NAB Minerals & Energy Outlook
December 2024
NAB Group Economics

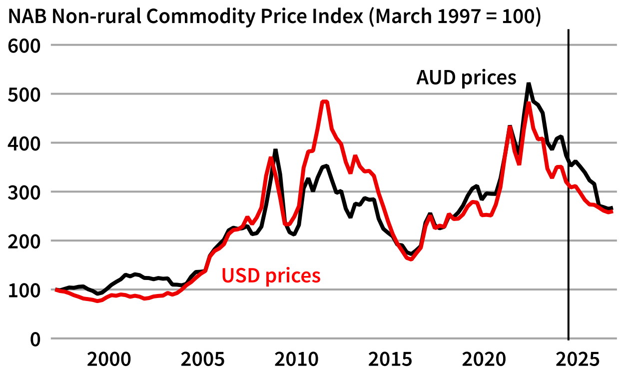
Overview

- Trends among individual commodities have been divergent in recent months – with gold continuing to rise to new record highs, while iron ore and base metals rose until early November, supported by expectations of Chinese stimulus, before falling following the US election and the underwhelming fiscal package from China. In contrast, metallurgical coal and crude oil declined from early October. On average, we expect NAB's Non-rural Commodity Price Index to move slightly higher in Q4 – up around 0.9% qoq.

- We have revised our global economic outlook following the US elections. A stronger starting point in the US and the Euro-zone mean a slightly stronger profile in 2024 and 2025, before global growth slows in 2026 – reflecting the impact of US tariffs. There remains uncertainty around the timing and scale of these measures, the retaliatory responses of other countries and further Chinese stimulus and/or reform.

- Our weaker economic growth profile – particularly for China – is a negative for commodity markets. In US dollar terms, our commodity price index is forecast to fall by 12.6% in 2025 and a further 7.2% in 2026.

Weaker prospects for coal and iron ore to lead commodity prices lower



NAB Commodity Price Forecasts

		Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
WTI oil	US$/bbl	77.5	81.8	76.5	70.8	78.0	75.0	74.0	75.5	74.0	72.0
Brent oil	US$/bbl	82.9	84.6	80.0	74.7	81.0	77.0	76.0	78.0	77.0	75.0
Gold	US$/ounce	2072.2	2335.7	2474.9	2665.5	2600.0	2550.0	2500.0	2550.0	2540.0	2520.0
Iron ore (spot)	US$/tonne	126	111	100	103	95	91	88	86	83	82
Hard coking coal (spot)	US$/tonne	312	243	212	206	200	190	185	183	180	180
Thermal coal (spot)	US$/tonne	127	136	140	143	120	110	100	90	90	85
Aluminium	US$/tonne	2202	2517	2384	2595	2600	2550	2500	2450	2400	2200
Copper	US$/tonne	8443	9745	9208	9233	9000	8800	8400	8200	8000	7800
Lead	US$/tonne	2074	2165	2044	2008	1970	1960	2000	2020	2000	1950
Nickel	US$/tonne	16584	18415	16261	16158	16000	16500	17000	16000	15500	15500
Zinc	US$/tonne	2452	2830	2780	3051	3000	2800	2600	2400	2425	2450
LNG spot (JKM)	US$/mmbtu	9.4	11.1	13.0	14.1	13.0	9.0	8.0	12.0	11.0	8.0

Gerard Burg, Senior Economist - International | Alan Oster, Chief Economist

Economic overview: US election set to shift policy, leading to weaker global growth in 2026

We made a number of revisions to our **global economic forecasts** in November. Stronger than expected data in the US and Euro-zone have seen upward revisions for 2024 and 2025 – lifting global growth to 3.2% (from 3.1% previously). 2026 has been revised lower – down to 3.0% (from 3.2%) – driven by slower growth in the United States, China, East Asia and Western Europe.

A key assumption in this outlook is both the timing and scale of **US trade measures**, which we pencil in to commence in mid-2025 and are smaller than those proposed during the election campaign but still substantial. Uncertainty around both of these factors presents risk to our forecasts, along with the potential for escalation should other countries retaliate to US tariffs.

