and Resource (2026)

Macroeconomic outlook



Australia's major trading partners economic outlook



Global overview

- The global economy is growing at a slower pace than in 2025, with the impacts of the Middle East conflict offset in part by surging investment in artificial intelligence infrastructure.
- The growth prospects of Australia's major trading partners remain strong, with resilient exports in China and strong IP expansion in India.



Global risks

- Global inflation is heading higher.
- Economic damage from record heat and drought in Europe in June and July 2026.
- Higher bond yields in the US and in other advanced economies could constrain economic growth more broadly.



Source: IMF; ABS; OCE

2.1 Summary

- The global economy is growing at 3.0% in 2026, slower than growth in 2025. The impacts of the Middle East (ME) conflict have been largely offset by surging investment in artificial intelligence (AI) infrastructure. Growth is projected to pick up to 3.4% in 2027 and then settle at 3.1% over the rest of the outlook period as trade and energy flows normalise.
- Global inflation is expected to continue to rise in 2026 as the ME conflict increases energy and transport costs, before easing below 4% from 2027.
- The growth prospects of Australia's major trading partners remain comparatively resilient, although higher energy costs, inflation and disruptions to trade present downside risks. Growth has been supported by resilient exports in China and other North Asian countries, sustained economic growth in the US and strong industrial production (IP) and services sector expansion in India.

2.2 World economic outlook

Global economic growth has slowed

The global economy is growing slightly below trend. The ME conflict is disrupting energy and trade flows, but surging investment in AI infrastructure is offsetting the drag. AI spending is supporting growth in the US, China, Japan, India and South Korea. Rising investment in AI is supporting global commodity demand globally and could deliver export earning windfalls to commodity exporters such as Australia and Canada.

In July 2026, the IMF projected global economic growth of 3.0% in 2026 and 3.4% in 2027, a downgrade of 0.1 of a percentage point in 2026 and an upgrade of 0.2 of a percentage point in 2027 from the April 2026 World Economic Outlook (WEO). The IMF assumed the reopening of the Strait of Hormuz would begin in mid-July 2026, with conditions broadly returning to the pre-war state of affairs by March 2027.

However, the Strait of Hormuz was blocked again on 21 June 2026. As a result, the September 2026 REQ assumes world economic growth of 2.9-3.0%, with downside risks the longer the blockade continues.

Growth is projected to rise to 3.4% in 2027 as normal shipping in the Strait of Hormuz resumes. From 2028, global growth is expected to stabilise at 3.1% as damaged infrastructure is rebuilt and trade and energy flows resume. Growths in China and India are expected to account for a major share of global growth by 2030, while growths in advanced economies ease towards long-run trend growth of 1.6% from 2027.

Downside risks include economic damage from record heat and drought in Europe in June and July 2026, which potentially add to food prices and inflation. The German insurer Allianz estimated the two-week June 2026 heatwave could cut European GDP by 0.3 percentage points in 2026. The impact is significant, with the IMF forecasting real GDP growth of 1.2% in 2026 for the Eurozone.

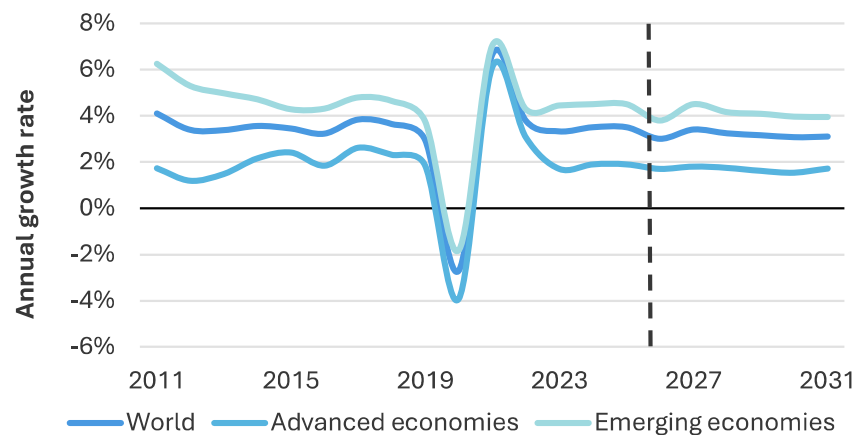
Other downside risks include rising global bond yields, high public debts and the unknown future impact of AI on productivity and financial stability.

Global inflation is heading higher, before falling in 2027

The IMF projects the ME conflict will lift headline inflation up from an estimated 4.1% in 2025 to 4.7% in 2026, reflecting higher energy and transport costs. Inflation is projected to fall to 3.9% in 2027 as these pressures ease. Inflation in advanced economies is expected to decline from 3.0% in 2026 to 2.4% in 2027, while inflation in emerging markets and developing economies is forecast to moderate from 5.8% in 2026 to 4.8% in 2027. These forecasts have been revised up since April 2026, adding to the challenges many major central banks face in trying to bring inflation down.

The latest US Section 301 tariff measures impose tariffs of 12.5% on 60 economies from 24 July 2026 for allegedly failing to effectively ban the importation of goods with forced labour. Because these measures are broadly consistent with tariffs prevailing since the first half of 2025, the latest tariffs do not materially alter the inflation outlook.

