NAB Minerals & Energy Outlook

February 2025

NAB Economics

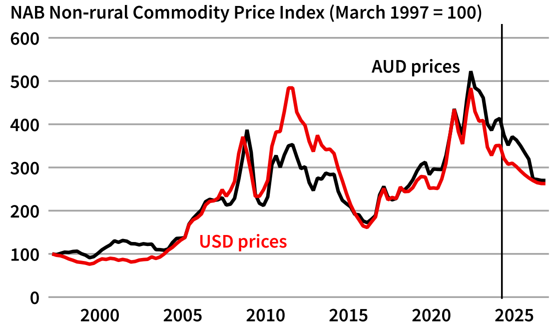
Overview

- NAB's Non-rural Commodity Price Index looks set to fall in Q1 – down by around 2.5% qoq in US dollar terms. Key to this anticipated downturn is weaker forecast prices for thermal coal, while iron ore and metallurgical coal are also expected to soften. In contrast, prices for liquefied natural gas (LNG) and gold strengthened.

- Our economic outlook is not generally a positive one for commodity prices – we see slowing global growth over 2025 and 2026 – to 3.1% and 3.0% respectively. However any forecast at this time has a higher degree of uncertainty at present – given the large policy shifts underway in the United States. China's economy is expected to slow further – reflecting weakness in domestic demand and growing trade barriers.

- Having declined by around 10.1% in 2024 (in US dollar terms), our commodity price index is forecast to fall further – down by 10.5% in 2025 and 8.1% in 2026. Iron ore – Australia's largest export – is the main contributor, along with weaker prices for thermal and metallurgical coal.

Iron ore and coal driving our commodity price index lower across 2025 and 2026



NAB Commodity Price Forecasts

		Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
WTI oil	US$/bbl	76.5	70.8	75.0	75.0	74.0	75.5	74.0	72.0	71.0	71.0
Brent oil	US$/bbl	80.0	74.6	78.0	77.0	76.0	78.0	77.0	75.0	74.0	74.0
Gold	US$/ounce	2474.9	2660.3	2830.0	2900.0	2850.0	2830.0	2800.0	2850.0	2900.0	2950.0
Iron ore (spot)	US$/tonne	100	104	102	97	93	88	85	84	82	81
Hard coking coal (spot)	US$/tonne	212	206	190	185	175	170	168	166	164	162
Thermal coal (spot)	US$/tonne	140	139	115	110	100	90	90	85	85	85
Aluminium	US$/tonne	2384	2574	2600	2550	2500	2450	2400	2200	2100	2000
Copper	US$/tonne	9208	9183	9000	8800	8400	8200	8000	7800	7600	7400
Lead	US$/tonne	2044	2006	1930	1960	2000	2020	2000	1950	1975	2000
Nickel	US$/tonne	16261	16015	15500	16500	17000	16000	15500	15500	15000	15000
Zinc	US$/tonne	2780	3049	2850	2800	2600	2400	2425	2450	2475	2450
LNG spot (JKM)	US$/mmbtu	13.0	13.9	14.3	11.0	12.0	13.0	11.0	9.0	9.5	10.5

19 February 2025 | Author: Gerard Burg, Senior Economist - International
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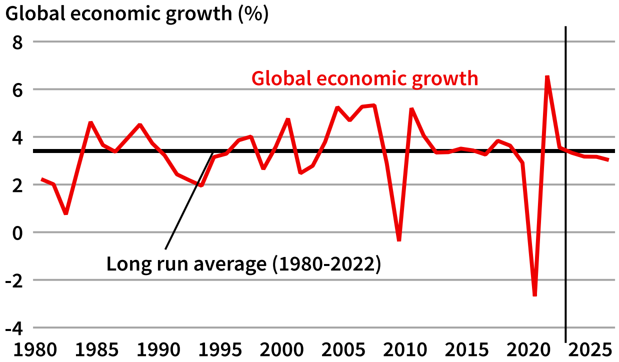
Economic overview

Our **global economic forecasts** are unchanged this month. We expect to see a modest slowing in growth across both 2025 and 2026 – to 3.1% and 3.0% respectively (compared with the 3.2% expansion estimated for 2024). This is below the trend rate of growth since the turn of the century (at 3.5%).