China's hesitancy to implement meaningful fiscal stimulus has meant that our near term forecasts remain unchanged – 4.7% in 2024 and 4.6% in 2025 – however we have revised growth in 2026 lower, down to 4.2% (from 4.4% previously). Risks around this forecast reflect the uncertainty regarding the impact of US trade policy and tariff escalation as well as the potential for meaningful domestic reforms to support the demand side of China's economy. However our base case forecast would be a generally be a negative for commodity demand.

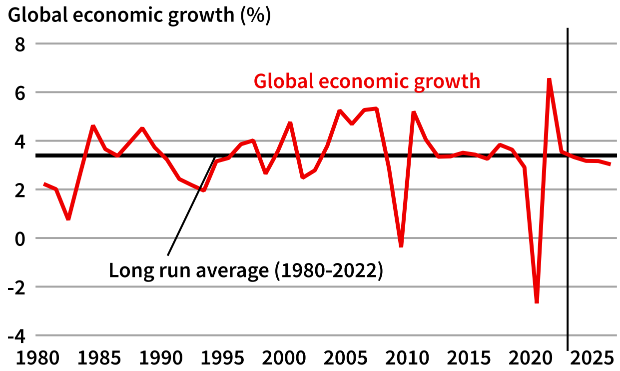
Instead of any policy proposals to materially improve domestic demand, China announced a RMB 10 trillion **debt swap for local governments**. This will increase transparency and reduce interest costs but will not provide a substantial boost to their capacity to spend. China's Ministry of Finance has suggested further measures could be introduced in 2025.

Growth in **China's export volumes** has remained elevated – increasing by 14.1% yoy in August (compared with a 1.4% yoy increase in export volumes from all other countries). This reflects imbalances in China's economy that were exacerbated during the pandemic – providing support for firms that boosted production capacity while there was little provided to households.

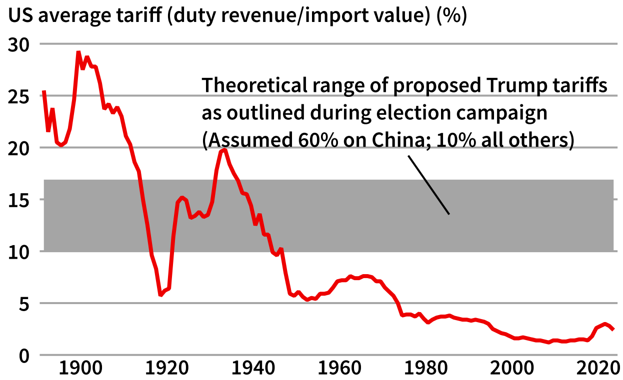
Headline inflation in advanced economies dropped significantly in September – down to 2.1% yoy (its lowest rate of increase since March 2021). However, progress in lowering core inflation has been less significant – with AE core inflation easing to 2.6% yoy in September (from 2.7% yoy in August). This serves to highlight that the path of inflation remains uncertain – particularly given the backdrop of US tariffs.

This uncertainty was echoed by **US Fed** Chair Jerome Powell, who noted last week that "the economy is not sending any signals that we need to be in a hurry to lower rates". While we still expect the Fed to cut rates in December, we have revised our outlook for the Fed last month – reducing the cuts in 2025 to 100 bps (from 150 bps previously).

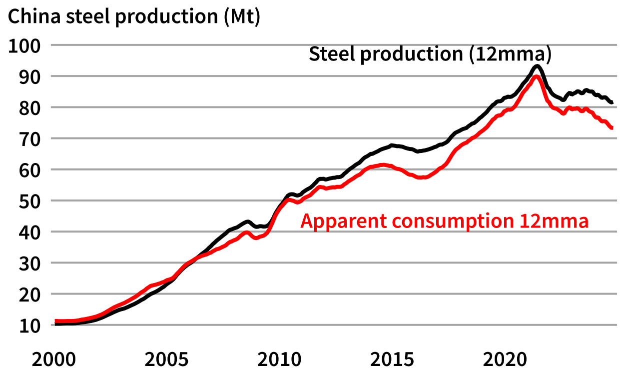
US tariffs set to hit global growth outlook