Figure 2.1: Global GDP growth outlook



Source: International Monetary Fund (2026)

Global manufacturing activity is still expanding

Expanding global manufacturing activity continues to boost commodity demand. Forward indicators of global manufacturing activity remained steady in July 2026 with expansion in global manufacturing output and new orders. The JP Morgan Global Manufacturing Purchasing Managers Index (PMI) was 52.3 in August 2026, up from 52.1 in July 2026. This marks thirteen consecutive months above 50. A PMI reading of above 50 indicates an expansion in output volume produced by factories, mines and utilities, reflecting ongoing strength despite supply disruptions from the ME conflict.

Global IP weakens in 2026, before recovering in 2027

Global IP is forecast to grow at a slower pace than 2025, with Wood Mackenzie predicting IP growth at 1.8% in 2026 and 3.7% in 2027. Supply disruptions and shipping delays due to the ME conflict are likely to lengthen lead times and slow down production and output growth in 2026. A resumption of energy flows is likely to lift global production and growth in 2027.

After 2027, the outlook for global IP is largely unchanged from the June 2026 REQ. Over the outlook period, growth in global IP is expected to ease to 2.1% by 2031. US IP growth is projected to decline from 1.1% in 2026 to 1.03% by 2031. China's IP growth is projected to drop from 4.7% in 2026 to 2.7% by 2031.

2.3 Australia's trading partners

China's growth remains resilient, with exports remaining buoyant despite weak domestic demand

The August Manufacturing PMI rose to 51.5 from 50.9 in July, pointing to some stabilisation in momentum, however part of

the improvement likely reflects temporary effects including the unwinding of typhoon- and flood-related disruptions in July. Resilient exports have countered ongoing weakness in consumer demand and in the property sector, with the IMF projecting China's 2026 growth at 4.6%, an upgrade of 0.2 of a percentage point from its April 2026 WEO.

China's growth is expected to slow below 4% in 2029. The Chinese Government has lifted its focus on cutting unprofitable excess capacity in the Chinese economy, raising domestic consumption, and reducing reliance on the export sector. Support for technological self-sufficiency is also a key focus of the Chinese government's strategy. China's economy will benefit from the ongoing AI-related boom in demand for semiconductor chips and computer hardware and components.

Domestic demand supports Japan's economic growth

In the July 2026 WEO, the IMF projected Japan's real GDP growth to slow from 1.1% in 2025 to 0.6% in 2026 and 0.7% in 2027. Despite the headwinds from the rising costs of energy imports, domestic demand is likely to be the main driver of economic growth. In particular, robust wage growth, energy subsidies and high corporate profits should help to boost private consumption and investment.

Strong IP and services sector keep Indian economy strong

Growth in the Indian economy is expected to slow to 6.4% in 2026, from 7.7% in 2025, before picking up again to 6.7% in 2027. The IMF revised its 2027 forecasts up from 6.5% between the April and June 2026 WEO, reflecting strong industrial production and services sector expansion.

India's growth is expected to be broad-based over the outlook

period, supported by domestic demand — particularly in rural areas. Growth should also be supported by rising government spending on infrastructure.

Vietnam continues to show fast growth

Vietnam is one of the fastest growing economies in the world, marked by broad-based growth in industry, exports, domestic demand and public investment. Vietnam's economy grew by 8.2% (year on year) in H1 2026.

Continued strong growth is expected in Vietnam over the outlook period (9.5% in 2026 and 11% in 2027), with the economy benefiting from AI infrastructure investment and strong foreign direct investment. Part of this investment is coming as manufacturers diversify their operations away from China. Consumer demand is also growing with a burgeoning middle class and young population.

The US economy remains strong with upward pressure on inflation

So far in 2026, US economic growth has shown resilience: the economy has benefited from the AI boom and, as a net exporter of energy, has been further boosted by higher energy prices linked to restricted shipping through the Strait of Hormuz.

Risks include inflation concerns linked to higher energy prices and import tariffs. Combined with continued fiscal deficits and subdued sales of US Treasury bonds, there is a risk of higher bond yields which would reduce fiscal headroom and constrain economic growth. Positives for growth include strong investment in AI and a depreciation of the US dollar which would stimulate demand for US exports. In its July 2026 WEO, the IMF kept the forecast for US growth unchanged at 2.3% in 2026.

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

	2025	2026 ^a	2027 ^a	2028 ^a	2029 ^a	2030 ^a	2031 ^a
World ^b	3.5	3.0	3.4	3.2	3.2	3.1	3.1
China ^c	5.0	4.6	4.1	4.0	3.7	3.3	3.3
Japan	1.1	0.6	0.7	0.6	0.6	0.6	0.6
South Korea	1.1	2.6	2.5	2.2	2.0	1.9	2.1
India ^d	7.7	6.4	6.7	6.5	6.5	6.5	6.5
ASEAN-5 ^e	4.5	4.1	4.3	4.5	4.5	4.6	4.6
Eurozone	1.6	1.2	1.4	1.6	1.5	1.4	1.6
United States	2.1	2.3	2.2	2.1	1.9	1.8	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 (2026); Bloomberg (2026).

Table 2.2: Exchange rate and inflation assumptions

	2025	2026 ^a	2027 ^a	2028 ^a	2029 ^a	2030 ^a	2031 ^a
AUD/USD exchange rate	0.65	0.71	0.73	0.73	0.74	0.74	0.74
Inflation rate ^b							
United States	2.7	3.2	2.1	2.2	2.2	2.2	2.2

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

Sources: ABS (2026); Bloomberg (2026); Department of Industry, Science and Resources (2026); IMF (2026); RBA (2026).