Global economic growth (%)



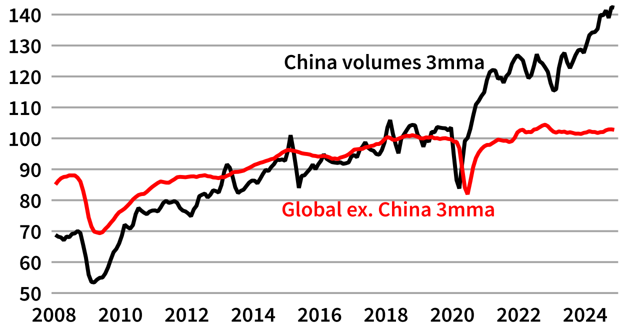
The key drivers of this expected easing in growth are the United States and China. In the case of the latter, we expect **China** to slow below 5% growth, reflecting the existing weakness in domestic demand, combined with the impact of growing trade restrictions – not limited to the United States – on its export sector.

It is worth noting that any forecast has a higher degree of uncertainty at the moment – largely related to the sizeable **policy shifts in the United States** that could disrupt trade and impact investment decisions in different regions. This is highlighted by threatened implementation of large scale tariffs on countries such as Canada and Mexico that were subsequently suspended.

Our expectation after the election was that **US tariff rates** would rise and we pencilled in a staggered 10ppt rise in the average tariff rate, starting around mid-year. Developments are clearly running ahead of this, but uncertainty around the ultimate level, and timing, of tariff increases remains extremely high. There is also the risk of retaliation to US tariffs setting off a round of tariff increases (as President Trump has indicated he will respond to retaliation) – similar to the US-China trade war that commenced in 20218, during the first Trump Administration.

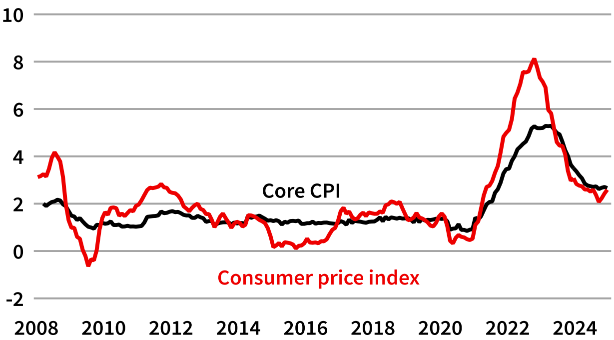
According to data by CPB, **global trade** volumes expanded by around 8.5% yoy in November, continuing the strong expansion that has been evident since the second half of 2020. That said, this increase has been driven almost solely by China. Export volumes for the world excluding China are barely changed from the start of 2022 – only around 0.2% higher in November 2024 – while China's export volumes increased by 12.8% over this period.

Global export volumes (Index Jan-19=100)



Recent **inflation** trends in advanced economies (AEs) have been negative – with price growth accelerating since September (when it hit 2.1% yoy). AE headline inflation moved back up to 2.6% yoy in December – with the European Union and the United States the main contributors to this trend.

Advanced economy inflation (% yoy)

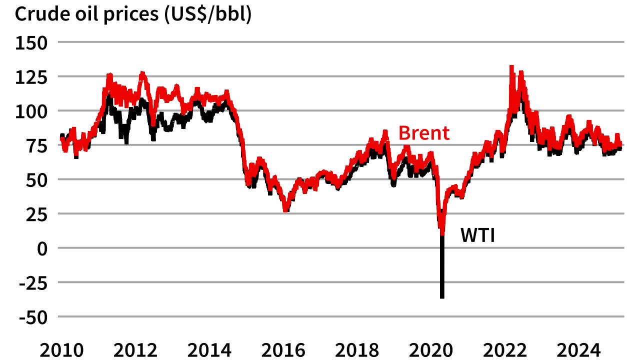


Persistent above-target inflation, solid growth and receding labour market risks (and possibly also the prospect of additional price pressures from US tariffs) has reduced market expectations of policy rate cuts by the **US Federal Reserve** in 2025. In mid-February, markets were fully pricing less than 50 basis points of cuts, compared with an expectation of around 100bps as recently as October. We see the Fed remaining on hold across the first half of 2025, but making two 25bp cuts in the second half.