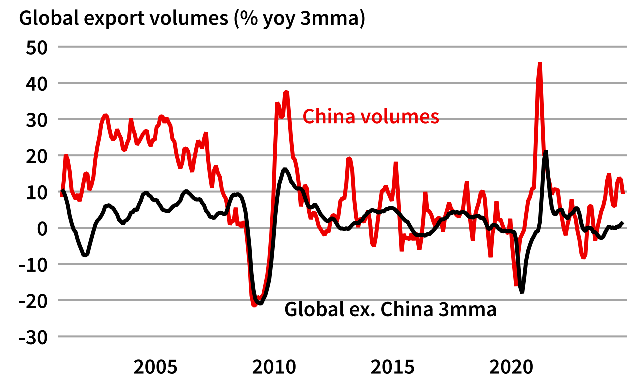
Trump tariffs represent substantial policy shift



China's steel consumption falling, exports increasing



Imbalances have driven China's export volume growth



Energy: OPEC+ fight to keep oil prices from falling

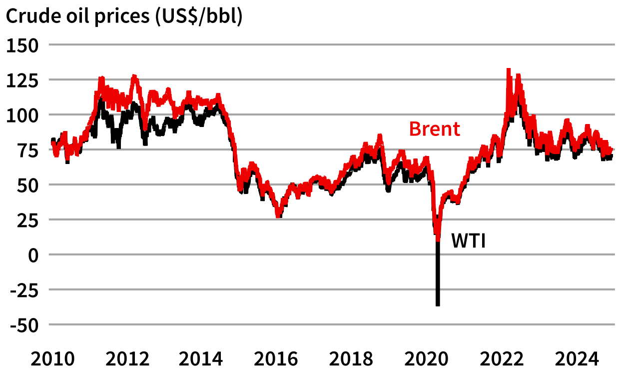
Following peaks back above US$80/barrel in the first half of October, **crude oil** prices settled back around US$75/barrel mid-month, remaining close to this mark throughout November. Oil markets remain torn between weak global demand, particularly in China (where consumption fell yoy in Q2 and Q3) and fears around global supply – with the Russia-Ukraine war and escalating Middle East conflicts both impacting. OPEC+ is set to meet in early December, which should determine the future of voluntary production cuts that were due to expire at the end of November. Given the weakness in global demand, the production cuts (that are intended to support the oil price) are expected to be extended, although some members within the group have been agitating for increases in their quotas. Our oil price forecasts are unchanged, we expect Brent crude to average US$78/ barrel in 2025 and US$75/barrel in 2026.

Spot prices for **liquefied natural gas** (LNG) have remained elevated – with the JKM close to US$15/mmbtu at the end of November. In part this reflects seasonal patterns, with major LNG consumers restocking ahead of the northern winter. Growth in LNG supply has been slower than anticipated in 2024, with the International Energy Agency expecting a 2% increase, the smallest since 2020. Supply growth is expected to be stronger in 2025 – up by 6% – however disruptions could continue. Demand is anticipated to grow more slowly, which should result in some downward pressure on LNG spot prices. We expect the JKM to average US$10.5/mmbtu in 2025 and US$9.0/mmbtu in 2026.

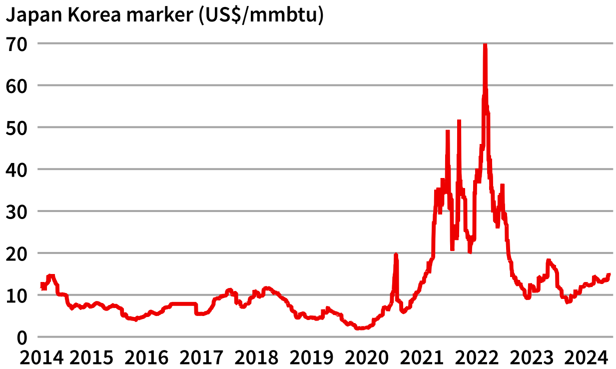
Hard coking coal spot prices have broadly tracked sideways since mid-October, trending just above US$200/t, having lifted earlier in the month following China's monetary stimulus. The continued downturn in China's property sector, as well as tightening trade measures on the country's exports, could constrain the steel industry, leading to weaker demand for coking coal. We see prices drifting lower to US$190/t in 2025 and US$180/t in 2026.