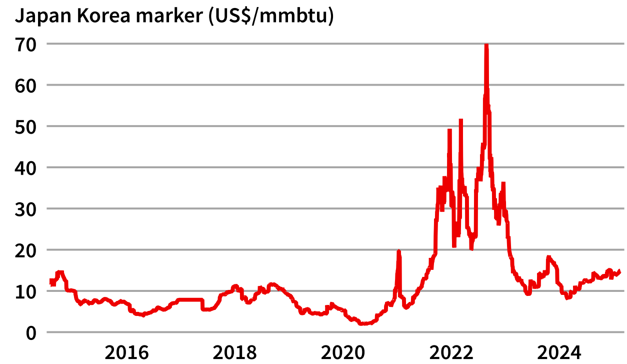
Energy

Having tracked broadly sideways across the second half of November and December, **crude oil** prices rose in early January, as a new round of US sanctions on Russia and Iran were implemented by the outgoing Biden Administration and North America experienced extremely cold weather (increasing heating demand). Prices moved up from around US$75/barrel to US$82/barrel (for benchmark Brent crude) but subsequently trended lower from mid-January onwards (moving back below US$80). OPEC+ has continued its production discipline, holding around 5.7% of global supply off the market, with voluntary production cuts set to expire at the end of March (albeit these cuts were extended multiple times in 2024). President Trump has called on Saudi Arabia to increase output, but it is unclear whether this will occur. Our

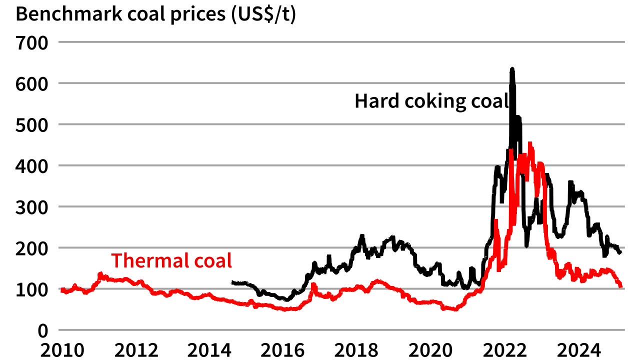
Sources: Macrobond, Refinitiv, Bloomberg, NAB Economics oil price forecasts are unchanged, we expect Brent crude to average US$78/ barrel in 2025 and US$75/barrel in 2026.



Spot prices for **liquefied natural gas** (LNG) have been volatile in recent months, initially easing across January from a mid-December 2024 peak before climbing back towards US$15/mmbtu in early February. This has largely reflected differing peak northern winter demand in individual regions – with cold weather in Japan and northern China in December and a more recent cold snap in Europe. While supply growth is expected to accelerate in 2025 – up by 5% according to the International Energy Agency – some of these gains could be offset by reduced pipeline flows from Russia to Europe (which started in January). Reflecting this tighter supply outlook, we have raised our forecast for the JKM to average US$12.6/mmbtu in 2025 and US$10/mmbtu in 2026.

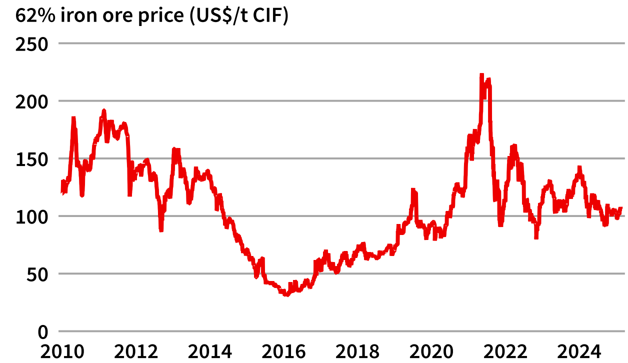


Prices for **hard coking coal** have drifted lower since the start of January, dropping back below US$200/t. The outlook for China's steel sector remains clouded, with domestic demand still subdued and export potential of manufactured goods and steel products increasingly under pressure from tariffs. This should place further downward pressure on hard coking coal prices – we forecast prices to drift lower to US$180/t in 2025 and US$165/t in 2026. Similarly, **thermal coal** prices have tracked lower in recent months – dropping closer to US$100/t in mid-February (from almost US$150/t in mid-October). There continues to be a shift in coal consumption – primarily in the electricity generation sector – with increases in India and China (the latter largely driven by growing demand from high tech data centres and artificial intelligence developments), while usage in the European Union and United States continues to decline. The International Energy Agency expects global coal consumption to plateau over the next few years from its all-time high in 2024. Our forecasts are unchanged – we expect thermal coal to average US$105/t in 2025 and US$86/t in 2026.



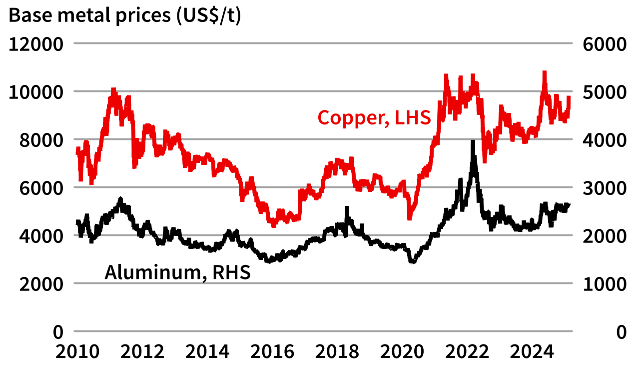
Metals

Iron ore prices generally trended lower across 2024, moving close to US$100/t by the end of the year. Prices averaged US$100/t in January before edging slightly higher in early February, but overall we expect the quarterly average to be lower in Q1. Global steel consumption appeared to decline again in 2024 – the third straight year of falls – as steel usage in China continues to fall, primarily driven by the downturn in property construction. Growing trade barriers being implemented by a broad range of countries (beyond just the United States) could further impact Chinese steel producers in 2025, adding additional downward pressure to iron ore prices. We have marginally revised our iron ore forecasts higher still, averaging US$95/t in 2025 and US$83/t in 2026.

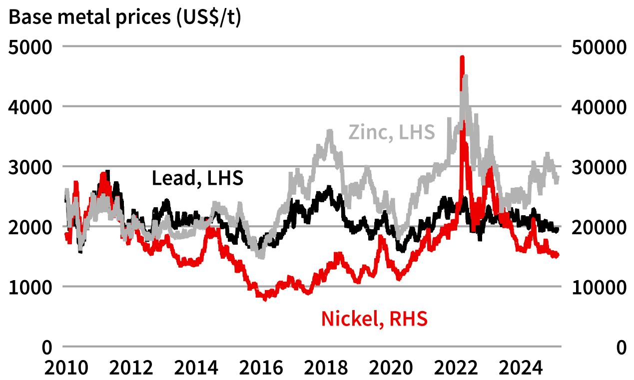


Base metal prices have been highly volatile over the past year, with this trend continuing into the early part of 2025. The LME index rose rapidly in the first half of January – up around 5.6% from trough to peak – before subsequently retracing most of this increase as the Trump Administration took office (with expectations that Trump's trade policies would generally be a negative for commodity demand, particularly in China). However, the LME index trended higher again from the start of February – moving above the mid-January peak.

Sources: Macrobond, Refinitiv, Bloomberg, NAB Economics

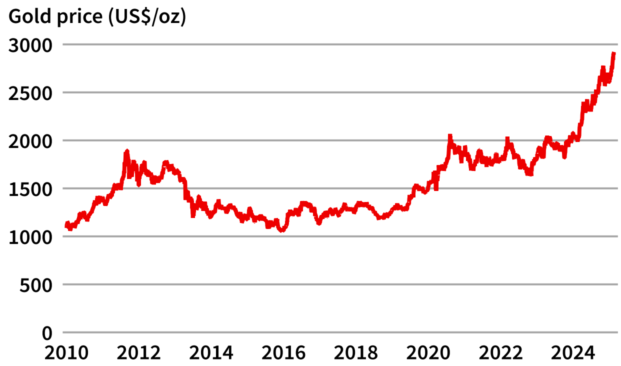


This increase was largely driven by copper. While the International Copper Study Group expect that the surplus in refined copper will be smaller in 2025 than in 2024, the surge since the start of February has coincided with an increase in speculative copper positions on the LME and COMEX recently.



We forecast base metal prices to trend lower across 2025 and 2026, with the LME index down by 2.6% in 2025 and 10.2% in 2026 – as supply pressures ease and China's growth continues to slow.

The spot price of **gold** climbed considerably across 2024 – up around 23% in year average terms – and rose to another record high in mid-February, above US$2900/oz for the first time. The increase in gold prices in 2024 came despite the general strengthening in the US dollar and the easing in inflation – two factors generally perceived as negative for precious metals, however policy uncertainty and geopolitical tensions provided support (and this could continue in 2025). Central banks were key contributors to gold demand across 2024 – data from the World Gold Council showed Poland, Türkiye and India making the largest purchases in the first eleven months of the year. Given the steep upward movement in the gold price, we have revised our forecasts higher – we now see gold averaging around US$2850 in 2025 and US$2875 in 2026.



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