Thermal coal spot prices have gradually drifted lower since early October, down to US$140/t by the end of November – albeit this remains elevated compared with the lower levels recorded mid-year. With global growth remaining subdued, there appears to be limited upside to thermal coal demand in the near term. We forecast thermal coal to average US$105/t in 2025 and US$86/t in 2026.

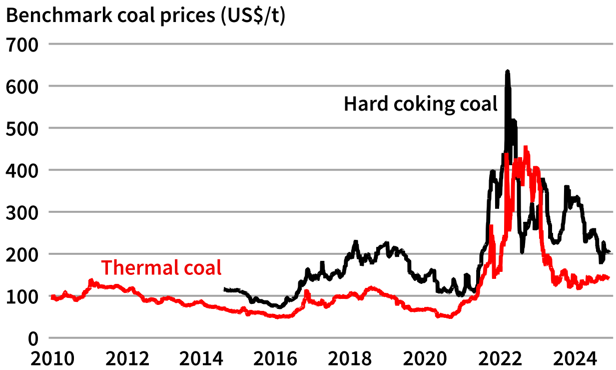
Oil prices slid back below US$80/barrel



Seasonal pressures push LNG prices higher



Coal prices drifting sideways to down



Sources: Macrobond, Refinitiv, Bloomberg, NAB Group Economics

Metals: metal prices have trended down as China's fiscal package failed to meet expectations

Iron ore prices tracked broadly sideways from early October through early November – around the US$105/t mark. This was around US$10/t above the levels of late September – in part reflecting the expectations that Chinese stimulus could boost demand for steel (which had been negatively impacted by the downturn in construction activity). Prices dipped back towards US$100/t following the US Presidential election and the failure of China to deliver meaningful fiscal stimulus. We expect that the downturn in China's property sector still has further to go, while trade barriers will begin to constrain steel exports. We still expect prices to ease in 2025, averaging US$90/t, and further in 2026 – to US$81/t.

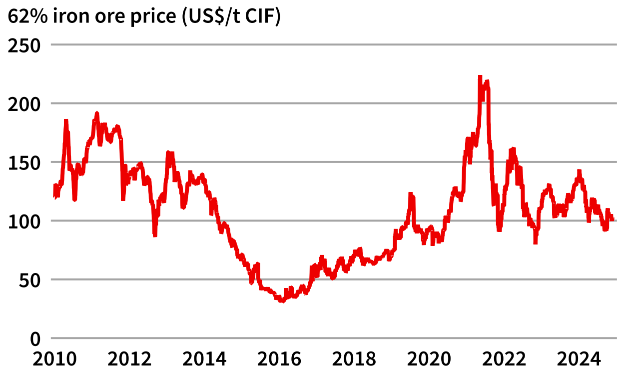
Recent trends in **base metal** prices have been broadly negative (albeit to differing degrees). The LME index was relatively elevated in early November (albeit below the recent cycle peaks of early October) – built on the anticipation that anticipated Chinese fiscal stimulus would provide a boost for metal demand. However, the index fell over 6% peak to trough following the US Presidential election and the disappointment around China's fiscal package.

The declines in prices were led by copper (down 6.6%) and nickel (down 5.8%), while lead prices were only 3.3% lower. Some metals – notably aluminium, copper and zinc – remain comparatively elevated when compared with the levels of early 2024.

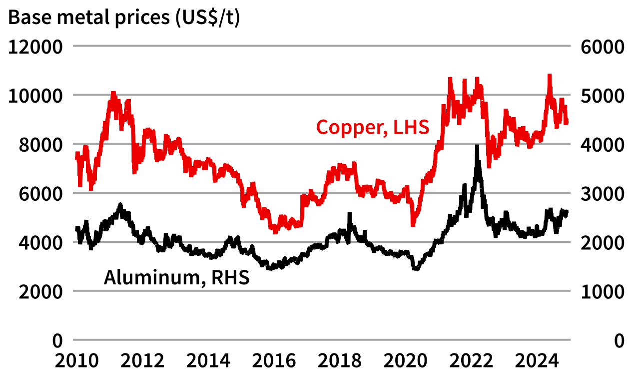
We forecast base metal prices to trend lower across 2025 and 2026, with the LME index down by 2.7% in 2025 and 10.1% in 2026 – with weaker activity in China the key driver.

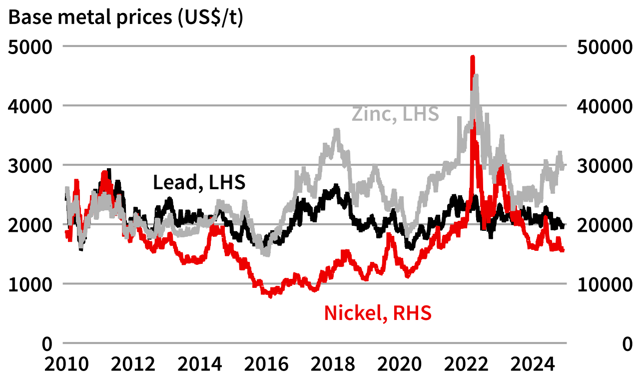
Spot prices for **gold** hit another all time high at the end of October (US$2778/oz), before easing across the first half of November. The World Gold Council attributes this decline to the strengthening of the US dollar as well as a decline in the net long speculative positions in futures markets – with the latter potentially reflecting an unwinding of hedge positions ahead of the US election. Prices subsequently trended higher again in the second half of November. Gold's perceived status as a safe haven asset could continue to support demand – given ongoing policy uncertainty that could negatively impact the global economy, as well as various geopolitical tensions – along with purchases by central banks. We have revised our forecasts for gold higher – averaging US$2550/oz in 2025 and US$2515/oz in 2026.

Iron ore drifted back towards US$100/t

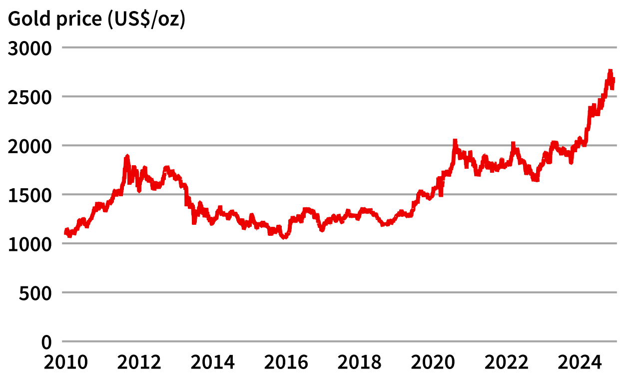


Copper loses the boost from stimulus expectations





Gold eases back from yet another record high



Group Economics

Alan Oster
Group Chief Economist
+(61 0) 414 444 652

Jacqui Brand
Executive Assistant
+(61 0) 477 716 540

Dean Pearson
Head of Behavioural & Industry Economics
+(61 0) 457 517 342

Australian Economics

Gareth Spence
Head of Australian Economics
+(61 0) 422 081 046

Behavioural & Industry Economics

Robert De Iure
Senior Economist – Behavioural & Industry Economics
+(61 0) 477 723 769

Brien McDonald
Senior Economist – Behavioural & Industry Economics
+(61 0) 455 052 520

Thao Nguyen
Economist – Data & Analytics
+(61 0) 451 203 008

International Economics

Tony Kelly
Senior Economist
+(61 0) 477 746 237

Gerard Burg
Senior Economist – International
+(61 0) 477 723 768

Global Markets Research

Skye Masters
Head of Research
Markets, Corporate & Institutional Banking
+(61 2) 9295 1196

Important notice